



WEALTHY AND WISE

How come money leads to misery for some and freedom and fulfilment for others? Finance Editor Susanna Stuart lets you in on a little secret

Could too much wealth be bad for us? Imagine having so much money that you no longer needed to worry about it. That's a common goal for many wealth-builders – but achieving that coveted financial independence can be hard work. For a lucky few, wealth comes in the form of a windfall – an inheritance perhaps, or lottery winnings. Consider British baker Keith Gough, who won NZ\$19 million on the lottery in 2005. What did he do with it all? Well, he started off by living large; buying a country mansion, drinking, gambling – he even bought himself an executive box at Aston Villa Football Club.

The 53-year-old's dreams were the same as those of any working-class man his age, perhaps – only they were amped up to new levels. Then his wife of 25 years left him, and eventually Keith was conned out of his wealth by a convicted fraudster. Keith Gough died this April, just five years after hitting the jackpot – penniless and alone.

The vexing question floating around this story is: Why do we bother craving wealth?

A long trail of academic research, beginning with a 1970s study in Chicago comparing the mood and attitudes of lottery winners versus those of the urban poor,

has demonstrated time and again that the super-wealthy are apparently no happier than the rest of us – a riddle that has perplexed psychologists. After all, so many people work so hard to become wealthier. Is it all for nought?

And when the lack of wealth makes us unhappy – unemployment being the most striking example – it's not merely the shortage of money that makes us miserable, but the loss of self-esteem and the feeling of our lives being ripped from out of our control.

Herein lies the secret of financial happiness. If money gives us a greater sense of self-determination and enables us to make choices even when times are tight, then wealth can give us plenty, for sure. I can think of several people who have made millions in life and they are marvellously happy. They have big homes but, more to the point, these homes are filled with true friends and family. They have interests in life, and their wealth helps them focus on these things. They are also generous people.

What they reveal to me is that the key – the security code that unlocks the happiness – is not in their wallet; it's their imagination. My advice: Clarify your dreams before you work on your wealth.

TOOL BOX

FOLLOW THESE STEPS FOR FINANCIAL HAPPINESS

- 1 Whatever your wealth level, plan your finances so you are in control of your money. Budget. Plan. Invest.
- 2 Build up a security nest-egg. Insure yourself against bad events. Protect your earning ability.
- 3 Borrow money carefully. Maxing out your credit card is a shortcut to unhappiness.
- 4 Keep abreast of your money affairs. Educate yourself.
- 5 Simplify your affairs. Deal with the things that are causing you a headache.
- 6 Develop your goals. Have a clear idea about what it is you wish to achieve.
- 7 Invest in assets that will be productive or rewarding. Get rid of assets that aren't working for you.
- 8 Never underestimate the importance of spending time with family and friends.
- 9 Never underestimate the enjoyment of giving your money and your time to a needy cause.

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READING MATTER

If you want to look further into how excessive wealth can affect our wellbeing, these books are worth the effort to track down. In *The High Price of Materialism* by Tim Kasser (MIT Press, \$31)*, Kasser explores how profoundly materialism affects our lives and proposes ways we can become less materialistic. Or try *The Challenge of Affluence: Self-Control and Well-Being in the United States and Britain since 1950* by Avner Offer (OUP; \$70)*. The author's main thesis is, “Affluence breeds impatience, and impatience undermines wellbeing.” Online prices; both books are available at www.whitcoulls.co.nz. See our *Financial Checklist*, page 67.