Chapter 10
The Psychological Science of Spending Money

Travis J. Carter

Abstract This chapter discusses the psychological research related to the act of spending money, with the aim of understanding the underlying psychological processes involved. To that end, the emotions involved in spending money before, during, and after the money changes hands are explored, including the role of anticipated and anticipatory emotions, different orientations to the gains and losses inherent in an act of spending, and the process of hedonic adaptation. Additionally, given how fundamental choice is to the act of spending money, factors that influence the decision-making process are discussed, including the role that comparative processes and expectations play in the process of making decisions and evaluating their outcomes. In each case, particular attention is paid to the psychological forces that influence the ultimate goal underlying any act of spending: happiness. Finally, several concrete strategies for making purchases most likely to lead to success on this goal are identified, including purchasing experiences over possessions, spending pro-socially, and making meaningful purchases.

The Act of Spending Money

The act of spending money is absolutely ubiquitous in modern life. It is the primary way that we meet our basic needs, spending it on food, clothing, shelter, health care, transportation, and entertainment, and is so ingrained in modern life that we rarely reflect on what that act represents. At its most basic level, the act of spending is nothing more than an exchange: one person gives money to another and receives some good or service in return. This definition is serviceably descriptive, but omits

T.J. Carter (✉)
Department of Psychology, Colby College,
5550 Mayflower Hill Drive, Waterville, ME 04901-8855, USA
e-mail: tjcarter@colby.edu

E. Bijleveld and H. Aarts (eds.), *The Psychological Science of Money*,
DOI 10.1007/978-1-4939-0959-9_10,

any psychological antecedents or consequences for the spender. For one thing, it leaves out the element of choice. Money isn't spent by accident, the result of tripping over an errant shoelace; one chooses to exchange money for some particular purchase instead of other possible purchases—or instead of purchasing nothing at all. Choices are made with a purpose, intended to create some outcome. That particular choice is based on the belief that the purchase will produce a greater hedonic benefit—for oneself, or for others—than the alternatives over some period of time (Mellers & McGraw, 2001; Mellers, Schwartz, & Ritov, 1999). In addition to that expected hedonic gain, spending money also inherently involves costs. There is obviously the direct monetary cost, but also the opportunity cost: all of the other ways that one could have spent this money must now be foregone. Thus, a more psychological definition of the psychological act of spending money would be a simultaneous loss (of money and opportunity) and gain (of some good or service) for oneself and/or someone else that one chooses to undertake based on some beliefs about future hedonic states.

To see the implications, it's worth unpacking the various components of this definition further. First, gains and losses are inherently affectively laden constructs; they are important because they create feelings of pleasure and pain, even when merely anticipating a potential gain or loss (see Knutson, Rick, Wimmer, Prelec, & Loewenstein, 2007). Although it can be seen as the output of some cost–benefit analysis, the choice to spend money is not merely some cold cognitive calculation; it is an affective event involving some balance of pleasure and pain paid out over some period of time. Purchases are certainly made with the intention of producing an emotional experience, but emotions felt during the act of considering a purchase can also influence the decision-making process and its outcome (Andrade & Ariely, 2009; Isen, 2001; Lerner, Small, & Loewenstein, 2004; Mattila & Wirtz, 2000). Second, the exact nature of the pleasure and pain experienced as a result of a given purchase is by no means certain. Rather, it is how we *anticipate* we will feel as a result of the purchase, a forecast based on some imagined future. Making a forecast requires that we first imagine what the basic facts of the situation will be like before estimating how that imagined situation will make us feel. Unfortunately, we tend to be overconfident and optimistic in our predictions about the basic facts of a future situation (e.g., Griffin, Dunning, & Ross, 1990; Newby-Clark, Ross, Buehler, Koehler, & Griffin, 2000), so perhaps it is not surprising that predictions of future emotional states are also typically inaccurate (Wilson & Gilbert, 2003). This is especially important because of a third aspect of the act of spending: choice. The act of spending inherently involves an act of choosing—choosing not only *if* but also *which* thing to purchase. Thus, forecasting a single imagined future is insufficient. In order to choose which option to purchase, we must imagine a future scenario for each possible choice we might make, and predict how each one will make us feel. The uncertainties and biases involved can multiply quite quickly, turning what could have been a simple exchange into a daring act of mentalism. Fourth, the self is an important component to any purchase (see Belk, 1988). The decisions we make help make us who we are, and purchase decisions are no different. Indeed some purchases are explicitly intended to reflect or convey aspects of our personalities

(Tian, Bearden, & Hunter, 2001). Finally, and relatedly, other people are certainly present in our forecasted futures. In addition to predicting how something will make you feel, you must often imagine how a given purchase will make someone else feel—a spouse or friend who might share in the outcome, for instance—and factor these other feelings into decision-making process.

The remainder of this chapter will explore these facets of the act of spending money in greater depth, but always keeping in mind *why* people choose to spend money: in order to make themselves happier (see Csikszentmihalyi, 2000; Diener & Fujita, 1995). Indeed, based in part on the belief that accumulating wealth will allow them to spend more money and further improve their welfare (Aknin, Norton, & Dunn, 2009; Kahneman, Krueger, Schkade, Schwarz, & Stone, 2004; Van Praag & Frijters, 1999), people work very hard to acquire money (see Ahuvia, 2008),[1] often sacrificing time with family and friends in the pursuit of wealth (Kasser, Cohn, Kanner, & Ryan, 2007; Nickerson, Schwarz, Diener, & Kahneman, 2003), even to the point that wealth acquisition has become a mindless enterprise (Hsee, Zhang, Cai, & Zhang, 2013). This chapter will examine how each of the different aspects of the act of spending money highlighted above connects to the broader goal of happiness, but it's worth first asking the more global question: does spending money, on average, make people happier?

One fairly straightforward approach to answering this question is simply to examine the relationship between wealth and happiness. Having money is, after all, a precondition to spending it (ignoring for the moment the perils of using credit cards to spend money one doesn't have). Thus, if spending money is effective in serving its purpose, then the richest individuals, who have more money to spend, should be the happiest. If not, then the pursuit of additional wealth seems futile; having more money wouldn't actually make people any happier. An abundance of research over many decades shows that although there is most definitely a positive relationship between wealth (typically measured as income) and happiness, it is typically quite modest and suffers considerably from diminishing returns (for recent reviews, see Diener, Tay, & Oishi, 2013; Sacks, Stevenson, & Wolfers, 2012). That is, although richer people are generally happier than poorer people, the hedonic impact of additional wealth levels off. The same amount of additional wealth has a fairly dramatic impact on the happiness of the impoverished, but it has a fairly small impact on the wealthy.

One of the generally accepted reasons for this has to do with how money is spent at different levels of wealth. At lower income levels, money is generally being spent to meet basic human needs, like food and shelter, which, not surprisingly, produces

[1] It is worth noting, of course, that people accumulate wealth for reasons that have nothing to do with specific planned expenditures, such as to prevent an unexpected and catastrophic life event (like an expensive health care emergency) from destroying one's ability to meet basic needs. Indeed, the anxiety associated with debt has devastating effects on well-being (Brown, Taylor, & Price, 2005). The status that comes with wealth is also seen by some as an end in and of itself (Kasser & Ryan, 1993). While these factors undoubtedly play a role in the acquisition of wealth, because this chapter is specifically exploring the act of spending money and not its acquisition, they are better suited for discussion elsewhere.

a fairly large hedonic return (Biswas-Diener & Diener, 2001).[2] At higher income levels, where basic needs can be taken for granted, much of the money that people spend can be considered discretionary: spending on wants instead of needs, with the express intention of making themselves happier. It is this general realm of spending, where the pressures of basic survival don't apply, and indeed where the relationship between wealth and happiness is fairly modest, that will be the focus of this chapter, because it is the one that requires more explanation. If money spent on discretionary purchases seems to make a relatively small contribution to well-being, then we are left with two possibilities. Either discretionary spending is simply ill suited to producing happiness (despite our intuitions and intentions) or people simply have misguided notions about how to spend their money to actually make themselves happier (Dunn, Gilbert, & Wilson, 2011). In the sections that follow, I will focus on the role that emotions and choice play before, during, and after one engages in an act of spending, and in particular identifying issues that prevent purchases from producing their intended effect: happiness. Then, I will outline some strategies, including the types of purchases and the recipient of the expenditure, that can maximize each individual act of spending's contribution toward that overarching goal of happiness.

Emotions

As described above, the mere act of spending money itself is not hedonically neutral. It's important to note, however, that equivalent gains and losses produce asymmetrical hedonic outcomes (pleasure and pain, respectively). As put forth by prospect theory (Kahneman & Tversky, 1979), from the same reference point, losses are felt more strongly than gains (Kahneman & Tversky, 1984; Tversky & Kahneman, 1991; cf. Novemsky & Kahneman, 2005)—dropping $20 down a storm sewer would feel worse than finding $20 on the street would feel good. Thus, when considering a purchase, it is no surprise that people naturally focus on the losses that they will incur (Carmon & Ariely, 2000), because that is often the more potent emotional experience.

Anticipated vs. Anticipatory

However, the affect experienced as a result of a given purchase does not simply start at the moment the money is spent; there are emotions felt well prior to the purchase, and which continue to reverberate long into the future. That is, there is a distinction to be made between *anticipated* emotions and *anticipatory* emotions (Loewenstein, Weber, Hsee, & Welch, 2001). Anticipated emotions are the emotions you expect

[2] At the extreme low end of the income spectrum, spending money might even be better thought of as intended to decrease misery rather than increase happiness (see Martin & Hill, 2012).

to feel when you actually take possession of the new purchase—the joy you'd experience when using a new iPhone, or the guilt you might feel after eating a tub of popcorn at the movies—and aren't really emotions at all. They are cognitions, a forecast of what your experience with the purchase will be like at some point in the future, and the emotions you predict that experience will stir up. The role of anticipated emotions on choice and evaluation is a largely conscious one: we decide whether and how to spend money based on how we anticipate the various courses of action will make us feel (Mellers et al., 1999; Shiv & Huber, 2000), and evaluate the outcome based partly on how the actual outcome compares to our expectations (Bell, 1985).

Anticipatory emotions, on the other hand, are the emotions you experience at the very moment you are considering the purchase: imagining the pleasure you will experience when you finally get to use your new iPhone might very well make you giddy in the present, or you might feel some immediate guilt as a result of imagining gorging yourself on buttery popcorn. Or, instead of thinking about how the purchase you're considering might make you feel, you might think about the opportunity costs—purchases you'll have to delay or forgo as a result of spending this money. Buying a new car might mean you have less money to spend on dinners at restaurants, and you might feel some negative emotions while merely considering missing those opportunities. The role of anticipatory emotions in choice and evaluation tends to be less conscious, and as a result, people may not realize how large an impact it might have (Andrade & Ariely, 2009). These immediate emotions can be used as a cue for how one should choose in normal circumstances (e.g., Pham, 1998), but can also exert a considerably more powerful (and hard to control) influence when the emotions are more intense (see Loewenstein, 1996).

