

# Can Money Buy You Happiness? The Association Between Financial Security and Life Enjoyment

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## Introduction

- Intuition suggests that money and the resources it provides should play an important role in happiness. Money can open doors to many of the things that people want in life. Access to wealth can bring with it access to material goods, pleasurable experiences, better healthcare, and increased security. However, psychologists often cite evidence that the correlation between income and well-being is not large and conclude that money is not important for well-being. (Lucas et al., 2008)
- Studies show that individuals with higher incomes tend to report higher happiness levels (Ruberton et al., 2016). Still, the correlation weakens beyond a certain income threshold, which results in what psychologists call the “income-happiness” plateau.
- Another psychological study, Maslow’s Hierarchy of Needs, explains how necessary finances are in someone’s life to fulfill basic needs. After reaching the point of fulfillment, studies show that additional income does not provide any additional happiness. (Killingsworth et al., 2023)

## Methods

### Sample

- The National Financial Well-Being Survey (FWBS) sample represents the noninstitutionalized adult (age 18 and older) population in the 50 U.S. states and Washington, D.C.
- The survey sample was drawn from the GfK KnowledgePanel, a recruited sample designed to be nationally representative of U.S. households.

### Measures

- The survey’s responses are measured on a 1-7 scale which respondents use to best illustrate how they feel about the question.
- The models being displayed are facet-wrapped with the variables being analyzed in this study. The first model with Life Enjoyment and the second with Financial Knowledge Scores.
- The questions being taken and analyzed from the survey are as follows:
  - “How close are you to securing your future financially?” (SecuringFuture)
  - “Do you enjoy your life?” (LifeEnjoy)
  - “Financial Knowledge Score” (FinKNOWL)

## Research Questions

- What is the correlation between life enjoyment and financial security within the respondents?
- What do the responses of more financially literate respondents look like compared to respondents who are not financially literate?

## Results

### Univariate

- Around 76% of the respondents expressed that they either have or are very close to being financially secure. Correspondingly, around 80% of the respondents expressed that they enjoy their lives with their current financial status.
- When looking at how respondents answered both questions, their answer for one in most cases is correspondent to their answer to the other with a mean of 59% of respondents doing so.

