



Part I

Understanding True Wealth







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Psychological Wealth: The Balanced Portfolio

Recently, the world held its breath for the final *Harry Potter* installment. The boy wizard is an international phenomenon, and the author, J. K. Rowling, a surprise literary sensation. As captivating as the stories of magic wands and Muggles are, Rowling's personal story is equally compelling. A single mother writing on cocktail napkins in Edinburgh pubs to save money on heat at home, Rowling spun a hobby into a multibillion-dollar franchise. Currently, Rowling is among the richest women in the world, and reportedly is worth more than the Queen of England. As such, she has entered into the public discourse about the fabulously wealthy.

Most of us are fascinated by financial stardom, and television shows, magazines, and exposés offer tantalizing peeks into the lives of the superrich. For example, we ask, who is the richest person in the world? Is it the computer billionaire Bill Gates? Maybe it is the oil-rich sultan of Brunei, or the business-savvy sheik of Dubai? Why not consider the highly influential Oprah Winfrey? Perhaps a dictator who has squirreled away billions in a Swiss bank? You would be wrong if you thought of any of these folks. Although they are extremely wealthy when it comes to money, these well-heeled people with private jets and homes around the world may not be at the top when it comes to true riches, psychological wealth.

In this book, we will describe the new concept of psychological wealth, which extends beyond material riches and beyond





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popular concepts like emotional intelligence and social capital. Psychological wealth is your true total net worth, and includes your attitudes toward life, social support, spiritual development, material resources, health, and the activities in which you engage. In this book, we show how psychological wealth depends on happiness and life satisfaction, and the factors that lead to them. We will explain why monetary wealth is only one component of true wealth, and why other aspects are usually more important. In our final chapter, you can measure your own psychological wealth and see if you qualify for our Richest 400 list.

We have devoted our professional lives as psychologists to the careful study of happiness. We have worked from the ground up to re-examine long-held conclusions about well-being, and ask new questions about the subject. We have investigated the emotional lives of the very wealthy, and of the destitute. We have looked at the role that relationships, religion, culture, and positive attitudes play in happiness. We have collected data from tens of thousands of people in dozens of nations, including postal workers in India, tribal people in Kenya, Inuits above the Arctic Circle, and Hispanic students in California. The results of our studies of happiness have shown us that there are many important, and often counterintuitive, aspects of this emotional Holy Grail. After decades of research, we have findings that will re-confirm some of your beliefs about happiness, and turn others on their head. Our book is intended to help laypeople and psychologists alike to rethink their beliefs about happiness, the core of psychological wealth.

If you are like most people, one of the first things you will want to ask us is to define happiness. We refer to “happiness” as “subjective well-being” in scientific parlance, because it is about how people evaluate their lives and what is important to them. An individual’s subjective well-being is often related to some degree to their objective circumstances, but it also depends on how people think and feel about these conditions. Subjective well-being encompasses people’s life satisfaction and their evaluation of important domains of life such as work, health, and relationships. It also includes their emotions such as joy and





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engagement, and the relatively rare experience of unpleasant emotions such as anger, sadness, and fear. In other words, happiness is the name we put on thinking and feeling positively about one's life.

If you are anything like us, when you tried to think of the richest person in the world, you did not consider your parish priest, your neighbor, or your aunt, even though these people might be very wealthy in friends, spirituality, and energy. Most folks think of wealth in monetary terms, although few people would disagree with the idea that psychological wealth – experiencing happiness and satisfaction due to positive attitudes, intimate relationships, spirituality, and engagement with meaningful goals – represents a much deeper form of riches. Despite this fact, money and its pursuit occupy most of people's attention. We allot time to other concerns, such as health and friendships. We go to the gym, to church, or on dates – perhaps even regularly – to cultivate health, spirituality, and positive relationships. But think how much time is spent on the acquisition and management of money: creating budgets, paying taxes, going to the bank, writing checks, saving for a vacation, celebrating a pay raise, reading about the salaries of famous people, arguing with a spouse over finances, paying bills, and using credit cards. And of course there is earning money, which takes more time than any other waking activity.

Despite how useful money is, many people have a love-hate relationship with it. Consider for a moment the ambivalence we have had throughout human history about the wealthy among us. They are both admired and envied. They are the focus of endless attention, as exemplified by the immense popularity of lists of the richest people. At the same time, people with piles of money are also often the source of derision and hostility. When we think of rich people, works of great philanthropy might come to mind, but we might think just as easily of instances of injustice and downright stealing by wealthy people through history. Ill-treatment of workers, callous attitudes toward the poor, and crass materialism are associated in our minds with wealth, just as much as the great public works that rich folks have sometimes donated to society.





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In the eighth century BC there was a legendary king of Phrygia named Midas, and we all know his name. According to myth, Midas won the favor of the god Dionysus. Midas was offered a wish and chose the power to turn everything he touched into gold. He was delighted by his new talent and tried it out on the world around him, transforming stones to precious metal. When he returned home to his castle, Midas ordered a feast laid out to celebrate his good fortune. Unfortunately, the wine and food turned to gold and Midas went hungry. He soon realized that his new power had a hidden cost, and this point was driven home when he touched his daughter, and she changed into a golden statue. Heartbroken, King Midas prayed to Dionysus to remove the power, and his wish was granted. The story of Midas captures our ambivalence about money and wealth, and it provides an important cautionary tale about avarice. The pursuit of material riches is not worthwhile if it means giving up relationships, suffering ill health, or being spiritually bankrupt. Psychological wealth is much broader than monetary wealth because when we have it, we truly do “have it all.” If we give up too many other aspects of true wealth to obtain money, our materialism decreases our net worth.