Because they play different roles in guiding the choice and evaluation process, the distinction between anticipated and anticipatory emotions is important to understanding the act of spending money. However, it can be difficult to tease their roles apart in practice, largely because they influence each other both directly and indirectly (Loewenstein & Lerner, 2003). The type and magnitude of the expected (anticipated) emotions resulting from some event in the future (eating a delicious meal, for instance) will influence the type and magnitude of the anticipatory emotions you experience immediately upon imagining that future state. At the same time, anticipatory emotions can influence exactly how that future state is imagined, which will, in turn, influence the emotional experience predicted to result from it. What's more, because the act that sets it all in motion is imagining a future state, that entire process will also be influenced by any number of other factors that are important to future-oriented thinking. For instance, simply thinking about an event that is close in time, as opposed to one that is further off into the future, will lead people to imagine it very differently. The closer in time an event is, the more likely people are to focus on its more concrete aspects (Trope & Liberman, 2003), to reduce their subjective confidence about what exactly will transpire (Gilovich, Kerr, & Medvec, 1993), and to experience more intense immediate emotions (Loewenstein, 1996). This difficulty notwithstanding, researchers have had a great deal of success both measuring and manipulating the separate cognitive (anticipated) and affective (anticipatory) processes involved in decision-making and outcome evaluation (see Loewenstein & Lerner, 2003 for a review). One notable issue that has arisen relates to the pleasure and pain—both anticipated and anticipatory—evoked by the gain and loss side of a monetary transaction, respectively, and the psychological consequences of focusing on one side or the other.

The Pain of Paying

Because people vary in the degree to which they tend to focus on acquiring pleasurable gains (promotion goals), rather than avoiding painful losses (prevention goals; Higgins, 1997), focusing on the gain rather than the loss side when pondering a purchase decision will have a big impact on both anticipated and anticipatory emotions, and as a result, the likelihood of actually spending money. The different spending habits of so-called *spendthrifts* and *tightwads* illustrate the consequences of gain/loss focus quite well (Rick, Cryder, & Loewenstein, 2008). Spendthrifts tend to focus on what they'll gain from spending money, and all but ignore the costs, and so end up spending too freely on purchases whose hedonic impact is fleeting at best. Tightwads generally focus on the losses involved when spending money and will often refuse to spend money that might nonetheless yield significant hedonic gains.[3] Indeed, in addition to concentrating on the "pain of paying" (Prelec & Loewenstein, 1998), tightwads worry about opportunity costs, something that most people do not do spontaneously (Frederick, Novemsky, Wang, Dhar, & Nowlis, 2009) unless they are actively considering many different options and must forgo all but the one they choose (Carmon, Wertenbroch, & Zeelenberg, 2003; see also Ariely, Huber, & Wertenbroch, 2005).

The context in which a decision is made can create a sense of "fit" with one's natural focus and lead to better outcomes, such as greater satisfaction (Avnet & Higgins, 2006). As such, one way to encourage tightwads to part with their money is to emphasize aspects of the purchase situation that reduce the perceived pain of paying. For instance, in one experiment, participants were asked to imagine that they could choose to receive a boxed set of DVDs from Amazon.com for free, if they were willing to pay $5 to cover shipping costs. In the baseline condition, true to form, spendthrifts were considerably more willing than tightwads to pay the $5 in order to receive the DVDs. However, when the shipping charge was described as "a small fee," making the amount seem insignificant and reducing the perceived pain of paying it, tightwads were just as willing as spendthrifts to pay the fee (Rick et al., 2008).

Perhaps examining these different spending tendencies, rather than looking at the relationship between wealth and happiness, can provide a more direct answer to the question of whether spending money makes people happier. That is, if spending money does increase well-being on average, then tightwads, who are generally quite reluctant to part with their money, may be missing genuine opportunities to impact

[3] Those who generally feel that they spend and save appropriately are referred to as *unconflicted* (Rick et al., 2008).

their happiness. Conversely, spendthrifts, who engage in spending opportunities they probably shouldn't, might actually be measurably happier than both tightwads and unconflicted spenders as a result. To find out how these different attitudes toward spending money relate to more global measures of happiness, I recruited participants from Amazon.com's Mechanical Turk to complete the Spendthrift–Tightwad scale (ST–TW; Rick et al., 2008) and the Subjective Happiness Scale (Lyubomirsky & Lepper, 1999). Even when controlling for relevant demographic differences (income and age), participants classified as tightwads did report lower subjective happiness ($M=4.47$, $SD=1.28$) than the other two groups, $\beta=.232$, $t(309)=2.07$, $p<.05$, but spendthrifts ($M=4.76$, $SD=1.22$) and the unconflicted ($M=4.76$, $SD=1.29$) were equally happy, $t<1$, ns.

Why do spendthrifts, who experience the least pain of paying, and who should presumably be reaping some hedonic rewards from their unrestrained spending, show no gains in happiness relative to the unconflicted? Or, put another way, what does this non-difference say about the ability for purchases to actually make people happy? One reason might be related to how people adapt to hedonic events, like the short-term shifts in happiness produced by spending money. That is, since spendthrifts are more focused on the potential gains (or at least less concerned with the potential losses), they may be more likely to succumb to a classic forecasting error: failing to anticipate how quickly they will adapt to their future circumstance (Gilbert, Pinel, Wilson, Blumberg, & Wheatley, 1998; Wilson, Wheatley, Meyers, Gilbert, & Axsom, 2000), an issue to which I'll return below. There is also the possibility that, by not confronting the pain of paying, spendthrifts are not forced to fully consider whether a given purchase's predicted benefits will outweigh its costs, and as a result are making the kinds of purchases least likely to actually increase happiness.

It's worth noting that although tightwads experience the pain of paying to a much greater degree than most, the loss of money is an inevitable part of any purchase, meaning that everyone will experience the pain of paying to some degree. In many circumstances, the exchange of money for goods and services is simultaneous, meaning that the pains and pleasures are also experienced simultaneously, the pain thus robbing some of the pleasure. However, the exchange need not be simultaneous, and by temporally decoupling the gain and loss, one can reduce the chances that pain experienced from the loss of money will negatively impact the pleasure experienced from the new purchase (Prelec & Loewenstein, 1998). One way to do this is to consume first and delay the pain of payment for as long as possible, hoping that it will be less painful in the future than it would be right now (Kassam, Gilbert, Boston, & Wilson, 2008). To an extent, this has its intended effect: the immediate pleasures are unspoiled by an immediate loss. The allure of this approach is evident in the difference between paying with cash and with credit card. Cash payments are immediate and visceral—the money literally leaves your hands and becomes someone else's possession. Credit cards, on the other hand, are abstract and distant; they allow you to put off the pain of paying until next month, often while enjoying the benefit immediately. Spending money this way may seem painless, and almost certainly does reduce the negative anticipatory emotions that might prevent one from making a purchase, but it only forestalls the inevitable. When the end of the month rolls around and the credit card bill comes due, that pain may actually be magnified because the pleasure you experienced is already in the past. What's more, because credit cards diminish the pain in the present, they can encourage reckless spending—you're much more likely to have a "what was I thinking?!" moment for purchases made with credit cards than with cash (e.g., Prelec & Simester, 2001; Soman, 2001).

A somewhat counterintuitive alternative that seems to have considerable hedonic benefits is to endure the pain of paying immediately and delay consumption until later. Paying in advance may be painful initially, but it allows two distinct benefits. First, you to get the benefits of anticipating a positive experience (e.g., Nowlis, Mandel, & McCabe, 2004; an issue discussed further below), and second, because the pain of paying is behind you when actually consuming, there is no anticipated pain to dampen the experience. All-inclusive resorts might cost a bundle up front, and they do hold some risk of paying more for the same amount of consumption, but they do effectively decouple the payment from the experience. Rather than feeling a slight twinge of pain each time you shell out the money for a cocktail, you can feel like you're getting a better and better deal with each drink—putting the sunk cost effect (Arkes & Blumer, 1985) to work in your favor, though with the possible side effect of severe hangovers. If making yourself happy is the goal, then it might be worth the risk of overpaying to feel better about the money you're spending. In short, it's often far better to pay up front and delay consumption until later (for a review, see Dunn & Norton, 2013).

Hedonic Adaptation

Purchases, like anything else that produces hedonic gains, are subject to one of the fundamental facets of human experience: hedonic adaptation (Frederick & Loewenstein, 1999; see also Diener, Lucas, & Scollon, 2006). That is, over time, the same experience that once made you dizzyingly happy will merely bring a smile to your face. Hedonic adaptation to a new car may be inevitable, but it isn't necessarily problematic unless it's unaccounted for in the decision-making process. Unfortunately, when people anticipate how a given purchase will make them feel, they can recognize that it will become less intense over time, but generally fail to consider this fact at the time of purchase (Ubel, Loewenstein, & Jepson, 2005; Wang, Novemsky, & Dhar, 2009). Focusing only on the immediate spike in happiness and ignoring the subsequent decline means that the anticipated experience—the one on which people base their expectations, and thus, their decisions—may be quite different from the actual experience, increasing the chances of disappointment. Accurately predicting not just the initial hedonic experience that a given purchase will provide, but also how it will change over time, is important in making sound purchase decisions.

In order to accomplish more accurate predictions, it's helpful to know a little more about how hedonic adaptation operates. One of the reasons our experiences become less intense over time is through the process of satiation with repeated experiences. For instance, people know not to eat their favorite meal seven nights in a row for fear that, by the time night seven rolls around, the mere smell of it will at best be unappetizing, and at worst will be stomach-churning. People seek variety and novelty to prevent satiation with repeated experiences, but probably don't do it optimally (for a review, see Alba & Williams, 2013). Even with adequate intervals between events, sometimes we gain expertise that renders the earlier experience less impressive. For instance, many novice wine drinkers are quite happy to drink whatever wine is put in front of them. The flavors that are easiest to discern (sweetness, for instance) are often the flavors characteristic of less expensive wine. But, over time, as the palate grows more sophisticated, many wine drinkers start to crave more complex and subtle flavors, and must pay handsomely for the privilege.[4] Thus, they must spend more money to achieve the same hedonic benefit—a certain amount of happiness from drinking a glass of wine—than would have been necessary earlier in their wine-drinking career. What was once a favorite bottle will eventually begin to taste cloyingly sweet, or perhaps bland and muted. Indeed, many positive life changes, like purchasing a new car or getting a raise, create aspirations over time that make the previously great change seem unimpressive (see Sheldon & Lyubomirsky, 2012).

One obvious lesson of hedonic adaptation, of course, is that novices should not spend a lot of money on something that requires more sophistication than they possess to fully appreciate. Another implication is that attempting to maintain a relatively stable level of happiness may require spending ever-increasing amounts of money. This is, in many ways, similar to the way that drug addiction operates. Neurological systems respond to repeated use of addictive drugs with neuroadaptation: since foreign chemicals (e.g., cocaine) are doing the same job as natively produced neurotransmitters (e.g., acting on dopamine receptors), the systems that produce those neurotransmitters begin to produce less and less over time. With fewer neurotransmitters naturally available to bind to those receptors, those systems will require increasing amounts of the drug to achieve the same level of activation. Plus, since those systems are typically involved in the experience of pleasure, the reduced activation of those systems during any period of abstention reduces positive affect, which fuels a desire for the drug just to get back to baseline levels—the neurochemical equivalent of loss aversion (Koob & Le Moal, 2001). In just the same way, if you decide to upgrade from the 1994 Ford Fiesta you've driven for years to a new Mercedes, the first drive off the lot will be thrilling. After a year or 2, that thrill will mostly be gone, and the feeling of luxury provided by the Mercedes will eventually begin to feel normal. The only way to get that thrill again will be to increase your dosage with the new model, which will not be cheap. Any abstention from that new baseline, say if you go back to driving your old Fiesta while the Mercedes is in the shop, what was once perfectly adequate will feel perfectly intolerable—your baseline level of activation has changed, and you'll jones for that new normal.