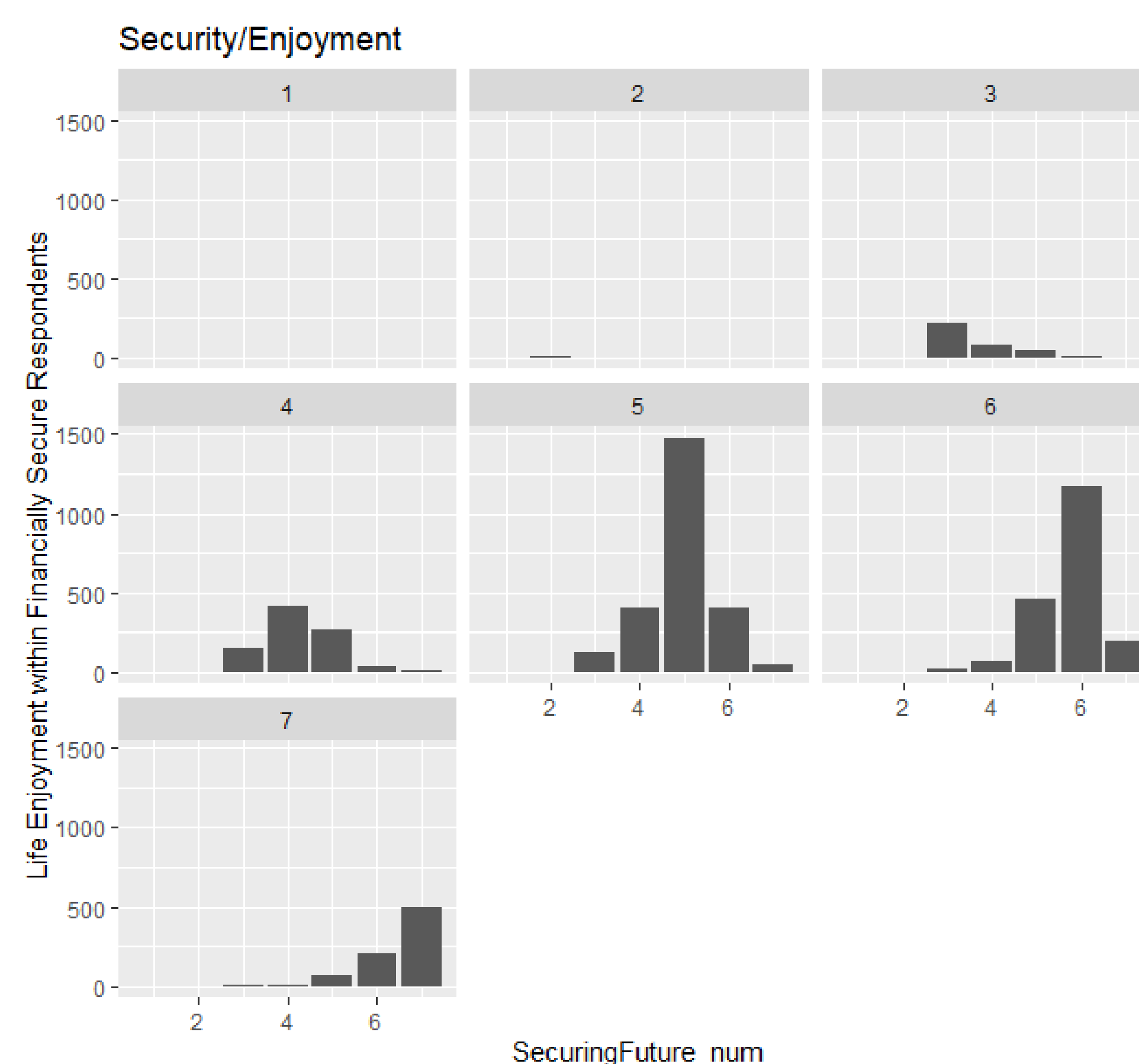


Figure 1. Life Enjoyment within Financially Secure respondents in the survey.

### Bivariate

- Chi-square analysis showed an extremely significant relationship between securing your future financially and life enjoyment ( $X^2=1809.4$ , 42 df,  $p\text{-value} < 2.2e-16$ ).
- As expected, because of the constant similarity between the two responses, as SecuringFuture got closer to 7, so did LifeEnjoy for most of the survey respondents. (Figure 1)

### Multivariate

- Individuals with higher Financial Knowledge tended to experience higher levels of both life enjoyment and be more likely to be financially secure. (Figure 2)
- At each level of Financial Knowledge, the positive correlation between life enjoyment and financial security remains constant (Figure 2)
- All together, the introduction of the additional variable FinKNOWL does not necessarily change the results that were already presented by the two initial variables of LifeEnjoy and SecuringFuture.

