

# When Does Money Matter Most?

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A study shows that the more you earn, the happier you are, especially between your 30s and 50s



*Wealth has the greatest impact on clients' happiness between their 30s and 50s.*

*(Illustration: Patrick George/Ikon Images/Corbis)*

Advisors know well that being wealthy doesn't guarantee happiness (just as Lennon and McCartney knew that money can't buy you love), but it seems that there should be some correlation between wealth and happiness. Previous academic research has confirmed many of the intuitive side benefits of wealth: that high-income people tend to have better health, a higher standard of living and even better housing. Since wealth also provides the opportunity for people to engage in more activities that they find interesting or rewarding (hobbies, travel, etc.), it would seem that wealthier people would be happier people.

In research reported in the March 2015 edition of the American Psychological Association's *Psychology and Aging*, Michigan State researchers Felix Cheung and Richard Lucas confirmed such a link between income and happiness.

Cheung and Lucas' hypothesis was that "income may mean different things to people at different ages and, therefore, that the association between income and life satisfaction may vary at different points in the life course."

The researchers conducted three national surveys, which found that as with past research in the U.S. and abroad, "individuals who earned more on average and individuals who earned more over time reported higher levels of life satisfaction. Importantly, these effects were strongest for midlife individuals (those in their 30s–50s) as compared with individuals who were younger or older."

The researchers were looking for both the "between-person" and "within-person" association of income and life satisfaction. That is:

- Whether a given person's self-perceived life satisfaction is higher or lower than another person whose income is lower (between-person)
- Whether one's person's change in income over time (within-person) correlates with more life satisfaction

Prior research showed a very small correlation between what we could call wealth and happiness, with some studies showing a negative correlation: Some people reported less happiness when their income increased. What

Cheung and Lucas were interested in whether there was a link between happiness and income based on a person's age.

Prior research on this hypothesized link “typically overlooked the fact that income may play a different role in the lives of different individuals. In particular, money—and especially the income that an individual receives—may play a different role for people at different stages in their lives,” Cheung and Lucas pointed out.

It turns out that for people in their 30s to 50s, what the researchers call “midlife,” a process called “intergenerational exchanges” are at their peak. These exchanges refer to the “patterns of assistance (including but not limited to financial assistance) within a family, and exchanges can occur from children to parents as well as from parents to children.”

Younger people tend to be recipients of intergenerational exchanges, as do retired people, for whom accumulated wealth is more important than income, while midlife adults often are the primary financial supporters of their children and, in many instances, their parents as well. That is one reason why work becomes more important in midlife, the researchers point out: “These financial obligations could strengthen the association between income and life satisfaction for midlife adults.”

### **THE FINDINGS**

Summarizing, Cheung and Lucas said that unlike previous studies, their research shows that income significantly predicted life satisfaction at the between-person level—“individuals with high incomes tend to be happier than individuals with lower incomes”—and at the within-person level, which is when a single person experiences a change in income over time.

Their most “novel finding,” they concluded, was that both the within- and between-person associations varied depending on where the individuals were in their life stage: Life satisfaction was “generally stronger for midlife adults (individuals roughly in the 30- to 50-year-old range) compared with younger adults and older adults.”

And those midlife adults “who are generally richer,” meaning higher between-person income, and who earn more income in a specific year (higher within-person income), “may provide more financial gifts to their children and aging parents, thus making income a more important contributor to well-being.”

### **OLDER BUT BETTER (COGNITIVELY)**

Another study in the March issue of *Psychology and Aging* found that older people these days—at least in Berlin—are healthier cognitively than were 75-year-olds studied 20 years previously. The research was conducted by several research institutions.

“The later cohort performed better on the fluid intelligence measure and reported higher morale, less negative affect and more positive affect than the earlier cohort,” the researchers wrote. They concluded that “secular advances have resulted in better cognitive performance and perceived quality of life among older adults.” However, there is a dark lining to this silver cloud, as suggested in the article's headline: “Secular Changes in Late-Life Cognition and Well-Being: Towards a Long Bright Future With a Short Brisk Ending?” The study found that those happy years “give way to a rapid and marked drop in both cognition and well-being” in participants' later years.