



## Wealth Planning Report

# Buy Experiences, Not More Stuff. Here's Why.

When we spend money, we're doing more than simply buying things. We create feelings of happiness, satisfaction and well-being for ourselves.

But are we spending money in ways that are really achieving those results? The answer, unfortunately, is probably not much or even most of the time. As one world-famous Japanese "tidying expert" might say, our spending habits don't spark joy.

The good news: We can adjust the way we spend so our purchases deepen our happiness and help us experience more satisfaction in our lives.

The key: After a certain early period of necessary accumulation, focus more on experiences and less on physical stuff. Here's why that makes sense—and how to do it.

### The value of experiences

Our culture and constant media advertising make us believe that buying more stuff will make us happy. And that is often true—but only up to a point. Ever notice how quickly that adrenaline rush from having a new gadget, appliance or even a car fades?

That's because acquiring more and more items doesn't really increase average utility. Research published in the *Journal of Positive Psychology* reveals that people who were spending more money on *experiences* rather than material goods, on average, were happier and felt the money was better spent.

One major reason: The excitement we often get from purchasing things tends to diminish quickly because we get accustomed to seeing the items every day. In contrast, experiences—and the joy and memories they bring—can give us stronger feelings of satisfaction. That can be true even for a fleeting experience.

Importantly, the good feelings we derive from our experiences tend to last well beyond when the experience happened—giving us a longer-lasting sense of satisfaction than we might get from an object that quickly blends in with our environment and slowly loses impact.

Example: Watching an elephant in an African safari park for 10 minutes just might stick with you longer than the feeling you get from upgrading to the latest smartphone.

Other reasons researchers think our brains respond better to experiences, according to research from Cornell University and elsewhere, include:

- 1. A better sense of self.** Experiences become a part of who you are as a person, so they can become a bigger driver of how you self-identify (as a person, a parent, a spouse and so on).
- 2. Stronger social relationships.** Because experiences often involve other people, experiences tend to foster and enhance social bonding that may strengthen our mental and physical health.
- 3. Greater surprise value.** When we buy a product for ourselves, we know generally what we're getting. But experiences may be more likely to present surprises—a herd of bighorn sheep suddenly crossing your path in a national park, for example—that stick in your memories. Such novel experiences can change your perspective of life in meaningful ways.

### BECOMING A SAVVY EXPERIENTIAL SPENDER

Here are four ways to become a savvy buyer and consumer of experiences so that your spending is more likely to maximize your happiness and sense of well-being.

- 1. Think small and frequent.** When we think of meaningful experiences, it's easy to think of the big and expensive—such as a grand vacation once every year or two. But spending on smaller experiences more frequently could not only give you more satisfaction but a bigger bang for your buck. Small but frequent bursts of novelty can help keep our brains from getting bored.
- 2. Give experiential gifts.** Because of our social nature, spending money to benefit others tends to increase our own happiness—sometimes even more than when we

spend money on ourselves. And since experiences tend to generate higher and longer-lasting levels of satisfaction than goods, one great way to gain a win-win is to give experiences for birthdays, at holidays, or occasions you want to show special appreciation and love for someone. You can include yourself in these experiences—a spa weekend for a couple, for example—or you can be fully altruistic and give an experience that is entirely focused on the recipient.

**3. Rent to diversify your experiences.** Consider keeping your experience options open and flexible to stave off normal mental adjustment. For example, say your goal is to engage in exotic travel. It might make more sense to rent properties in multiple locations rather than own one property that commits you to that single location. Renting can help ensure your vacations remain new and fresh, so you don't adapt to your surroundings in ways that cause you to take them for granted and lose that sense of joy.

**4. Spend on learning-based experiences.** Many of us are lifelong learners who want to keep expanding our knowledge and giving ourselves new challenges. That can be especially valuable for our cognitive health as we age. So consider targeting your experience dollars on classes that teach you a new hobby or skill set. You might build on existing interests or tackle an entirely new area—ranging from knitting to model shipbuilding to mountain climbing.

## Don't shun the stuff, however

None of this says to stop buying physical goods that you can hold in your hands. Objects can and do make us happy, and some revive the memory of those special past experiences.

That said, one key to getting the most pleasure and happiness from buying stuff may be to focus more on acquiring goods that help facilitate meaningful experiences than on buying goods that don't connect with experiences.

Example: Buying high-end mountain bikes for the family can lead to more outdoor, endorphin-stimulating biking experiences in fun, interesting locations. Even buying a tricked-out television can be rewarding—if, for example, it causes you to binge-watch shows or movies from Netflix that you end up talking about with friends.

In short, goods that help create or facilitate happy social experiences can be money very well spent.

## Conclusion

You can spend your money in a plethora of ways. But if you are planning ways to live your best life, consider focusing your spending on the types of purchases that can increase or potentially maximize your happiness—and especially the happiness of those around you.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please contact us.



**P**aul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ Professional, written about in *Fortune*, *Forbes*, *Bloomberg Businessweek*, and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*, and by Dimensional Fund Advisors for their "Value of an Advisor" series. Reuters AdvisePoint has recognized Mr. Hill as one of 500 "Top Advisers" and prominently featured him on their website.

Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary advisory firms in 1993 that now specializes in retirement and wealth planning for affluent and aspiring families. Paul is a personal chief financial officer who acts in the best interest of clients. He brings together a distinctive management process and a network of specialists for making informed decisions for scientifically-structured investing, secure income, mitigating taxes, protecting assets, and preserving wealth for family and causes that make an enduring impact.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award in 2018 and featured him with other recipients in *The Wall Street Journal*.

**Disclosure:** Professional Financial Strategies, Inc. is an independent investment advisor registered with the Securities and Exchange Commission. CFP® professionals are fiduciaries with a duty of loyalty and care to act in clients' best interests and are licensed by the Certified Financial Planner Board of Standards. A copy of the Firm's disclosure brochure discussing services with a schedule of fees is available upon request.

**ACKNOWLEDGMENT:** This article was adapted from research prepared by Virtual Family Office Inner Circle, a global financial concierge group working with high net worth individuals and families and is distributed with permission. Copyright 2020 by AES Nation, LLC. This report is intended for educational purposes only and no discussion or information contained serves as the receipt of, or as a substitute for, personalized investment advice. Professional Financial Strategies, Inc. is neither a law firm nor a certified public accounting firm, and so no portion of this content should be construed as legal or accounting advice. Paul Byron Hill and Professional Financial are not affiliated with AES Nation, LLC. Any awards and honors referenced above were independently granted based on past and current professional and reference value such as position, noteworthy accomplishments, visibility, prominence, regulatory filings and/or education in the fields of finance and business.