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## Context to the nugget

Ashley speaks about research that suggests that above USD 60,000 money does not necessarily buy more happiness. She goes on to say that above USD 100,000, people might start to feel worse off because they start comparing themselves with a different economic stratum. She speaks about how the pursuit of wealth for the sake of it being a happiness trap.

## Transcription

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Deepak Jayaraman (DJ): Just to maybe get the framework fleshed out a little bit; in the book you talk about the trade-off between time poverty and money poverty, which I found interesting. People struggle to plot it on the same scale and you have sort of taken a stab at how do we really attach a money value to time and how do we think about that trade-off and you actually say something interesting in the book, you say that money protects us against sadness, but doesn't necessarily buy happiness. I found that quite intriguing. So, give us a sense of how we should think about this trade-off and what's the insight here?

Ashley Whillans (AW): Yeah. So, as I was mentioning before what's really interesting is that as we gain more wealth, as we make more money, we should be able to outsource more, we should have more control of our schedules, our work and outside of it; maybe we should be allocated more paid vacation. So, by a function of some of these assumptions, we should also feel happier and more time affluent. But what large panel survey data shows is that people who make more money are more stressed in part because they become even more focused on making and earning money. They work more; they are more likely to spend their time engaged in activities that promote time poverty and stress like working and commuting. So, this data that you are talking about, in my research and others there's kind of two numbers. So, you wrote this out and I think it's useful to kind of think about is past \$60,000 of income more money doesn't necessarily drive more happiness. And actually, once you start making more than \$100,000, what's really interesting is you start feeling worse off because you start comparing yourself to others. So, actually hitting that milestone that you have in your mind of how much money you want to make post-graduation you think you are going to stop and focus on leisure or family once you hit that number but actually what starts to happen is you focus on work and money to an even greater extent. You start comparing yourself to people of even more money than you and that's part of the reason that I talk about this in the book that chasing wealth is a time trap, because we tell ourselves going into our careers once I hit a certain promotion, once I hit a certain rank, I am going to... once I hit a certain salary number, a certain amount in the bank, a certain proportion of my mortgage that is paid up, I am going to stop and I am going to scale back. But what often happens is we stop and our reference point changes and we go after the even higher promotion or the even higher salary band at the expense of our time and this is where the data gets interesting. So, there's a lot of good research now by Kostadin Kushlev at

Georgetown and others showing that the amount of income we make can protect against sadness when we make more money, we are better able to manage the demands that come up in everyday life. When our car breaks down, we can easily pay to fix that or replace the car. So, these everyday shocks that happen to us don't impact our emotions to the same extent as negative. We do not feel as much negative emotions to the same extent. However, income does not translate into greater happiness because a lot of the factors that drive happiness social connection, meaningful interactions with people we care about, volunteering, physical activity, cooking, hobbies, religious participation all of these fundamental ingredients of what it means to live a happy and meaningful life involve our time. But when we work all the time, when we are chasing the next promotion, we do not have the time or bandwidth to spend in activities that are likely to promote our own and our loved ones' happiness. So, this is where we start getting into this conversation around time and money trade-off. I have also done a lot of research on this question looking at the extent to which we are willing to give up money to have more free time or give up time in order to have more money. And what's of course obvious or should be evident from this conversation is people who are willing to give up their free time in order to work and earn more money regardless of how much income they have, regardless of their savings report less happiness, more stress, worse social relationships, they spend less time engage in exercise, they spend less time in hallway conversations with colleagues because they treat every interaction more instrumentally. And so, overall, this focus on money at the expense of free time starts chipping away at our satisfaction because it makes us feel more stressed and less connected to those around us.

DJ: And coming back to the two numbers Ashley, you say that post... of course, these numbers are indicative and I do not want us to take literally, but just to get the logic here, post \$100,000 you say that the goal post shifts and we start comparing ourselves to others and therefore we end up working more and therefore becoming more time poor. Could you expand a little bit more about what happens between \$60,000 and \$100,000? What changes at \$60,000 when you say that beyond that the money doesn't seem to drive more happiness?