[4] A recent blind taste-test study found that those with some training with wine show a positive (though small) relationship between price and enjoyment, meaning that they enjoyed the more expensive wines more. Novices, however, actually showed a *negative* correlation; they liked the cheaper wines better (Goldstein et al., 2008).

In fact, this is one explanation for the very modest relationship between wealth and happiness: as income rises, people adapt to their new standard of living, and must spend more to feel the same amount of happiness they had at their old salary (Diener & Biswas-Diener, 2002). A reduction in salary is now treated as a loss, which has more severe negative consequences for well-being than the initial increase did positive consequences (Boyce, Wood, Banks, Clark & Brown, in press). What's more, new evidence suggests that wealth may actually hinder the ability to savor positive experiences and emotions. In one study, participants given a series of vignettes, such as discovering an amazing waterfall, and asked how they would behave in each scenario. Wealthier participants, as well as participants who were merely exposed to reminder of wealth (a photograph of a stack of money), were less likely to claim that they'd use a savoring strategy, such as reminiscing or telling friends about the experience. That reduced ability to savor seems to explain some of the relatively weak correlation between wealth and happiness; wealthy participants were less happy because they were less likely to engage in savoring activities (Quoidbach, Dunn, Petrides, & Mikolajczak, 2010). Thus, it may not be that spending more money is absolutely required in order to overcome the forces of adaptation. Rather, focusing on the experiences, savoring them each time they happen, may prevent the need from spending an ever-increasing amount of money (Chancellor & Lyubomirsky, 2011; Kasser, 2011).

Choices, Choices, Choices

Aside from having money to spend, the initial step toward the act of spending money is to choose which particular good or service you'll be purchasing. In the simplest case, you are faced with a single purchase option, and the decision is simply whether or not to make the purchase. Presumably, as described above, that decision is based on some assessment of the expected costs compared with the expected hedonic gains. For instance, you might hear that the new Daft Punk album just came out, and decide whether or not it is worth $10 to own the album. The calculus is fairly simple: if you think that you'll get a greater hedonic gain from listening to the synthesized singing of French robots than the other ways you can think of spending $10, then you should choose to buy it. Otherwise, keep the money.

This extremely simple scenario is becoming less and less common, however. The more likely case is that there are multiple options you are considering that would fill the same need, and you must choose only one of them. When buying lunch, for example, it's often not a simple question of whether or not to buy a salad (and "not" isn't really an option, since you're not about to go hungry). Instead, you'll need to decide whether to buy a salad, a burrito, a slice of pizza, a bowl of curry, a falafel sandwich, or any of the myriad lunch options that happen to be available to you at the time. Each of these options carries with it some potential hedonic gain, some monetary cost, and choosing any one of them requires that you forego the other options—at least for the day.

Even assembling the set of options you intend to choose from—the consideration set—is becoming an increasingly difficult task in and of itself (see Schwartz, 2004). In theory, more options should lead to better outcomes for consumers, as the likelihood of finding an option that exactly matches one's preferences should increase with the size of the choice set (e.g., Johnson & Payne, 1985; Kahn & Lehmann, 1991; Shugan, 1980), and indeed, people generally share this intuition, preferring to have a lot of options to choose from (Chernev, 2003). However, the number of options available within product categories has ballooned well past what is actually good for consumers (Schwartz, 2004),[5] sapping people of the motivation to engage in the decision-making process (Iyengar & Lepper, 2000).[6] In practice, the cognitive burdens created by large choice sets and time constraints can leave people feeling confused and unconfident (Haynes, 2009; Lee & Lee, 2004), even when they have a great deal of control over the information presented to them (Ariely, 2000).

To illustrate how you might approach a choice from a large set of options, imagine that you are deciding which television to buy. You should be able to narrow your options by excluding options that are too expensive or too small (or large, for that matter) pretty easily, but you may still have hundreds of options to choose from, and no easy way to know which one to choose. There are at least two major strategies for whittling one's consideration set down to a single chosen option. One approach is to compare the relevant attributes of all of the options you're considering, and attempt to identify the very best option. This strategy is referred to as *maximizing*. An alternative approach to making such a decision is to use a *satisficing* strategy: simply set a standard for quality and select the very first option you come across that meets this standard (Simon, 1955). Although maximizing should theoretically yield better outcomes—done properly, you should always get the best option available—in practice, people who tend to engage in maximizing (rather than satisficing) are subject to a host of negative psychological outcomes, such as increased depression and decreased life satisfaction (Schwartz et al., 2002). What's more, maximizers have a hard time committing to any one option, showing less of the post-decision rationalizing that helps us feel good about our choices no matter how good a choice it was (Sparks, Ehrlinger, & Eibach, 2012). This helps explain why maximizers report less satisfaction than satisficers despite obtaining objectively better outcomes (Iyengar, Wells, & Schwartz, 2006). The differences between using a maximizing and a satisficing approach, and particularly the differences in the resulting psychological well-being, help illustrate two of the big reasons why large choice sets can be problematic: the large number of comparisons required and unreasonable expectations.

---

[5] This is in part due to companies attempting to distinguish themselves in a crowded marketplace. For any given brand, adding more options leads consumers to infer that the brand has expertise in the area, and therefore that its offerings are better (Berger, Draganska, & Simonson, 2007). This approach is, of course, less effective when everyone does it, starting the arms race that created ultra-specific options like Diet Caffeine-Free Cherry Vanilla Coke, and resulted in sagging store shelves and bewildered consumers.

[6] A recent meta-analysis suggests that the demotivating effect of too-much-choice may be present in only certain circumstances, such as under time constraints or when the need to justify one's choice is high (see Scheibehenne et al., 2009, 2010). This is described further below.

Comparisons

Making a choice from a large consideration set can require a large number of comparisons, particularly when using a maximizing strategy. To be sure, it is quite natural to engage in comparative processes (Gilbert, Giesler, & Morris, 1995), and people often do need comparative information in order to evaluate something properly. In one particularly telling example, participants were willing to pay more for 7 oz of ice cream when it overflowed a tiny cup than for 8 oz of ice cream when it only partially filled an enormous cup—they used the size of the cup to inform their judgments, when it really should be extraneous to how much the ice cream itself is worth (Hsee, 1998; Sevdalis & Harvey, 2006). Without the ability to make certain comparisons (e.g., the actual amount of ice cream), misleading cues (like inappropriately sized cups) can cause people to make poor decisions.

Indeed, some comparisons might be quite helpful, particularly when they are easy to make, and there is little chance for error. In the television example above, it's quite easy to compare models on price and size, because those attributes are *alignable* (e.g., Gentner & Markman, 1994). Clearly, cheaper is better than more expensive, and larger is better than smaller (within reason, of course). If price and size were the only attributes televisions had, it would be relatively trivial to make a choice; you'd still need to find the sweet spot in the apparent trade-off between price and size, but that's it. Unfortunately, there will quite often be other features that do not align—a feature that is present in one option but absent in others. One set might have a smart dimming feature, while another might have a suite of internet-connected apps, and still another might include a camera so that you can video chat with family and friends. How can you possibly compare these features or decide which one you'll appreciate more over time? Attempting to compare incomparable features can be very frustrating, incredibly demanding (Zhang & Markman, 2001), and because people tend to search for more options as they learn more about the different nonalignable features available (Griffin & Broniarczyk, 2010), it can exacerbate the problem by making the choice set even larger. As the size of the choice set increases, so do the number of difficult comparisons required, which has negative consequences for your ultimate satisfaction with your choice (Reutskaja & Hogarth, 2009; Scheibehenne, Greifeneder, & Todd, 2010). Perhaps it is no surprise that having more alignable features can mitigate some of the downsides of large choice sets (Herrmann, Heitmann, Morgan, Henneberg, & Landwehr, 2009).

A big part of the reason that nonalignable features are such an issue is related to the different modes in which we make evaluations (see Hsee, Loewenstein, Blount, & Bazerman, 1999). In the store, making a decision between ten different televisions, you are in joint evaluation (JE) mode. In your living room, where you'll actually watch the television, you're in separate evaluation (SE) mode (Hsee & Zhang, 2004). People can rely on comparative information in JE, when the options are side by side, but less so in SE, when the other comparison targets are not present. For instance, in the store, you might see that Television A has a slightly better picture quality than Television B and decide that this justifies its higher price. However, because it's very difficult to evaluate small differences in attributes like picture quality without a direct comparison, you may not be able to appreciate that slightly better picture once you bring the television home, removing the justification for spending the extra money spent. Attributes that may seem important on a relative level (i.e., when in JE mode) might not matter at all on an absolute level (i.e., when in SE mode), as long as they're above some threshold of quality.

This can work slightly differently for nonalignable attributes, because unlike alignable attributes, your memory for the presence or absence of some feature can make SE mode feel like JE mode. If you decide not to spend the extra money to get Television A's better picture quality (an alignable attribute), as long as the picture quality of Television B generally looks good to you, it is unlikely to impact your day-to-day enjoyment. However, if you choose a set without the smart dimming feature (a nonalignable attribute), each time you are nearly blinded by the screen when turning on the television at night, you might recall that you could have avoided that experience by getting a different television, and that knowledge can diminish your satisfaction. Even though you're not in the store anymore, because you learned about and retained information that does not require the comparison target to be present to evaluate, you may find yourself in JE mode and lose some of the benefits of getting away from comparative information. This is not to say that these nonalignable attributes cannot contribute to enjoying the money you spend, but that they can come with unanticipated costs. Engaging in an extensive comparison process can haunt you later on (Dhar, Nowlis, & Sherman, 1999)—it can even feel like the unchosen options that you considered closely are being taken away from you (Carmon et al., 2003). Without such extensive comparisons, you might remain blissfully unaware.

Expectations

When deciding how to spend your money, your expectations will play a role in how you decide as well as how you evaluate the outcome. While pondering whether or not to make a particular purchase, people certainly do try to anticipate how that purchase will ultimately make them feel and make their choices based on these beliefs (Mellers et al., 1999; Shiv & Huber, 2000). Later, when evaluating the purchase, people compare their actual experience with the purchase to their prior expectations of its performance (e.g., Bell, 1985; Oliver, 1980) as well as how their experienced affect matches their expected affect (Patrick, Macinnis, & Park, 2007; Phillips & Baumgartner, 2002). It's easy to see how people might be wrong on either count and in either direction. In terms of performance, you might correctly expect a new wool sweater to be warm and comfortable but fail to anticipate how itchy it gets, or you might be pleasantly surprised that a new jacket is much better in the rain than you expected. In terms of affect, even if your predictions about how a new pair of shoes will feel are very close to the reality, you might find that you get much more or much less enjoyment out of them than you expected you would (particularly if you fail to consider the role of adaptation, as described above). Money is generally considered well-spent when expectations of performance and experience are met or exceeded, creating happiness and satisfaction, and ill-spent if those expectations are not met, creating dissatisfaction and regret (Bell, 1985; Oliver, 1980).

