

# How Spending Money Creates Happiness

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## Abstract

This paper examines ten different studies that all surround the topic of money and how it is linked to happiness. These studies will help the reader get a better understanding of the relationship between how much a person makes and how they spend their money and how it affects their overall well-being. The research will focus on bringing in specific examples of different studies that will allow the reader to get a better idea of what the root of a person's happiness is along with getting another perspective on how money can help satisfy an individual by giving. The new perspectives will allow readers to rethink why money does not bring happiness even though money can be used to help bring benefits to others. In addition, personality types and individuals within the studies will be analyzed in this paper.

*Keywords:* Money, Spending, Personality Types

## How Spending Money Creates Happiness

An individual's happiness can be directly impacted by social, environmental, and economic factors. Happiness and overall well-being can vary based upon the circumstances of an individual, where they live, what they do for money, their current health, and more. This is critical to consider when understanding the possible benefits of having economic stability in an individual's life. This research allows for the perspective of those giving money and receiving the money to be observed, along with analyzing the financial relationships with overall well-being, happiness, and personality. And it will show that an individual's use of their money, along with their personality type, has a direct correlation with their happiness.

### Money's Impact on Well-Being in Three Countries

Finances and overall well-being go hand in hand. In September 2020, all 50 states in the US were measured across 32 metrics. These metrics included depression rates, sleep rates, suicide rates, divorce rates, and long-term unemployment rates. Researchers used multiple nested regression models on cross-sectional data to determine the link between happiness and social and economic factors. Their data showed that happiness did not have a significant relationship with multiple social and economic factors. However, there was a significant relationship found between personal income and happiness. For example, a \$10,000 increase in personal income is associated with a 0.032 increase in overall happiness (Garrison, 2021). This study challenges the link between overall well-being and how much money a person makes.

Another study was conducted in Zambia where it primarily targeted women in poor households. The study analyzed self-reported happiness for those who received a transfer-paid amount of money directly via the government. It involved a cluster randomized controlled trial and it included over 90 communities within the country. The results show that this money transfer improved the happiness of women in Zambia. They also discovered that the impact on women's happiness has been

accompanied by an improvement in satisfaction regarding their young children's well-being (Natali, 2018). This research aimed to determine the relationship in lower-income settings, which is important to consider when understanding economic situations for those who are faced with financial adversity. Well-being can also be looked at from the perspective of having those around a person taken care of.

The last study focusing on well-being was conducted based on data collected from 1,500 respondents in Pakistan. This group of researchers followed a convenience sampling technique using a financial distress scale along with a financial social learning opportunities method to measure scores. The findings from data analysis in this study provided support for their models and support for improvements in the financial well-being of adults. The improvements were observed through the financial state proceeds and childhood consumer experiences. The study made it clear that peer financial status does not correlate with the financial well-being of individuals. This means that their data supported the idea that individuals in Pakistan do not consider peers as socialization agents (Shi, 2021). The data provides evidence of the influence of financial decision-making and its correlation with well-being.

These three research studies allowed for the interpretation of situations where money plays a role in overall well-being. The perspective of having three different countries helped bring insight into new perspectives, and each study presented its topic of discussion and situation relative to the overall theme of money's link to personal well-being. When interpreting personal well-being, it is critical to consider a few factors that money can boost such as family stability, paying off debts, help towards achieving a goal, safety, confidence, and others.

### **Relationship between Money and Happiness**

Many arguments have developed regarding the relationship between money and happiness. Two studies identify the link between both of these topics and allow for the interpretation of different ideas associated with this relationship. The first study aims to answer the question of whether having more money makes someone feel happier. The study begins with the method of measuring and analyzing income. The group of researchers used data from the American Time Use Survey, ATUS, well-being models in 2010, 2012, and 2013. The ATUS is a repeated cross-sectional survey that is representative of US household residents aged 15 years and older. The sampling frame is the current population survey which was conducted 2 to 5 months before the ATUS. The ATUS included phone calls with various questions that were aimed to understand daily life activities and feelings. They also used data from the German Socio-Economic Panel. The GSOEP had an interview process that interviewed face to face for certain questions and over the phone for the other group of questions (Kudrna and Kostadin, 2022). This led to the data collection for their research.

After they collected their data, the daily happiness was analyzed using a 0-6 scale. For the ATUS the mean happiness was 4.38 while the GSOEP face-to-face interview mean was 2.91 and the GSOEP phone call mean was 2.65. The results suggested that income can be associated with daily experiences of happiness but it may depend on how income is analyzed. There was some evidence that some people

with higher incomes feel somewhat less happy than some of those with lower incomes when analyzing the data from ATUS, while the continuous income variable in GSOEP didn't show a relationship (Kudrna and Kostadin, 2022). This study provides evidence that those who make more money can be less happy; however, it was not shown to be significant in this study.

For the next study, data was collected using multiple cross-sectional studies. A series of questions were asked to candidates which included: "Are happy people successful people?"; "Are long-term happiness and short-term positive affect associated with behaviors paralleling success?"; "Does happiness proceed with success?"; and "Does happiness and positive affect proceed behaviors paralleling success?" There were three classes of evidence to test their model, which included cross-sectional, longitudinal, and experimental literature to examine happiness and positive effects. Overall, the results vary based on the three areas. There was a vast number of correlational studies showing positive associations between happy and successful outcomes with all the major life domains. Cross-sectional work indicated positive relations of happiness and positive fact with certain attributes, such as positive self-perception, behaviors, likeability, and others. Longitudinal research was found to be limited. The researchers were unable to develop ideas regarding the relationship between enough studies that show long-term happiness preceding successful outcomes and the correlation between long-term happiness and short-term positive effects proceeding with desirable resources and characteristics because of the lack of information and data that has already been conducted (Lyubomirsky et al., 2005).

