

Exploring happiness

How can we influence it, and how can financial planning help?

In recent decades, there's been a significant rise in interest and research into how we can become happier – as individuals and as societies. Here, we share some key findings from the research and explore how financial planning can contribute to our happiness.

How might we define happiness?

Lord Richard Layard, founder of 'Action for Happiness' says:

Some define 'Happiness' as feeling good in a fleeting sense or about life in general, and a lot can affect that.

But our natural wisdom suggests there's more to a fulfilling life than our passing moods and judgements.

'Well-being' can include: a sense of self-acceptance and worth; good relationships with others; feeling our life has meaning and purpose; being interested and engaged in much of what we do; using our potential and/or experiencing a sense of achievement.

We're said to flourish when our well-being is high or languish if it's low. But most of us just want to be happy.

And what we mean by that is all of the above!

What skills are essential for happiness?

Richard Davidson, a neuroscientist who heads up the Center for Healthy Minds in the USA, has identified four trainable skills that contribute to our well-being and have measurable benefits on our brains: awareness, connection, insight, and purpose.



Awareness

Awareness is our attentiveness to our environment and internal cues such as bodily sensations, thoughts and feelings. Meditation practices can boost our awareness of what's happening in our minds.



Connection

Connection is a feeling of care and kinship toward others, promoting supportive relationships and interactions.



Insight

Insight is about self-knowledge and how our emotions, thoughts and beliefs shape our experiences and sense of self.



Purpose

Purpose is about being clear about our core values and motivations – and being able to apply them in our daily lives.

Davidson is concerned about our lack of awareness and attention in western societies, given other **research** (by Professors Matthew Killingsworth and Daniel Gilbert) which revealed that people were, generally, less happy when their minds were wandering.

Davidson's research, however, offers hope for improving our well-being and productivity at work, if we improve our attention skills. And we can do this if we practice being more mindful of what's happening in the 'here and now'.



How much can we influence our happiness?

The 'set point' theory of happiness suggests that for most (though not all) of us, a good part of our happiness is 'set' and determined by our genes and personality traits.

So, while life events may significantly affect our short-term happiness, we often adapt to changes (positive or negative) in our world and return to our soft baseline happiness level over time.

For example, ecstatically happy lottery winners may find their happiness returns to its previous level a year after their big win. And, if the win strains valued friendships, they may end up less happy!

This adaptation works in the other direction too. So, while initially feeling devastated by a job loss, relationship break-up, or severe injury, our happiness may improve to our base level over time.

The experts say we can still influence around half of our happiness level. And we can overcome some of the downward adaptations by engaging in activities known to boost our happiness. Rotating those activities so they always feel new helps too.

How could we boost our happiness?

Action for Happiness offers the following ten keys to happier living. The keys are easy to remember because the first letter of each key spells out the phrase GREAT DREAM.

Here are the GREAT behaviours we can work on over time.



Giving

Giving some of our time or skills to help others can create a virtuous circle. It makes us happier, and happier people are more generous. And when others see our kindness, it can inspire them to give more too. Even small acts of kindness can benefit our mental and physical health if they connect us to others and align with our interests.



Relating

Decades of research show that the people who turn out to be the happiest and healthiest are those who have warm connections with others. We don't need many relationships for happiness, quality counts more. And even small efforts (to listen and respond kindly) strengthen our connections. Simple greetings to strangers (in the park or at the supermarket checkout) lift our spirits too.

When asked what they're proudest of, most people in their eighties talk about relationships. They don't say: 'I made a lot of money or won some big awards' – they talk about being a good mentor, friend, or partner – or how they raised healthy children.



Exercising

No surprises here; we're human, and movement is vital for our health. So, if we can, we should avoid sitting down too much. A balanced diet, limiting our sugar intake, and getting plenty of sleep all contribute to our happiness too.



Awareness or Attention

We're prone to worry about the past and what might happen in the future. So, practising mindfulness (focusing on one thing, like our breathing, for example) can ease our stress and enable us to be kinder to ourselves and others. Finding time to reflect on the things we're grateful for (and writing those things down) can lift our mood too.



Trying out

As we become adults, we sometimes forget our curious and creative human nature. But we can feed that curiosity with new experiences – and by finding new approaches to our routine tasks. Accepting failure as a source of personal growth and focusing more on our strengths than our weaknesses can also help us achieve more of our goals, boosting our self-esteem.

The second (DREAM) set of behaviours, or 'habits of mind', can also boost our happiness.



Direction

While accepting we might not achieve them all, having specific and attainable goals (aligned with our values and interests) is shown to boost our happiness. We also enhance our chances of success on our projects if we:

1 Face into, and deal with the obstacles in our way.

2 Start with small steps and celebrate progress on our journey.

And these findings are really relevant to our financial plans too, of course.



Resilience

We vary in our ability to bounce back from tough times. And we may take longer to recover from difficult situations during challenging periods. Research shows that building resilience can take years. So, in the short term, we need techniques to find more calm and make better decisions. And pausing to check the evidence for our thoughts (before acting on them) is a great start.



Emotions

We've evolved with a wide range of (so-called) negative emotions that equipped us (with flight or fight responses) to protect ourselves from many threats in the wild. Of course, these reactions don't always help us in a generally safer modern world. And we can find more happiness (and awareness of our surroundings) if we make an extra effort to look out for what's good in the world – and develop an 'attitude of gratitude' for those things.