Expectations are tricky, however, because they are not completely independent of how the event itself is experienced (Wilson, Lisle, Kraft, & Wetzel, 1989). For instance, participants in one study who spent some time thinking about how great a Hershey's kiss would taste, thus inflating their expectations, ended up enjoying the chocolate more than participants who simply ate it right away (Nowlis et al., 2004). Delaying consumption thus has additional benefits beyond decoupling the pleasures of consumption from the pain of paying, as described above. It provides hedonic benefits from the mere act of anticipating something positive, and it provides time for positive expectations to increase enjoyment of the event. There are limits to how much expectations can positively influence our experiences, of course, so it's important not to raise expectations well beyond what is reasonable, or dissatisfaction and regret are the likely outcomes. That is, there is a sweet spot in which we are able to reap the benefits of anticipation without succumbing to the problems of missed expectations. This is particularly true of our affective expectations, since affective experience is generally more intense during anticipation than recall (Van Boven & Ashworth, 2007), and people aren't particularly good at predicting the magnitude (Buehler & McFarland, 2001; Gilbert et al., 1998) or duration (Wilson et al., 2000) of the emotions brought on by some future event. When people inevitably do misforecast their affective reaction, it seems to be that feeling worse than expected negatively impacts evaluations, but feeling better than expected doesn't have an equivalent positive impact (Patrick et al., 2007). Consistent with the notion that losses loom larger than gains (Kahneman & Tversky, 1984), people spend a lot more time thinking about why an affective experience didn't live up to their expectations, but simply accept a more positive affective experience without further elaboration (Gilovich, 1983; Hastie, 1984).

The downsides of expectations are especially evident in large choice sets, since the large number of options can create the expectation that the perfect option is actually available (Diehl & Poynor, 2010). This expectation certainly seems reasonable—how could you not find exactly the right television for you from the hundreds of models available? Having such high expectations can lead to a more extensive search if that perfect option does not present itself quickly, further encouraging a maximizing approach. Plus, as described above, the more extensive your search, the more you learn about nonalignable features (Griffin & Broniarczyk, 2010). That is, as you browse through the available television sets, you will start with a certain number of features that you know you should be checking and comparing, such as price, screen size, picture quality, and energy consumption. When you encounter a set that has a smart dimming feature, something you didn't previously realize you might want, you now must add it to the list. Each new attribute that you encounter teaches you something about the possibilities, and changes your expectations about what it means to be a good choice. The longer you search, the more you learn, the higher your expectations, and the less likely you are to ultimately end up being satisfied with your choice (Griffin & Broniarczyk, 2010).

High expectations can influence not just the search and decision-making process but also what people end up choosing. When the choice is difficult, as it typically is from large choice sets, many people feel a greater pressure to make a decision that is justifiable to others, and the justifiable choice isn't necessarily the best choice, at least in terms of happiness. For instance, people are more likely to select a utilitarian option than a hedonic option, since it's easier to justify buying something that's useful than something that could be considered indulgent (Sela, Berger, & Liu, 2009). People also place a greater emphasis on alignable features than nonalignable features because they are easier to compare and therefore easier to justify (Markman & Medin, 1995). In fact, the negative effects of choice overload may only occur when decision-makers have some expectation of needing to justify their choice, since the strategy most likely to produce a justifiable choice is maximizing; in the absence of that pressure, large choice sets might not be detrimental at all (Scheibehenne, Greifeneder, & Todd, 2009; Scheibehenne et al., 2010; see also Botti & McGill, 2006; Tsiros, Mittal, & Ross, 2004). The mere act of engaging in an extensive search and comparison process, with expectations for a good outcome high, the pressure to get a really good option may be quite high. After all, if you've put in a great deal of effort to find a good option, if it doesn't turn out well, then you can blame yourself for not doing just a little bit more searching or comparing.

For all the reasons outlined above, it may be no surprise that the kind of extensive search process that maximizers engage in, with all its comparisons and effort, might provide an objectively better outcome, but might actually produce less enjoyment (Iyengar et al., 2006). Thus, whenever possible, you should avoid large choice sets, engage in relatively few comparisons, keep the pressure to get the very best option low, and try to keep in mind whether the relative differences between options will actually produce a meaningful gain in enjoyment. To be sure, many choice contexts are set up in ways that makes it difficult to take that advice. Plus, much of that advice is of the "thou shalt not" variety, which isn't always particularly helpful. To provide more positive approaches, the next section specifically discusses purchases that, by their very nature, eliminate (or at least lower) many of the roadblocks between the act of spending money and the expected hedonic payout.

On What, and on Whom, Should You Spend Money?

The sections above defined and described the act of spending in terms of the psychological processes involved, with a special emphasis on issues that prevent a purchase from achieving its intended outcome: happiness. This section focuses on specific types of purchases that tap more directly into the psychological processes most likely to yield satisfaction and increase overall well-being. To start, the distinction between material possessions (tangible objects like jewelry, clothes, and electronic gadgets) and experiences (intangible purchases like vacations, meals at restaurants, and concerts) has proven quite useful (Van Boven & Gilovich, 2003). Generally, research suggests that for the same amount of money, experiences tend to be more satisfying, and make people happier, than possessions (Carter & Gilovich, 2010, 2012; Howell & Hill, 2009; Howell, Pchelin, & Iyer, 2012; Nicolao, Irwin, & Goodman, 2009; Van Boven & Gilovich, 2003; cf. Caprariello & Reis, 2013).

Although there are several specific reasons why experiences seem to offer hedonic benefits, much of the explanation has to do with the features inherent to each type of purchase. It's worth stating, of course, that the defining features vary by degree, and thus the distinction between experiences and possessions isn't always clear-cut. Although most experiences are indeed intangible, there are certainly physical objects that are highly experiential when they are being used—allowing them to change states like ice melting and refreezing. Although a good fiction book is a physical object, it is highly experiential while you are reading it: mentally transporting you to other places, times, or even to other realities. Similarly, owning a physical copy of your favorite movie is indeed a tangible object, but your main interaction with it is through the experience of watching the film. Once that experience is over, the object goes back on the shelf, just like any other material possession. The existence of these purchases with ambiguous properties does not, however, impugn the importance of the distinction between material and experiential purchases. Even though some purchases might seem quite slushy, not easily categorized as solid ice or fluid water, focusing attention on the ice or the water makes different psychological processes salient, thus creating different psychological outcomes—as if the mere act of focusing on the water melted all of the ice. For instance, when the exact same purchase (e.g., a boxed set of music or a 3D TV) is described in terms of its material or experiential qualities, it has the same beneficial psychological effects as more canonical possessions or experiences (Carter & Gilovich, 2010, 2012; Rosenzweig & Gilovich, 2012). Plus, people generally have little trouble understanding the distinction and can readily identify examples that observers agree fit the categories well, apparently interpreting a gradient as distinct hues (Carter & Gilovich, 2010). Indeed, in the studies investigating that distinction, recalling different types of purchases based on even the barest description of the categories seems to have hedonic consequences for participants, suggesting that the categories are both useful and consequential. Still, it might be better to think of the distinction between experiences and possessions as a continuum, and the position of any one purchase on that continuum as a function of not just its inherent properties, but also which properties are psychologically salient at the moment (see Carter & Gilovich, 2013).

So what is it about experiences that seem to make people happier? Although it is undoubtedly multiply determined, there are several distinct reasons that have been identified so far. The sections below will discuss several such reasons: the benefits of experiences' intangibility to issues of expectations and adaptation, the smaller role that comparisons play in experiential decision-making and evaluation, the ability for experiences to strengthen social bonds, and the greater contribution that experiential purchases make to the self-concept.

Expectations and Adaptation

Prior to making the purchase, expectations can exert both a positive influence (via positive anticipation) and a negative influence (when raised to unreasonable levels) on satisfaction. How might you find the sweet spot—allowing positive anticipation to increase your expectations so that they increase actual enjoyment, without setting the bar so high that disappointment is the only possible result? Experiences seem to offer some benefits over possessions in this regard, both in terms of allowing high expectations to increase enjoyment and in terms of reducing disappointment when the outcome isn't as positive as expected.

For instance, in a study of spring break experiences, participants reported their expectations for how their vacation would go, their enjoyment while actually on the vacation, and their retrospective memories for the event weeks later (Wirtz, Kruger, Scollon, & Diener, 2003). In this study, participants' expectations were positively related to both their online reports and their memories for the event, suggesting that they were positively anticipating the event and that those increased expectations actually improved both the experience itself and their memories of it. Why might this be the case more so for experiences than possessions? Because an experience is intangible, abstract, and fleeting, with a fair amount of uncertainty about exactly how it will transpire. A small amount of uncertainty alone can make a positive experience more enjoyable by encouraging a pleasant elaboration on potential explanations (Wilson, Centerbar, Kermer, & Gilbert, 2005). And because experiences are more abstract—in fact, merely taking time to think about a recent material or experiential purchase puts people into a more concrete or an abstract mindset, respectively (Carter, 2013)—that positive elaboration can be more effective.

If your expectations for a vacation in Grand Cayman are particularly high—indeed, it would be hard not to expect a week sipping drinks on a white sand beach to be fantastic—even if that positive anticipation improved the experience, the odds that the reality truly lives up to your expectation may be quite low, partly because you won't bother to imagine any potential downsides (Newby-Clark et al., 2000). Chances are pretty good that you failed to foresee the frustration of constant sunscreen application, the embittering effect of overpriced drinks, or the baffled annoyance at a nearby couple's decision to blast Jock Jams'96 for the entire beach to hear. Over time, however, the actual feeling of anger created by those nuisances will fade and seem trivial, allowing you to see it as a learning experience, or a funny story; the more positive aspects eventually dominate memories (Mitchell, Thompson, Peterson, & Cronk, 1997). Indeed, in the spring break study mentioned above, it was only memories of the experience, not the experience itself, that predicted how likely they were to want to repeat the experience (Wirtz et al., 2003). However, because possessions are more concrete and physically endure through time, they are not as easily reconstrued or reimagined. Thus, if your new couch turns out not to be the paragon of comfort and style you'd expected, it will sit in your living room each day as a constant reminder of your folly. That greater ability to reconstrue the negative aspects of an experience is one reason why happiness with experiences seems to hold steady or even improve over time, whereas happiness with possessions tends to decline (Carter & Gilovich, 2010).