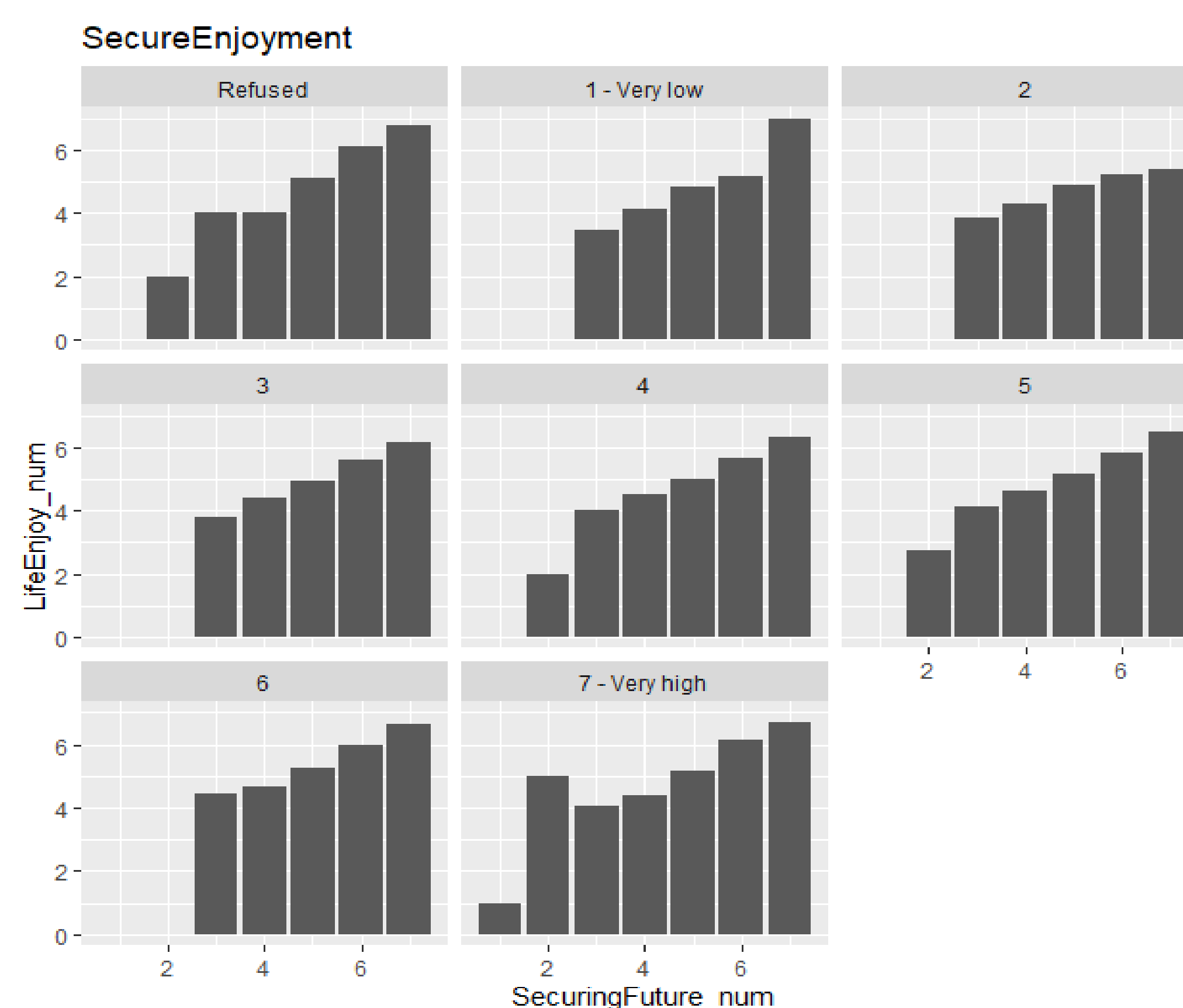


Figure 2: Responses generated from the same survey questions based on the respondents' financial knowledge scores.

## Discussion

- Individuals who acquire wealth instead of establishing and maintaining financial security statistically enjoy life more than those with no financial stability
- Some individuals with lower Financial Knowledge scores still displayed high levels of life enjoyment and financial security
- The findings in this study are purely based on financial status and are not subject to outside circumstances
- The results of the Financial Well-Being survey are all self-reported and therefore are subject to misinformation and general faults for any number of reasons (i.e., misunderstanding of questions, lack of knowledge, biased responses)

Lucas, R. E., Dyrenforth, P. S., & Diener, E. (2008). Four Myths about Subjective Well-being. *Social and Personality Psychology Compass*, 2(5), 2001–2015. <https://doi.org/10.1111/j.1751-9004.2008.00140.x>

Ruberton, P. M., Gladstone, J., & Lyubomirsky, S. (2016b). How your bank balance buys happiness: The importance of “cash on hand” to life satisfaction. *Emotion*, 16(5), 575–580. <https://doi.org/10.1037/emo0000184>

Killingsworth, M. A., Kahneman, D., & Mellers, B. (2023). Income and emotional well-being: A conflict resolved. *Proceedings of the National Academy of Sciences*, 120(10). <https://doi.org/10.1073/pnas.2208661120>