AW: I mean, research is still out on this question but the global data suggests all over the world and we put it into the U.S. currency just for the purpose of illustration. I think, you are exactly right we should not take this literally; this is really just figurative, a general trend in the data but there is a U shape. So, in general more income is sort of predicting happiness, predicting happiness, then you hit that plateau point \$60,000 say and then actually happiness starts decreasing, so you get this S shape in the data and then it goes back up once you are at the top rank of the income distribution. And so, it has to... part of the psychological underpinnings that researchers are speculating on but are still trying to figure out is your reference point's change. So, social comparison processes are critical for happiness. And once we make it in a certain point in our career our reference points might shift as we get older, as we work our way up in our career and that is one of the explanations, our reference points changing, we feel lower in rank on the income distribution because we are comparing ourselves to a different distribution than we did before. That's one of the explanations for this dip as you start to make more money. It's not until you get to the top of your social referring category that you start seeing the happiness dividends again payoff for people at the highest level of the income distribution. But as per our conversation, there are many factors. Again, it could be more work demands, it could be more difficult personal relationships as you start working and earning and making more money, it could be an increase in materialism which we know can undermine our happiness and materialism is the enjoyment of things and acquisition which could actually push us to even have to change our reference points because we have acquired a mortgage, we have acquired a car that needs to be paid. And so, as a function of this we have to work more and earn more. And so that, overall that logic is why my colleagues and I talk about the pursuit of wealth for wealth itself

or wealth's sake can be a happiness trap that makes us feel time poor and feel like we need even more money than we have or that we have made to be happier in the future.

DJ: It's a great point. I guess at some level you are saying there's a non-monetary cost of acquiring more money that we do not account in the pursuit of...

AW: Yeah, so, this is exactly and this is a really important point that I am really trying to emphasize in the book is that often we make major life decisions and there's good research on this showing that when we are on the outside of a decision what career do I choose, where do I live, we are focused on the extrinsic, we are focused on how much money can I make, what's the prestige of this job, how much house can I buy for as little of my money as possible? And we often discount intrinsic motivators or other factors like time when it comes to our career, we underestimate the extent that intrinsic motivation how happy we feel when we are doing our job matters. And when it comes to major life decisions, we also discount the time cost of living in a bigger place further away from our place of employment. So, in general, we are not very good at making these kind of time and money trade-offs, we are very good at carefully accounting for our finances and making decisions on objective metrics like money and we are much less good at considering these non-financial, these intangible costs or benefits of our major life decisions. And that's where a lot of my research fits in saying often these minor decisions that we make on an everyday basis spending hours researching to find the cheapest deal actually are costing us a lot of time, are creating stress and are not worth the cost savings. Maybe we gave up two hours on a Saturday trying to research the best deal which ultimately only saves us \$100, if we make more than \$50 an hour then objectively it wasn't worth the cost and the opportunity cost of that time means we could have spent that time with our friends and family, but instead we are glued to our computer screen. So, the book and in my research in general, I am really trying to help people see that often these minor decisions and major life decisions not only influence our finances they also impact the way we spend time on an everyday basis.

## Reflections from Deepak Jayaraman

DJ: This reminds me of a conversation I had with Raj Raghunathan (RR), a Professor at UT Austin and an individual who has been researching happiness for several years and has written the book "If you are so smart, why aren't you happy" who makes a slightly similar point.

RR: *"this is a good context to talk about this one study that came out. It was summarized in an article in the Atlantic magazine. It came out in 2014 and the title of the study, the article was "secret fears of the super-rich" and I believe it was a Harvard study, I am forgetting who conducted it or Princeton study, but basically they went around interviewing these high net worth individuals and in order to qualify as a participant in the study you needed to have 25 million dollars invested in financial instruments. So, this is money that's on the side so to speak, this is money invested in things like hedge funds or in other kinds of financial instruments. This is not counting your house, not counting your cars, not counting your other assets. And they interviewed them to ask them what are some of your big fears and one of the biggest fears that these people had is that they don't have enough money. Okay, so I know it sounds... and it's easy to point fingers at them and say that I wouldn't be like that, if I had 25 million dollars, I would definitely not be greedy for more money. But we all know that almost at every stage in our lives we do end up feeling that, hey, you know what more money might be actually good for me okay, and a part of that it comes from comparing ourselves to other people. As you rise up the social ladder so to speak, the company that you keep changes and so your comparison point changes too, whereas when I was in India, for example, having a swimming pool in my own house might have been like something that was completely out of reach to where I am living*