As described above, well before physical decline sets in, hedonic adaptation can begin to leach away a purchase's initial pleasure, so any disruption of adaptation processes will help that initial pleasure endure. Here too, experiences offer a benefit, since they seem to do a better job than possessions in resisting hedonic adaptation (Nicolao et al., 2009). One reason is because experiences are, by definition, transient states, it can be very difficult to get used to them. Possessions, being physical, tangible objects that persist in space and time, are more prone to this sort of adaptation. That initial thrill from owning a new dining room table will fade as it sits there, unchanged, day after day. That is not to say that one cannot adapt to a transient state if it is repeated too often. As mentioned in the example above, eating your favorite meal too frequently can rob you of its pleasure. Adding variety, surprise, and uncertainty can help prevent the natural process of affective adaptation to pleasurable events (Wilson & Gilbert, 2008). For instance, adding short interruptions to experiences can be sufficient to prevent them from getting old, to the point that commercials, typically derided as unpleasant, may actually increase enjoyment of a television show (Nelson & Meyvis, 2008). Applying a similar logic, frequent small purchases may actually provide a greater hedonic benefit than a single large purchase (Dunn et al., 2011; Dunn & Norton, 2013). Because pleasurable experiences are subject to diminishing marginal utility (another insight of prospect theory; Kahneman & Tversky, 1979), you can get a greater total amount of pleasure by consuming several small experiences than one big one. Taking frequent small vacations is likely to make a bigger impact on your well-being than one big one. This is also likely true of possessions; frequently buying small material possessions may make you happier than one extravagant purchase. Small frequent material purchases suffer from one significant disadvantage, however: they accumulate over time and clutter up your life.

Invidious Comparisons

As described above, large choice sets and decision-making strategies that emphasize comparative information (i.e., maximizing) can have negative hedonic consequences. However, many of these effects are much more true of possessions than experiences. To start, maximizing appears to be the strategy that offers a more natural fit for material possessions, in no small part because of the tangible nature of possessions. It was no accident that many of the examples used to describe maximizing in the sections above were physical objects. Televisions, for instance, can fairly easily be compared side by side, inviting comparisons that quite often don't matter after you've brought your purchase home. You might be able to see that one television offers deeper blacks than another when they're right next to each other (in JE), but in your living room (in SE), that direct comparison will be impossible and therefore will not impact your enjoyment (Hsee, 1996; Hsee et al., 1999;

Hsee & Leclerc, 1998; Hsee & Zhang, 2004). With possessions, because the comparisons are so easy and prevalent, people seem inclined, perhaps even feel obligated, to use the more comparison-oriented strategy of maximizing. Indeed, when faced with a material purchase decision, people report that they're more likely to use a maximizing strategy (Carter & Gilovich, 2010).

Experiences, on the other hand, seem to offer a more natural fit with the satisficing approach. For instance, imagine that you're deciding where to go on vacation. There is certainly no shortage of places to visit, meaning that the best decision will by no means be obvious. There is also plenty of opportunity to compare all of the various destinations, but those comparisons are much more difficult than comparing two televisions—the attributes of experiential purchases tend to be much less alignable than the attributes of possessions. Plus, the intangible nature of experiences makes it impossible to truly compare two vacation destinations side by side, except on the more tangible and concrete attributes, like price. Most of the comparisons will be either entirely hypothetical—imagining yourself on a beach is very different than actually being at one—or even completely incomparable—comparing the sun of Aruba to the culture of Venice is very much an apples-to-oranges proposition. If one cannot make such comparisons, then a maximizing approach is decidedly unsuitable, and it makes more sense to evaluate each option on its own merits. Indeed, participants report that they are more likely to use a satisficing approach for experiential purchase decisions (Carter & Gilovich, 2010).

The different decision-making strategies evoked by material and experiential purchase decisions show downstream consequences in line with what you'd expect: maximizing and satisficing, respectively. In one experiment, participants were assigned to recall either a material or experiential purchase they had made from a large array of options. Consistent with a more extensive decision process, participants reported that making a material purchase decision was simply more difficult than making an experiential purchase decision. If, because of the more extensive comparison process involved in the material purchase decision, information about the foregone options was retained, possessions might be particularly likely to provoke the kind of negative counterfactuals that create feelings of regret and dissatisfaction (see Rosenzweig & Gilovich, 2012). Indeed, participants who recalled a possession were still being bothered by thoughts of the foregone options, and it was these nagging thoughts that explained why possessions were less satisfying than experiences in the present (Carter & Gilovich, 2010).

Although making comparisons between experiential options is certainly more difficult, comparative information is also less important for experiences, forming a smaller part of satisfaction judgments than is the case for possessions. When people evaluate a possession, they need some frame of reference or point of comparison in order to come up with a judgment; with experiences, the experience itself, on its own merits, provides the lion's share of the evaluation process (Carter & Gilovich, 2010; Hsee, Yang, Li, & Shen, 2008; Ma & Roese, 2013). Thus, even when negative comparative information is salient, experiences are relatively immune to its influence. For instance, in an experiment where participants were given either a material prize (a good pen) or an experiential prize (chips) in the context of either much better or much worse prizes, the context played a big role in how participants evaluated the pen—rating it lower when it was worse than the other prizes—but had no impact on how much they enjoyed the chips (Carter & Gilovich, 2010). Even when that information is made quite salient, such as when participants in other experiments were told that the price had dropped on a purchase they had made, or that new and better options were now available, that information sapped participants' satisfaction with material purchases but not experiential purchases (Carter & Gilovich, 2010).

This evidence suggests two hedonic advantages experiences have when it comes to the act of spending money. First, experiences nudge people into using decision strategies that are less comparative, and thus more conducive to happiness. Second, because they are relatively immune to potentially invidious comparisons, when negative comparative information inevitably does arise, it has a much smaller detrimental impact on satisfaction. Of course, you cannot live on vacations and concerts alone, so when you are making material purchase decisions, try to treat them more like experiences: make your choices using something closer to a satisficing process, use comparisons only when they're most helpful—between alignable attributes when actually making the decision, not after the decision is made—and do your best to evaluate your purchase on its own merits.

Making Meaning

Some of the purchases that offer the most enduring satisfaction are those that become personally meaningful, which make some contribution to our sense of self (see Belk, 1988). Experiences, more so than possessions, seem to embody this principle as well (Carter & Gilovich, 2012). Why might this be the case? One reason has to do with how the different types of purchases persist over time. As mentioned above, experiences persist only as memories, and memories of an event tend to be rosier than the actual experience (Mitchell et al., 1997). With a little temporal distance, you'll forget about the ravenous mosquitos and the overcooked eggs on your camping trip, but you will retain the memory of the incredible starry sky and the sense of relaxation (even if it didn't feel all that relaxing at the time). Possessions, on the other hand, will be ravaged by time just like any other physical object. Shoes get scuffed and wear out; cell phones become obsolete. To be sure, that difference in tangibility is another reason why experiences seem to retain, or even improve their value over time, whereas satisfaction with possessions seems to decline (Carter & Gilovich, 2010).

But the intangibility of experiences also means that they are more directly connected to the self-concept—memories being an essential component of the self (e.g., Kihlstrom, Beer, & Klein, 2003; McAdams, 2001; Wilson & Ross, 2003)—whereas possessions are more physically distant from the self. Experiments confirm this intuition. For instance, participants in one study were first asked to recall a number of both material and experiential purchases. Then, they were given an example of the diagrams used in the independent–interdependent selves literature, where circles representing family members are plotted around a central "self" circle, with the proximity of each circle relative to the self-circle indicative of the degree to which that family member contributes to the self-concept (see Markus & Kitayama, 1991). They were then given a blank self-circle and asked to use the same logic to plot the circles representing the purchases they had recalled earlier—literally diagramming the centrality of each purchase to their self-concept. As expected, participants plotted their experiential purchases closer to the self-circle than their material purchases. In another experiment, participants were more likely to include experiential than material purchases in a narrative telling their life story. These two experiments together suggest that people do consider their experiences more central to the self-concept, but more importantly, is centrality to the self-concept part of the reason *why* they are more satisfying? Participants in another experiment were asked to recall either a material or an experiential purchase, and then were asked to imagine that they could go back in time and make a different choice, selecting a different option instead, but without changing their current circumstances—essentially swapping out their memories for new ones. Participants were less willing to make that memory swap for an experience than a possession, and that relative willingness did indeed explain why the possessions were less satisfying than the experiences (Carter & Gilovich, 2012). Experiences did more to create participants' sense of self, so changing an experience meant changing the very nature of their self-concept, something people strongly resist (Gilovich, 1991). Indeed, it's no accident that people talk of "formative experiences" and not "formative possessions."

Overall, it seems that money spent on purchases that are personally meaningful, or contribute to our sense of self, is going to produce greater hedonic returns, and choosing experiences over possessions is just one easy way to accomplish this. There are certainly other types of purchases that are likely to be personally meaningful. Other work suggests that purchasing products that are aligned with your own ethical code, such as environmentally friendly products, can be associated with greater well-being (Welsch & Kühling, 2010; Xiao & Li, 2010; cf. Griskevicius, Tybur, & Van den Bergh, 2010). Purchases that require you to invest a bit of yourself into them, such as self-assembled furniture, also seem to provide more enduring satisfaction, partly because they create a feeling of competence, fulfilling another basic psychological need (Mochon, Norton, & Ariely, 2012; Norton, Mochon, & Ariely, 2012). In fact, people are willing to give up higher wages in exchange for the feeling that the work they're doing is meaningful (Ariely, Kamenica, & Prelec, 2008). Clearly, meaning matters. When deciding how to spend your money, you should take into consideration whether any given purchase is likely to provide meaning—to contribute to your sense of self.

Social Relationships

Probably the single most robust predictor of well-being is having strong social relationships (e.g., Diener & Seligman, 2002; Myers, 2000), so spending money in service of nurturing your social relationships is nearly always going to be money well spent. A difference in the social nature of purchases also helps to explain why experiences seem to be so satisfying. First, experiences are simply more likely to involve other people than possessions. After all, many experiential purchases are expressly meant to foster social interaction or to spend time with loved ones, whereas many possessions are meant to be enjoyed alone. If you go see the Rolling Stones in concert, it's likely that you'll share the experience with a good friend or spouse (not to mention 20,000 strangers), but it's unlikely that a new sweater will be used by more than one person (certainly at any given time). Indeed, many possessions can do more to isolate us from, rather than connect us to, our social surroundings. Even though a smartphone's primary use is ostensibly as a telephone—an inherently social purpose—daily train commuters know just how common it is to see the entire train car full of people sitting silently, staring at their phones, playing games or attempting to keep up with their work email. Perhaps it's no surprise that when people are experimentally induced to leave their gadgets in their pockets and actually talk to the other passengers, making even a fleeting social connection, their commutes are considerably more pleasant. In a telling study, daily train commuters in Chicago either were asked to do what they normally did during their commute (which was almost universally solitary, reading or working, often on some kind of electronic device) or were asked to start a conversation with a total stranger. But as daunting as making small talk for 15–30 min might have seemed (and indeed the commuters generally believed that this would not be pleasant), in fact it was those participants who had a conversation who enjoyed their commutes the most, and even considered it at least as productive as if they'd read or worked as they normally did (Schroeder & Epley, 2013).