When interpreting the relationship between money and happiness, it is important to consider the personality of an individual. The first study supported some evidence of individuals with higher income being less happy, but it did not necessarily provide exact evidence or define certain aspects of an individual's life that could influence the results. This is important to consider when interpreting any study, along with a topic of discussion that can be perceived in a variety of ways. The second study was able to support the ideas behind the boost or enhancement that money can bring to a person. Overall confidence, self-esteem, and even pride can influence a person's overall happiness from money. The status of an individual can weigh heavier for those with personalities that enjoy the attention, while other individuals with personality types that value other parts of their life such as family, religion, or career may not face the same impact on their happiness.

### **The Multiple Uses of Money**

Money can be spent in a variety of different ways. Personality types may correlate with certain actions for a person when they receive money, and the feedback they receive from the decisions they make with their money can influence their overall happiness. Three studies were found that research this specific topic. The first involves an experiment giving students money, the second study analyzes three different experiments relating to certain situations that test a person's actions with their spending, and the last study analyzes the social ideas relating to money usage.

For the first study, a group of researchers wanted to get a better understanding of how people spend their money and its correlation to happiness. They experimented on a university campus by giving them money. In this

experiment, it included either giving them \$5 or \$20. Half of them were instructed to spend the money on themselves, while the other half was instructed to spend the money on someone else. After analyzing the results, it appeared that those assigned to spend their money on someone else reported their moods were boosted. Also, they discovered that individuals believe they would be happier spending more money, which in this case was \$20 over \$5 (Dunn, 2014). The act of giving plays a part in the psychology of receiving money which is another idea to consider when understanding the association between money and happiness.

The second study included three different experiments with a similar aim to show the relationship between individual spending and how it corresponds to happiness. The first experiment involved individuals purchasing a goodie bag for a sick child. They used baseline tests and analyses to make reports based on positive or negative reactions. The next experiment used participants that were randomly assigned, and the research has made reflections based on the previous instance of pro social spending in the results. The last experiment aimed to have participants recall and describe a previous experience where they use \$20 to benefit themselves or someone else. From their results, they were able to find evidence from the registered replication reports that supports the idea that spending money on others promotes happiness. They used an improved recollection paradigm where they found that participants in the prosocial spending condition reported slightly higher happiness after recalling a time they spent money on others versus spending money on themselves (Aknin et al., 2020). As can be seen, happiness occurring when money is spent on others is supported in a multitude of different studies.

In the final study of this topic, there is an analysis framework for social money usage by stating examples in today's society. Researchers proceeded to a method and data representing original household samples that explore money usability. Lastly, they analyze the results from the factor analysis and discuss the findings by relating them to past background controversies with certain money approaches. For their social ideas relating to money usage, they discuss money as freedom, money as a status signal, money as a means for community building, and money as a means to regulate and discipline behavior. For their method and data, they use a 24-item questionnaire with a four-point scale to measure the degree of respondents' agreement with certain statements. The statements included are related to the potential disability of money. Their respondents' results indicated that social purposes can influence money usage, while major social variables did not influence money usage. Freedom is a big focus found in this study. Researchers also concluded that individuals know that money in the social dimension is meant to become independent from other people. Therefore, they concluded that money, as it means to create fulfillment, is based on its social dimension of freedom and dependence leads to individual usage for oneself (Kraemer, 2022).

### **Personality Factors**

Personality advances between certain factors for humans, such as age, gender, beliefs, social influence, and environment have also been connected to money and happiness. Two studies have been analyzed that correspond to personality factors linked with money spending and how it is used. The first personality study is

aimed to explore data surrounding personality factors, money attitude, financial knowledge, and credit-card debt in college students. The researchers discuss personality traits along with all of the other areas mentioned. For their method, 448 students from five different colleges in the US were used for the study, including sophomores and older college levels for their research. They analyzed credit card use, financial status, attitudes toward debts, and overall financial knowledge. The researchers also used a financial well-being scale, a credit card use scale, a brief sensation-seeking scale, a delay of gratification scale, a materialism scale, and a compulsive buying scale. They discovered from their results that the average debt among students was \$1,035 and the average income yearly was \$7,892. Other results supported the perspective of debt and the current situation of the student. Another key element would be the factors that led to the debt which would be financial knowledge, the number of credit cards, attitudes toward possessions, and demographic variables (Norvilitis et al., 2006).

This next study aims to show the relationship between individual spending and how it matches their personality. This study used customers from a UK-based multinational bank in late 2014. There was a survey link that was sent via email to customers of the bank which consisted of a BFI 10 personality questionnaire and the satisfaction of life scale. The data was set to analyze all transactions going out by customers over six months. Also, this data was grouped into different categories. They were left with 625 participants who fulfilled and completed their requirements for their tests. The researchers then proceeded to write the personality traits of the spending categories by using 100 workers from Amazon to Mechanical Turk (Matz et al., 2016).

From their results, the data showed significant evidence that the average person spent more money on products that matched their personality. Also, the study supported that smaller purchases can result in greater happiness than a few large ones. The group discovered that consumers who bought more products matched their personality, which supported higher satisfaction with their lives. Both results provided valuable data involving the association between personality, spending, and satisfaction (Matz et al., 2016). Personality types vary between large groups, and these two studies allow for a perspective between multiple ages and groups.

### **Conclusion**

An individual's ability to use the money to help others shows the type of character a person has. In terms of satisfaction, there is significant evidence from multiple studies that show that happiness is increased when money is spent on other people. Personality types are relevant to this topic because it correlates with the thought processes that result in the action or interpretation of an event. The psychology behind money with how a person uses it allows researchers to get a better understanding of what motivates people and what makes them happy.

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