*now I actually don't have a pool in my house but I do have a hot tub. But it doesn't seem like that's out of reach at all. And so, it definitely seems like oh, yeah, if I had enough money then maybe I can do that and I can add maybe a little movie theatre in my in my house. So why should I have to go out and mingle with the hoi polloi so to speak, I can just watch these movies in my own home in the comforts of my home and so on. So, your aspirations catch up. So that is a very interesting finding that despite having so much money these people were feeling that they didn't have enough. They were operating from a scarcity mindset is how I would put it. And then you had the opposite end of the spectrum that is covered in this movie, this documentary called Happy, I don't know if you've seen it, I think it's still available on Netflix and you can watch it, your viewers, whoever is following this podcast can watch it as well. They start out with a scene in the slums of Calcutta and the slum dwellers are all people who pull rickshaws. You might have seen this. These are not like pulley rickshaws or cycle rickshaws; these are hand rickshaws. So, they are actually literally running around the city with passengers in their seat in the back and sometimes these people are so malnourished that they don't even have... they have bones sticking out of them and they don't have enough access to resources to wear shoes. They are running around bloody feet reaped in and the researchers go to the slums and interview these people because they are very intrigued by this phenomenon where these people don't even have proper homes to live in. They are living in little slums and their homes are basically tarpaulin sheets pulled over four sticks with holes in them so that when it rains it's leaky and it's like miserable okay and yet they are all smiling and if not happy at least content. So the researchers are flummoxed by this site and so they go and ask them how can you afford to be content and happy, and I am paraphrasing what they say, but they basically say something along the lines of, you know what, we are taken care of, we are taken care of and they believe in God or they believe in some kind of a spirit and they say that whenever we need anything really desperately we end up getting it. Maybe not in the way that we conceive of it may be not immediately but we end up getting it and we have a good sense of community. Everybody in the slums takes care of each other. On the days I don't make a good tip somebody else might make a good tip and so they feed us and likewise we return the favour and so what to complain about kind of a thing. So, in other words, their life circumstances are characterized by scarcity not just plain vanilla scarcity but abject scarcity and yet they have if not a mindset of abundance at least a mindset of contentment. So, no prizes for guessing which of these two groups of people is happier in the sense of who needs to take anti-depressants just to stay afloat, who needs to pop sleeping pills to fall asleep every night, it's the high net worth individuals, very, very interesting finding. So what I talk about as an abundance mindset is basically this idea that in your head you feel that you have more than enough and you would think it must be correlated with how much access to resources you actually have objectively speaking but in these examples that I just gave you it appears not to be. And certainly for people like you and me and for people who are listening to this I would imagine that most of them have enough access to enough resources that right now it's a question of whether you can convince yourself that you have enough, and you can adopt that mindset of abundance. And if you do you actually end up discovering... and I have to tell you Deepak I wasn't somebody who was born with an abundance mindset or certainly was not nurtured in me and I had to logically figure this out at some level."*

DJ: The other way that I try and make sense of this insight is that our needs are quite simple and easy to meet but our wants can be infinite. In the USD 60,000 to USD 100,000 range, we are possibly reasonably content as we are still possibly solving for our needs and are content but once we cross the USD 100,000 number we start paying much greater attention to the wants and that is a mirage that we can keep chasing to infinity.

## **End of nugget transcription**

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Nugget from Raj Raghunathan that is referenced: [Abundance mindset and happiness](#).

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## Ashley Whillans - Nuggets

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## About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive’s / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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