Participants in another study who reflected on an experiential purchase, compared with participants who reflected on a material purchase, reported greater happiness not only with the purchase that they had made but also greater satisfaction of the higher-order psychological need of relatedness (Howell & Hill, 2009). Meeting this need for relatedness may even be quite crucial to enduring satisfaction from a purchase; social purchases, whether experiential or material, foster considerably more happiness and satisfaction than solitary purchases (Caprariello & Reis, 2013). In fact, spending money on other people has shown to be more satisfying than spending a larger amount of money on oneself. In one study, participants were given an envelope with either $5 or $20 inside and were assigned to spend that money either on themselves or on another person by 5 pm. Incredibly, participants who spent their money on someone else were happier than participants who spent the money on themselves, but how much money they were given didn't make a difference (Dunn, Aknin, & Norton, 2008). This basic phenomenon has been replicated in a variety of other countries (Aknin et al., 2013), and even 2-year-old children are happier when giving their own resources (in this case, Goldfish crackers) to others than when they receive the treats themselves (Aknin, Hamlin, & Dunn, 2012). There's even evidence that this prosocial spending is self-reinforcing—the happier participants in one study were, the more likely they were to spend a windfall on others (Aknin, Dunn, & Norton, 2011). Thus, if you are going to spend money on possessions instead of experiences, you're probably better off buying them for someone else.

Other work has shown that experiences confer a social benefit even further downstream, when conversing with people who were not directly involved in the purchase itself. For instance, participants in one experiment were asked to have a conversation with a stranger (also a participant), but were limited in their conversation topics. Half of the pairs were confined to talking about experiences they'd purchased, and the other half were confined to talking about their possessions. After the conversation was over, participants who had talked about experiences felt the conversation went better and liked their conversation partner more (Van Boven, Campbell, & Gilovich, 2010). In other words, while you might be excited to talk about your shiny new laptop, people will be much more receptive to hearing the stories from your recent trip to San Francisco. Part of the reason may be that experiences are more resistant to social comparisons than possessions, so talking about your experiences with others is less likely to incite feelings of jealousy (Carter & Gilovich, 2010; see also Solnick & Hemenway, 1998). There's also evidence that people are more likely to spontaneously talk about their experiences than their possessions, which not only provides the opportunity to make meaningful social connections as described above but also helps people to "reconsume" that experience, embellishing and improving the memory (Kumar & Gilovich, 2013). What's more, people seem to cherish that mechanism of sharing. In an experiment, after ranking either a variety of beach vacations (experiential condition) or electronic gadgets (material condition), participants were asked to imagine that they had to choose between getting their top-ranked option, but with the caveat that they weren't allowed to talk about it with anyone, or their second-ranked option, which had no restrictions. Participants in the material condition apparently didn't care about sharing—they simply wanted their top choice and were perfectly happy to forgo the social element in order to get it, further illustrating the more solitary nature of possessions. Not so with participants in the experiential condition: the ability to talk about their experience with others was far more important, so they greatly preferred the socially unrestricted second-ranked option (Kumar & Gilovich, 2013).

Thus, a big part of the reason why experiences end up being more satisfying ways to spend money than possessions is that they confer greater social benefits both during and long after the purchase itself. Given how important other people are to our well-being, spending money that reinforces your social relationships, or helps you feel a sense of connectedness to the world, is going to be money well spent—even if you don't get to consume it yourself.

Conclusion

The act of spending money is an emotional decision, with hedonic consequences that can last far into the future. Greater attention to how we approach that act, and especially the processes by which we make our decisions, can help one accomplish the overarching goal of improving one's well-being. The attention one pays need not be exhausting, however. The approaches outlined above offer a few ways that may help reduce the anxiety many people feel when pondering an act of spending—worrying about the prospect of buyer's remorse—that robs the moment of some of its excitement. It may not be easy to make peace with the fact that spending money is always going to involve a loss and focus instead on what you'll gain, but perhaps a good way to start is simply to choose to take a good friend out to share a nice meal, savor each bite, and make a memory that you'll cherish for a lifetime.

References

Ahuvia, A. (2008). If money doesn't make us happy, why do we act as if it does? *Journal of Economic Psychology, 29*(4), 491–507. doi:10.1016/j.joep.2007.11.005.

Aknin, L. B., Barrington-Leigh, C. P., Dunn, E. W., Helliwell, J. F., Burns, J., Biswas-Diener, R., et al. (2013). Prosocial spending and well-being: Cross-cultural evidence for a psychological universal. *Journal of Personality and Social Psychology, 104*(4), 635–652. doi:10.1037/a0031578.

Aknin, L. B., Dunn, E. W., & Norton, M. I. (2011). Happiness runs in a circular motion: Evidence for a positive feedback loop between prosocial spending and happiness. *Journal of Happiness Studies, 13*(2), 347–355. doi:10.1007/s10902-011-9267-5.

Aknin, L. B., Hamlin, J. K., & Dunn, E. W. (2012). Giving leads to happiness in young children. (A. H. Kemp, Ed.). *PLoS One, 7*(6), 1–4. doi:10.1371/journal.pone.0039211.g002.

Aknin, L. B., Norton, M. I., & Dunn, E. W. (2009). From wealth to well-being? Money matters, but less than people think. *The Journal of Positive Psychology, 4*(6), 523–527. doi:10.1080/17439760903271421.

Alba, J. W., & Williams, E. F. (2013). Pleasure principles: A review of research on hedonic consumption. *Journal of Consumer Psychology, 23*(1), 2–18. doi:10.1016/j.jcps.2012.07.003.

Andrade, E. B., & Ariely, D. (2009). The enduring impact of transient emotions on decision making. *Organizational Behavior and Human Decision Processes, 109*(1), 1–8. doi:10.1016/j.obhdp.2009.02.003.

Ariely, D. (2000). Controlling the information flow: Effects on consumers' decision making and preferences. *Journal of Consumer Research, 27*(2), 233–248. doi:10.1086/314322.

Ariely, D., Huber, J., & Wertenbroch, K. (2005). When do losses loom larger than gains? *Journal of Marketing Research, 42*(2), 134–138.

Ariely, D., Kamenica, E., & Prelec, D. (2008). Man's search for meaning: The case of Legos. *Journal of Economic Behavior and Organization, 67*(3–4), 671–677. doi:10.1016/j.jebo.2008.01.004.

Arkes, H., & Blumer, C. (1985). The psychology of sunk cost. *Organizational Behavior and Human Decision Processes, 35*, 124–140. doi:10.1016/0749-5978(85)90049-4.

Avnet, T., & Higgins, E. T. (2006). How regulatory fit affects value in consumer choices and opinions. *Journal of Marketing Research, 43*(1), 1–10. doi:10.2307/30163364.

Belk, R. W. (1988). Possessions and the extended self. *Journal of Consumer Research, 15*, 139–168.

Bell, D. E. (1985). Disappointment in decision making under uncertainty. *Operations Research, 33*(1), 1–27. doi:10.1287/opre.33.1.1.

Berger, J., Draganska, M., & Simonson, I. (2007). The influence of product variety on brand perception and choice. *Marketing Science, 26*(4), 460–472. doi:10.1287/mksc.1060.0253.

Biswas-Diener, R., & Diener, E. (2001). Making the best of a bad situation: Satisfaction in the slums of Calcutta. *Social Indicators Research, 55*(3), 329–352.

Botti, S., & McGill, A. L. (2006). When choosing is not deciding: The effect of perceived responsibility on satisfaction. *Journal of Consumer Research, 33*(2), 211–219. doi:10.1086/506302.

Boyce, C. J., Wood, A. M., Banks, J., Clark, A. E., & Brown, G. D. A. (2013). Money, well-being, and loss aversion: Does an income loss have a greater effect on well-being than an equivalent income gain? *Psychological Science, 24*(12), 2557–2562. doi:10.1177/0956797613496436.

Brown, S., Taylor, K., & Price, S. W. (2005). Debt and distress: Evaluating the psychological cost of credit. *Journal of Economic Psychology, 26*(5), 642–663. doi:10.1016/j.joep.2005.01.002.

Buehler, R., & McFarland, C. (2001). Intensity bias in affective forecasting: The role of temporal focus. *Personality and Social Psychology Bulletin, 27*(11), 1480–1493.

Caprariello, P. A., & Reis, H. T. (2013). To do, to have, or to share? Valuing experiences over material possessions depends on the involvement of others. *Journal of Personality and Social Psychology, 104*(2), 199–215. doi:10.1037/a0030953.

Carmon, Z., & Ariely, D. (2000). Focusing on the forgone: How value can appear so different to buyers and sellers. *The Journal of Consumer Research, 27*(12), 360–370.

Carmon, Z., Wertenbroch, K., & Zeelenberg, M. (2003). Option attachment: When deliberating makes choosing feel like losing. *Journal of Consumer Research, 30*(1), 15–29. doi:10.1086/374701.

Carter, T. J. (2013). *The abstract and concrete nature of experiences and possessions*. Unpublished manuscript.

Carter, T. J., & Gilovich, T. (2010). The relative relativity of material and experiential purchases. *Journal of Personality and Social Psychology, 98*(1), 146–159. doi:10.1037/a0017145.

Carter, T. J., & Gilovich, T. (2012). I am what I do, not what I have: The differential centrality of experiential and material purchases to the self. *Journal of Personality and Social Psychology, 102*(6), 1304–1317. doi:10.1037/a0027407.

Carter, T. J., & Gilovich, T. (2013). Getting the most for the money: The hedonic return on experiential and material purchases. In M. Tatzel (Ed.), *Consumption and well-being in the material world*. New York, NY: Springer. doi:10.1007/978-94-007-7368-4_3.

Chancellor, J., & Lyubomirsky, S. (2011). Happiness and thrift: When (spending) less is (hedonically) more. *Journal of Consumer Psychology, 21*(2), 131–138. doi:10.1016/j.jcps.2011.02.004.

Chernev, A. (2003). Product assortment and individual decision processes. *Journal of Personality and Social Psychology, 85*(1), 151–162. doi:10.1037/0022-3514.85.1.151.

Csikszentmihalyi, M. (2000). The costs and benefits of consuming. *Journal of Consumer Research, 27*(2), 267–272. doi:10.1086/314324.

Dhar, R., Nowlis, S. M., & Sherman, S. J. (1999). Comparison effects on preference construction. *Journal of Consumer Research, 26*(3), 293–306. doi:10.1086/209564.

Diehl, K., & Poynor, C. (2010). Great expectations?! Assortment size, expectations and satisfaction. *Journal of Marketing Research, 47*(2), 312–322.

Diener, E., & Biswas-Diener, R. (2002). Will money increase subjective well-being?: A literature review and guide to needed research. *Social Indicators Research, 57*(2), 119–169.

Diener, E., & Fujita, F. (1995). Resources, personal strivings, and subjective well-being: A nomothetic and idiographic approach. *Journal of Personality and Social Psychology, 68*(5), 926–935. doi:10.1037/0022-3514.68.5.926.

Diener, E., Lucas, R. E., & Scollon, C. N. (2006). Beyond the hedonic treadmill. *American Psychologist, 61*(4), 305–314.

Diener, E., & Seligman, M. E. P. (2002). Very happy people. *Psychological Science, 13*(1), 81–84.

Diener, E., Tay, L., & Oishi, S. (2013). Rising income and the subjective well-being of nations. *Journal of Personality and Social Psychology, 104*(2), 267–276. doi:10.1037/a0030487.

Dunn, E. W., Aknin, L. B., & Norton, M. I. (2008). Spending money on others promotes happiness. *Science, 319*(5870), 1687–1688. doi:10.1126/science.1150952.