Acceptance

Being self-compassionate (not self-indulgent) can boost our happiness. So, it pays to treat ourselves more like we'd treat a valued friend and not be too self-critical. Learning about our strengths helps us understand our thoughts and feelings and the activities we might find energising and easy to learn. And that can help us make the most of our talents and live a more fulfilling life.



what's affordable.

Meaning

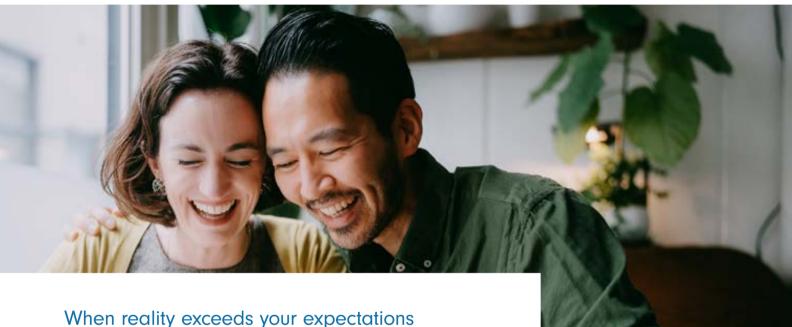
Psychologists say that a sense of meaning comes from:

1 Feeling that we (and what we do) matter.

2 Knowing that the different parts of our life fit together.

3 Having a purpose from which to develop our goals.

What we find 'meaningful' is unique to each of us but is often linked to our relationships, beliefs, work, hobbies, and interests. Having a sense of meaning gives us more resilience when the going gets tough.



We've seen how our happiness can be boosted by engaging in various activities and thought processes. And the mix of what makes each of us happy is different. In broad terms, however, research shows how our happiness often

arises when our (perception) of events exceeds our expectations. We're unlikely to be happy if we constantly 'expect' to have substantially more (material possessions, for example) than we can comfortably afford – after saving for future goals. But we can be happier if our expectations are closer to

And we can be happier by learning to accept (rather than avoid) the discomfort when events fall short of our expectations. And many accept that the discomfort helps us achieve more of what we want. We just need to set goals that are 'attainable' – we can't build Rome in a day.

To learn more about this concept, we suggest reading 'Engineering Happiness – A New Approach for Building a Joyful Life' by professors Manel Baucells and Rakesh Sarin. They wrote the book following a decade of research on happiness. Another book that covers similar ideas is 'Solve for Happy', by Mo Gawdat.

Does more money make us happier?

In 2010, psychologists believed they'd found evidence that our happiness only increased with our income up to around c. \$100,000 p.a. or equivalent, in today's money terms. Beyond that, happiness levelled off.

Recently, however, Matthew Killingsworth, from Pennsylvania University, found that higher incomes are associated with increased happiness levels for most people. The relationship is complex, however. And generally unhappier people tend to be no happier on incomes above \$100,000 p.a. So, as Killingsworth has said, 'if you're rich and miserable, more money won't help!'.

Financial security is undoubtedly vital to our sense of well-being. And having enough to cover our needs and unexpected expenses or emergencies reduces stress and anxiety. Some say having more money makes participating in social activities easier, but a walk with a friend costs nothing. And while knowing we have enough money can reduce anxiety, having a lot is no guarantee of happiness.

How common are money worries?

According to the Money and Pensions Service, more than a third of UK adults feel worried when thinking about their financial situation. And nearly half of all adults don't feel confident about managing their money day-to-day. Those who are most likely to feel worried when thinking about money are young people aged 18 to 34 years (50%), parents (48%) and private renters (51%).*

Various research shows that money worries can cause as much anxiety as worries about health, relationships, and careers. Money worries don't only affect those on low incomes, either. Higher earners, and those with accumulated wealth, tend to invest more of their money. And those without a robust financial plan, and supportive financial adviser, may feel particularly stressed about their investments during periods of stock market volatility. So, higher income and wealth offer no guarantee of being money-worry-free.

* Note: This data is from the Financial Wellbeing Survey of a nationally representative sample of c. 10,000 adults living in the UK - based on interviews between July and September 2021.

How can financial planning make us happier?

Financial planning asks us to think about what we want – to have, do or become (for ourselves or our loved ones) in the future. And, all else being equal, we're happier when we have a plan to achieve those goals.

Much of what makes us happy is free, but some life goals (like slowing down or escaping from work) have a financial cost attached. So, we need a plan to build the money we need for those goals. Planning can also reduce our anxiety about money by clarifying where we are now. Of course, we might not be keen to hear the answer, but we must understand our current position (even if it's still at base camp) to plan the next stage of our journey.

The Institute of Financial Wellbeing talks about the need to plot a clear path to our goals; gain control over our finances; be able to cope with financial shocks; have financial choices and give clarity and security to those we leave behind.



Can we achieve happiness by design?

In his book, 'Happiness by Design', Paul Dolan (Professor of Behavioural Science at the London School of Economics) suggests we can be happier by doing more Deciding, Designing and Doing. And 'deciding' can undoubtedly remove the stress that can come with uncertainty.

However, we should explore the possible designs before we decide on our future life plan. And financial planning helps you do that. So, if you've not recently done so, talk to a professional to develop (or refine) your financial life plan.

When making decisions about investing, we recommend that you always consult with your adviser (you will normally pay a fee for financial advice). As you will be aware, they work with you to understand your needs and then offer broad-based advice to help you achieve your long-term goals.