Dunn, E. W., Gilbert, D. T., & Wilson, T. D. (2011). If money doesn't make you happy, then you probably aren't spending it right. *Journal of Consumer Psychology, 21*(2), 115–125. doi:10.1016/j.jcps.2011.02.002.

Dunn, E. W., & Norton, M. I. (2013). *Happy money*. New York, NY: Simon & Schuster.

Frederick, S., & Loewenstein, G. F. (1999). Hedonic adaptation. In D. Kahneman, E. Diener, & N. Schwartz (Eds.), *Well-being: The foundations of hedonic psychology* (pp. 302–329). New York, NY: Russell Sage.

Frederick, S., Novemsky, N., Wang, J., Dhar, R., & Nowlis, S. (2009). Opportunity cost neglect. *Journal of Consumer Research, 36*(4), 553–561. doi:10.1086/599764.

Gentner, D., & Markman, A. B. (1994). Structural alignment in comparison: No difference without similarity. *Psychological Science, 5*(3), 152–158. doi:10.1111/j.1467-9280.1994.tb00652.x.

Gilbert, D. T., Giesler, R. B., & Morris, K. A. (1995). When comparisons arise. *Journal of Personality and Social Psychology, 69*(2), 227–236.
Gilbert, D. T., Pinel, E. C., Wilson, T. D., Blumberg, S. J., & Wheatley, T. P. (1998). Immune neglect: A source of durability bias in affective forecasting. *Journal of Personality and Social Psychology, 75*(3), 617–638. doi:10.1037/0022-3514.75.3.617.
Gilovich, T. (1983). Biased evaluation and persistence in gambling. *Journal of Personality and Social Psychology, 44*(6), 1110–1126. doi:10.1037/0022-3514.44.6.1110.
Gilovich, T. (1991). *How we know what isn't so: The fallibility of human reason in everyday life*. New York, NY: The Free Press.
Gilovich, T., Kerr, M., & Medvec, V. H. (1993). Effect of temporal perspective on subjective confidence. *Journal of Personality and Social Psychology, 64*(4), 552–560. doi:10.1037/0022-3514.64.4.552.
Goldstein, R., Almenberg, J., Dreber, A., Emerson, J. W., Herschkowitsch, A., & Katz, J. (2008). Do more expensive wines taste better? Evidence from a large sample of blind tastings. *Journal of Wine Economics, 3*(1), 1–9.
Griffin, J. G., & Broniarczyk, S. M. (2010). The slippery slope: The impact of feature alignability on search and satisfaction. *Journal of Marketing Research, 47*(2), 323–334.
Griffin, D. W., Dunning, D., & Ross, L. D. (1990). The role of construal processes in overconfident predictions about the self and others. *Journal of Personality and Social Psychology, 59*(6), 1128–1139. doi:10.1037/0022-3514.59.6.1128.
Griskevicius, V., Tybur, J. M., & Van den Bergh, B. (2010). Going green to be seen: Status, reputation, and conspicuous conservation. *Journal of Personality and Social Psychology, 98*(3), 392–404. doi:10.1037/a0017346.
Hastie, R. (1984). Causes and effects of causal attribution. *Journal of Personality and Social Psychology, 46*(1), 44–56.
Haynes, G. A. (2009). Testing the boundaries of the choice overload phenomenon: The effect of number of options and time pressure on decision difficulty and satisfaction. *Psychology and Marketing, 26*(3), 204–212. doi:10.1002/mar.20269.
Herrmann, A., Heitmann, M., Morgan, R., Henneberg, S. C., & Landwehr, J. (2009). Consumer decision making and variety of offerings: The effect of attribute alignability. *Psychology and Marketing, 26*(4), 333–358. doi:10.1002/mar.20276.
Higgins, E. T. (1997). Beyond pleasure and pain. *American Psychologist, 52*(12), 1280–1300. doi:10.1037/0003-066X.52.12.1280.
Howell, R. T., & Hill, G. (2009). The mediators of experiential purchases: Determining the impact of psychological needs satisfaction and social comparison. *The Journal of Positive Psychology, 4*(6), 511–522. doi:10.1080/17439760903270993.
Howell, R. T., Pchelin, P., & Iyer, R. (2012). The preference for experiences over possessions: Measurement and construct validation of the Experiential Buying Tendency Scale. *The Journal of Positive Psychology, 7*(1), 57–71. doi:10.1080/17439760.2011.626791.
Hsee, C. K. (1996). The evaluability hypothesis: An explanation for preference reversals between joint and separate evaluations of alternatives. *Organizational Behavior and Human Decision Processes, 67*(3), 247–257. doi:10.1006/obhd.1996.0077.
Hsee, C. K. (1998). Less is better: When low-value options are valued more highly than high-value options. *Journal of Behavioral Decision Making, 11*(2), 107–121.
Hsee, C. K., & Leclerc, F. (1998). Will products look more attractive when presented separately or together? *The Journal of Consumer Research, 25*(2), 175–186.
Hsee, C. K., Loewenstein, G. F., Blount, S., & Bazerman, M. H. (1999). Preference reversals between joint and separate evaluations of options: A review and theoretical analysis. *Psychological Bulletin, 125*(5), 576–590.
Hsee, C. K., Yang, Y., Li, N., & Shen, L. (2008). Wealth, warmth and wellbeing: Whether happiness is relative or absolute depends on whether it is about money, acquisition or consumption. *Journal of Marketing Research, 46*(3), 396–409. doi:10.1509/jmkr.46.3.396.
Hsee, C. K., & Zhang, J. (2004). Distinction bias: Misprediction and mischoice due to joint evaluation. *Journal of Personality and Social Psychology, 86*(5), 680–695. doi:10.1037/0022-3514.86.5.680.
Hsee, C. K., Zhang, J., Cai, C. F., & Zhang, S. (2013). Overearning. *Psychological Science, 24*(6), 852–859. doi:10.1177/0956797612464785.

Isen, A. M. (2001). An influence of positive affect on decision making in complex situations: Theoretical issues with practical implications. *Journal of Consumer Psychology, 11*(2), 75–85.

Iyengar, S. S., & Lepper, M. R. (2000). When choice is demotivating: Can one desire too much of a good thing. *Journal of Personality and Social Psychology, 79*(6), 995–1006.

Iyengar, S. S., Wells, R. E., & Schwartz, B. (2006). Doing better but feeling worse: Looking for the "best" job undermines satisfaction. *Psychological Science, 17*(2), 143–150.

Johnson, E. J., & Payne, J. W. (1985). Effort and accuracy in choice. *Management Science, 31*(4), 395–414.

Kahn, B. E., & Lehmann, D. R. (1991). Modeling choice among assortments. *Journal of Retailing, 67*(3), 274–299.

Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., & Stone, A. (2004). A survey method for characterizing daily life experience: The day reconstruction method. *Science, 306*, 1776–1780.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica, 47*(2), 263–292.

Kahneman, D., & Tversky, A. (1984). Choices, values, and frames. *American Psychologist, 39*(4), 341–350.

Kassam, K. S., Gilbert, D. T., Boston, A., & Wilson, T. D. (2008). Future anhedonia and time discounting. *Journal of Experimental Social Psychology, 44*(6), 1533–1537. doi:10.1016/j.jesp.2008.07.008.

Kasser, T. (2011). Can thrift bring well-being? A review of the research and a tentative theory. *Social and Personality Psychology Compass, 5*(11), 865–877. doi:10.1111/j.1751-9004.2011.00396.x.

Kasser, T., Cohn, S., Kanner, A. D., & Ryan, R. M. (2007). Some costs of American corporate capitalism: A psychological exploration of value and goal conflicts. *Psychological Inquiry, 18*(1), 1–22.

Kasser, T., & Ryan, R. M. (1993). A dark side of the American dream: Correlates of financial success as a central life aspiration. *Journal of Personality and Social Psychology, 65*(2), 410–422.

Kihlstrom, J. F., Beer, J. S., & Klein, S. B. (2003). Self and identity as memory. In M. R. Leary & J. Tagney (Eds.), *Handbook of self and identity* (pp. 68–90). New York, NY: Guilford Press.

Knutson, B., Rick, S., Wimmer, G. E., Prelec, D., & Loewenstein, G. (2007). Neural predictors of purchases. *Neuron, 53*(1), 147–156. doi:10.1016/j.neuron.2006.11.010.

Koob, G. F., & Le Moal, M. (2001). Drug addiction, dysregulation of reward, and allostasis. *Neuropsychopharmacology, 24*(2), 97–129. doi:10.1016/S0893-133X(00)00195-0.

Kumar, A., & Gilovich, T. (2013). *We'll always have Paris: Differential story utility from experiential and material purchases*. Manuscript under review.

Lee, B.-K., & Lee, W.-N. (2004). The effect of information overload on consumer choice quality in an on-line environment. *Psychology and Marketing, 21*(3), 159–183. doi:10.1002/mar.20000.

Lerner, J. S., Small, D. A., & Loewenstein, G. (2004). Heart strings and purse strings: Carryover effects of emotions on economic decisions. *Psychological Science, 15*(5), 337–341. doi:10.1111/j.0956-7976.2004.00679.x.

Loewenstein, G. (1996). Out of control: Visceral influences on behavior. *Organizational Behavior and Human Decision Processes, 65*(3), 272–292.

Loewenstein, G., & Lerner, J. S. (2003). The role of affect in decision making. In R. J. Davidson, K. R. Scherer, & H. H. Goldsmith (Eds.), *Handbook of affective sciences* (pp. 619–642). Oxford, UK: Oxford University Press.

Loewenstein, G. F., Weber, E., Hsee, C. K., & Welch, N. (2001). Risk as feelings. *Psychological Bulletin, 127*(2), 267–286.

Lyubomirsky, S., & Lepper, H. S. (1999). A measure of subjective happiness: Preliminary reliability and construct validation. *Social Indicators Research, 46*(2), 137–155.

Ma, J., & Roese, N. J. (2013). The countability effect: Comparative versus experiential reactions to reward distributions. *Journal of Consumer Research, 39*(6), 1219–1233. doi:10.1086/668087.

Markman, A. B., & Medin, D. L. (1995). Similarity and alignment in choice. *Organizational Behavior and Human Decision Processes, 63*(2), 117–130.

Markus, H. R., & Kitayama, S. (1991). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review, 98*(2), 224–253.

Martin, K. D., & Hill, R. P. (2012). Life satisfaction, self-determination, and consumption adequacy at the bottom of the pyramid. *Journal of Consumer Research, 38*(6), 1155–1168. doi:10.1086/661528.

Mattila, A., & Wirtz, J. (2000). The role of preconsumption affect in postpurchase evaluation of services. *Psychology and Marketing, 17*(7), 587–605.

McAdams, D. P. (2001). The psychology of life stories. *Review of General Psychology, 5*(2), 100–122. doi:10.1037//I089-2680.5.2.100.

Mellers, B. A., & McGraw, A. P. (2001). Anticipated emotions as guides to choice. *Current Directions in Psychological Science, 10*(6), 210–214. doi:10.1111/1467-8721.00151.

Mellers, B., Schwartz, A., & Ritov, I. (1999). Emotion-based choice. *Journal of Experimental Psychology: General, 128*, 332–345.

Mitchell, T., Thompson, L., Peterson, E., & Cronk, R. (1997). Temporal adjustments in the evaluation of events: The "rosy view". *Journal of Experimental Social Psychology, 33*(4), 421–448. doi:10.1006/jesp.1997.1333.

Mochon, D., Norton, M. I., & Ariely, D. (2012). Bolstering and restoring feelings of competence via the IKEA effect. *International Journal of Research in Marketing, 29*(4), 363–369. doi:10.1016/j.ijresmar.2012.05.001.

Myers, D. G. (2000). The funds, friends, and faith of happy people. *American Psychologist, 55*(1), 56–67. doi:10.1037//0003-066X.55,1.56.

Nelson, L. D., & Meyvis, T. (2008). Interrupted consumption: Disrupting adaptation to hedonic experiences. *Journal of Marketing Research, 45*(6), 654–664.

Newby-Clark, I. R., Ross, M., Buehler, R., Koehler, D. J., & Griffin, D. (2000). People focus on optimistic scenarios and disregard pessimistic scenarios while predicting task completion times. *Journal of Experimental Psychology. Applied, 6*(3), 171–182. doi:10.1037//1076-898X.6.3.171.

Nickerson, C. C., Schwarz, N. N., Diener, E., & Kahneman, D. D. (2003). Zeroing in on the dark side of the American dream: A closer look at the negative consequences of the goal for financial success. *Psychological Science, 14*(6), 531–536. doi:10.1046/j.0956-7976.2003.psci_1461.x.

Nicolao, L., Irwin, J. R., & Goodman, J. K. (2009). Happiness for sale: Do experiential purchases make consumers happier than material purchases? *Journal of Consumer Research, 36*(2), 188–198. doi:10.1086/597049.

Norton, M. I., Mochon, D., & Ariely, D. (2012). The IKEA effect: When labor leads to love. *Journal of Consumer Psychology, 22*(3), 453–460. doi:10.1016/j.jcps.2011.08.002.

Novemsky, N., & Kahneman, D. (2005). The boundaries of loss aversion. *Journal of Marketing Research, 42*(2), 119–128.

Nowlis, S., Mandel, N., & McCabe, D. (2004). The effect of a delay between choice and consumption on consumption enjoyment. *The Journal of Consumer Research, 31*(3), 502–510.

Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research, 17*, 460–469.

Patrick, V. M., Macinnis, D. J., & Park, C. W. (2007). Not as happy as I thought I'd be? Affective misforecasting and product evaluations. *Journal of Consumer Research, 33*(4), 479–489. doi:10.1086/510221.

Pham, M. T. (1998). Representativeness, relevance, and the use of feelings in decision making. *Journal of Consumer Research, 25*(2), 144–159. doi:10.1086/209532.

Phillips, D. M., & Baumgartner, H. (2002). The role of consumption emotions in the satisfaction response. *Journal of Consumer Psychology, 12*(3), 243–252. doi:10.1207/S15327663JCP1203_06.

Prelec, D., & Loewenstein, G. F. (1998). The red and the black: Mental accounting of savings and debt. *Marketing Science, 17*(1), 4–28.

Prelec, D., & Simester, D. (2001). Always leave home without it: A further investigation of the credit-card effect on willingness to pay. *Marketing Letters, 12*(1), 5–12. doi:10.1023/A:1008196717017.

Quoidbach, J., Dunn, E. W., Petrides, K. V., & Mikolajczak, M. (2010). Money giveth, money taketh away: The dual effect of wealth on happiness. *Psychological Science, 21*(6), 759–763. doi:10.1177/0956797610371963.

Reutskaja, E., & Hogarth, R. M. (2009). Satisfaction in choice as a function of the number of alternatives: When "goods satiate". (B. Scheibehenne & P. M. Todd, Eds.). *Psychology and Marketing, 26*(3), 197–203. doi:10.1002/mar.20268.

Rick, S. I., Cryder, C. E., & Loewenstein, G. F. (2008). Tightwads and spendthrifts. *Journal of Consumer Research, 34*(6), 767–782. doi:10.1086/523285.

Rosenzweig, E., & Gilovich, T. (2012). Buyer's remorse or missed opportunity? Differential regrets for material and experiential purchases. *Journal of Personality and Social Psychology, 102*(2), 215–223. doi:10.1037/a0024999.

Sacks, D. W., Stevenson, B., & Wolfers, J. (2012). The new stylized facts about income and subjective well-being. *Emotion, 12*(6), 1181–1187. doi:10.1037/a0029873.

Scheibehenne, B., Greifeneder, R., & Todd, P. M. (2009). What moderates the too-much-choice effect? *Psychology and Marketing, 26*(3), 229–253. doi:10.1002/mar.20271.

Scheibehenne, B., Greifeneder, R., & Todd, P. M. (2010). Can there ever be too many options? A meta-analytic review of choice overload. *Journal of Consumer Research, 37*(3), 409–425. doi:10.1086/651235.

Schroeder, J., & Epley, N. (2013). *Mistakenly seeking solitude.* Manuscript under review.

Schwartz, B. (2004). *The paradox of choice: Why more is less*. New York, NY: Harper Perennial.

Schwartz, B., Ward, A., Monterosso, J., Lyubomirsky, S., White, K., & Lehman, D. R. (2002). Maximizing versus satisficing: Happiness is a matter of choice. *Journal of Personality and Social Psychology, 83*(5), 1178–1197.

Sela, A., Berger, J., & Liu, W. (2009). Variety, vice, and virtue: How assortment size influences option choice. *Journal of Consumer Research, 35*(6), 941–951. doi:10.1086/593692.

Sevdalis, N., & Harvey, N. (2006). Determinants of willingness to pay in separate and joint evaluations of options: Context matters. *Journal of Economic Psychology, 27*(3), 377–385. doi:10.1016/j.joep.2005.07.001.

Sheldon, K. M., & Lyubomirsky, S. (2012). The challenge of staying happier: Testing the hedonic adaptation prevention model. *Personality and Social Psychology Bulletin, 38*(5), 670–680. doi:10.1177/0146167212436400.

Shiv, B., & Huber, J. (2000). The impact of anticipating satisfaction on consumer choice. *The Journal of Consumer Research, 27*, 202–216.

Shugan, S. M. (1980). The cost of thinking. *Journal of Consumer Research, 7*(2), 99–111.

Simon, H. A. (1955). A behavioral model of rational choice. *Quarterly Journal of Economics, 69*(1), 99–118.

Solnick, S., & Hemenway, D. (1998). Is more always better?: A survey on positional concerns. *Journal of Economic Behavior and Organization, 37*, 373–383.

Soman, D. (2001). Effects of payment mechanism on spending behavior: The role of rehearsal and immediacy of payments. *Journal of Consumer Research, 27*(4), 460–474. doi:10.1086/319621.

Sparks, E. A., Ehrlinger, J., & Eibach, R. P. (2012). Failing to commit: Maximizers avoid commitment in a way that contributes to reduced satisfaction. *Personality and Individual Differences, 52*(1), 72–77. doi:10.1016/j.paid.2011.09.002.

Tian, K. T., Bearden, W. O., & Hunter, G. L. (2001). Consumers' need for uniqueness: Scale development and validation. *The Journal of Consumer Research, 28*(1), 50–66.

Trope, Y., & Liberman, N. (2003). Temporal construal. *Psychological Review, 110*(3), 403–421. doi:10.1037/0033-295X.110.3.403.

Tsiros, M., Mittal, V., & Ross, W. T., Jr. (2004). The role of attributions in customer satisfaction: A reexamination. *Journal of Consumer Research, 31*(2), 476–483. doi:10.1086/422124.

Tversky, A., & Kahneman, D. (1991). Loss aversion in riskless choice: A reference-dependent model. *The Quarterly Journal of Economics, 106*(4), 1039–1061.

Ubel, P., Loewenstein, G. F., & Jepson, C. (2005). Disability and sunshine: Can hedonic predictions be improved by drawing attention to focusing illusions or emotional adaptation? *Journal of Experimental Psychology. Applied, 11*(2), 111–123. doi:10.1037/1076-898X.11.2.111.

Van Boven, L., & Ashworth, L. (2007). Looking forward, looking back: Anticipation is more evocative than retrospection. *Journal of Experimental Psychology: General, 136*, 289–300. doi:10.1037/0096-3445.136.2.289.

Van Boven, L., Campbell, M. C., & Gilovich, T. (2010). Stigmatizing materialism: On stereotypes and Impressions of materialistic and experiential pursuits. *Personality and Social Psychology Bulletin, 36*(4), 551–563. doi:10.1177/0146167210362790.

Van Boven, L., & Gilovich, T. (2003). To do or to have? That is the question. *Journal of Personality and Social Psychology, 85*(6), 1193–1202. doi:10.1037/0022-3514.85.6.1193.

Van Praag, B. M., & Frijters, P. (1999). The measurement of welfare and well-being: The Leyden approach. In *Well-being: The foundations of hedonic psychology* (pp. 413–433).

Wang, J., Novemsky, N., & Dhar, R. (2009). Anticipating adaptation to products. *Journal of Consumer Research, 36*(2), 149–159. doi:10.1086/597050.

Welsch, H., & Kühling, J. (2010). Pro-environmental behavior and rational consumer choice: Evidence from surveys of life satisfaction. *Journal of Economic Psychology, 31*(3), 405–420. doi:10.1016/j.joep.2010.01.009.

Wilson, T. D., Centerbar, D., Kermer, D., & Gilbert, D. T. (2005). The pleasures of uncertainty: Prolonging positive moods in ways people do not anticipate. *Journal of Personality and Social Psychology, 88*(1), 5–21. doi:10.1037/0022-3514.88.1.5.

Wilson, T. D., & Gilbert, D. T. (2003). Affective forecasting*, 35*, 345–411.

Wilson, T. D., & Gilbert, D. T. (2008). Explaining away: A model of affective adaptation. *Perspectives on Psychological Science, 3*(5), 370–386. doi:10.1111/j.1745-6924.2008.00085.x.

Wilson, T. D., Lisle, D. J., Kraft, D., & Wetzel, C. G. (1989). Preferences as expectation-driven inferences: Effects of affective expectations on affective experience. *Journal of Personality and Social Psychology, 56*(4), 519–530. doi:10.1037/0022-3514.56.4.519.

Wilson, A., & Ross, M. (2003). The identity function of autobiographical memory: Time is on our side. *Memory, 11*(2), 137–149. doi:10.1080/741938210.

Wilson, T. D., Wheatley, T., Meyers, J., Gilbert, D. T., & Axsom, D. (2000). Focalism: A source of durability bias in affective forecasting. *Journal of Personality and Social Psychology, 78*(5), 821–836.

Wirtz, D., Kruger, J., Scollon, C., & Diener, E. (2003). What to do on spring break? The role of predicted, on-line, and remembered experience in future choice. *Psychological Science, 14*(5), 520–524.

Xiao, J. J., & Li, H. (2010). Sustainable consumption and life satisfaction. *Social Indicators Research, 104*(2), 323–329. doi:10.1007/s11205-010-9746-9.

Zhang, S., & Markman, A. B. (2001). Processing product unique features: Alignability and involvement in preference construction. *Journal of Consumer Psychology, 11*(1), 13–27.