A Psychological Wealth Primer

Psychological wealth is the experience of well-being and a high quality of life. It is more than simple fleeting joy, and more than an absence of depression and anxiety. Psychological wealth is the experience that our life is excellent – that we are living in a rewarding, engaged, meaningful, and enjoyable way. Psychological wealth includes life satisfaction, the feeling that life is full of meaning, a sense of engagement in interesting activities, the pursuit of important goals, the experience of positive emotional feelings, and a sense of spirituality that connects people to things larger than themselves. Taken together, these fundamental psychological experiences constitute true wealth. After all, if you have them, you have all one would want from life, whereas when you are rich with money, you have only one desirable





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resource from the list. In addition to the internal aspects of psychological wealth, there are universals such as health and positive social relationships that are so intricately interwoven with the experience of well-being that they too are part of psychological wealth. What then are the ingredients of psychological wealth? Here are some essential components of true wealth:

- Life satisfaction and happiness
- Spirituality and meaning in life
- Positive attitudes and emotions
- Loving social relationships
- Engaging activities and work
- Values and life goals to achieve them
- Physical and mental health
- Material sufficiency to meet our needs

Ultimately, the quality of your life will suffer if you do not develop each aspect of true wealth. However, when you have all the elements, you truly are rich! You need not be a monetary millionaire to be wealthy. After all, if you experience your life as wonderful, what more would you want? Even if you don't have billions of dollars, if you love your life, you have everything you need and want. If you have psychological wealth, it will be of little concern if you have only a moderate amount of money.

We all know the traditional markers of a financially wealthy person. We know that such a person is likely to have luxury goods and status symbols: a large house, with a modern kitchen that includes granite counters and stainless-steel appliances; a regular vacation spot; a new car loaded with amenities; and perhaps some eye-catching jewelry or original artwork. Probably a Mercedes and a swimming pool. What are the indicators of psychological wealth? How might we recognize someone who is truly wealthy? You can't tell too much from looks – a psychologically wealthy person could be short or tall, old or young, a bus driver, a housewife, or a small-business owner. It is likely that they are not living in destitution. They probably have a close circle of family and friends. But after these few traits, you must look deeper to recognize them. The psychologically wealthy



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are characterized by the ability to see what is good in the world, but nevertheless to be grounded in reality. They are involved in activities that they believe are meaningful and important, and they have found activities in which they can use their strengths.

Take, for example, superdad Dick Hoyt, who lived every parent's nightmare when problems with delivery left his son, Rick, severely physically handicapped. Doctors initially recommended that Rick be institutionalized, but Dick raised money and worked with a team of engineers to design a computer that allowed his son to communicate by typing with head movements. When Rick was in high school, the father-son duo participated in a five-mile run – with an out-of-shape Dick pushing his son in a wheelchair – to benefit a local student who had become paralyzed. The experience of completing the race was transformative for both of them. For Rick, competing in a race, even though he was being pushed, made him feel as if he weren't handicapped. For Dick, the opportunity to help his son find meaning was invaluable. Dick had a new reason to take care of his health, and his fitness quickly improved.

Together, the Hoyt pair went on to compete in more than eighty marathons, triathlons, and Iron Man competitions. They redefined what "ability" means, and found a deep sense of purpose in their athletic feats. Dick and Rick appear to be psychologically wealthy: they have a great relationship, enjoy sports and find personal meaning through competition, and have Olympic-class positive attitudes. Most of all, psychologically wealthy people like Dick and Rick Hoyt possess happiness and life satisfaction. The positive emotions they experience are not simply joy and other fleeting pleasant feelings, but also an abundance of feelings such as love, commitment, and gratitude that connect them to others. These are the type of people who are grounded in values we admire, and who are remarkably free of pettiness and negativity. They are not in a frenetic search for new spouses, billions of dollars, and new thrills because they already are so deeply embedded in meaningful relationships and activities.

In this book, we will examine each of the different facets of psychological wealth in detail. Each of the elements is needed



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for consummate wealth, and an exclusive emphasis on one can detract from the others. If we pursue only happiness, for example, to the exclusion of spirituality and meaning, we may become hedonists who do not find true well-being. And as we have said, if we pursue money to the extent that we ignore the other facets of psychological wealth, we will have failed. In the end, understanding psychological wealth is about having a “balanced portfolio.” This book provides an overview of the elements of psychological wealth that research reveals are good investments.

Part I: Understanding True Wealth

Although on its surface psychological wealth sounds like age-old wisdom – a morality story that cautions us that there is more to happiness than just money – there is more to this concept than meets the eye. Of course, most folks intuitively know and agree with the idea that spirituality, health, and relationships are vital to the quality of our lives. Philosophers, religious scholars, and grandparents have been teaching this same lesson since the dawn of civilization. What is radical about the idea of psychological wealth is its basis in new and often counterintuitive research. The modern science of subjective well-being has turned many commonsense notions about happiness on their heads. For instance, we now know that there is an optimum level of happiness. That is, it appears that in certain domains of life it is possible to have too much happiness, a point beyond which people might perform less well rather than better.

In chapter 2, we turn to this body of research and present two of the most exciting and important principles underlying psychological wealth. The first principle is that happiness is a process, not a place. For ages, people have assumed that happiness is an emotional end goal, a pleasant state that comes from obtaining favorable life circumstances such as health, a good marriage, and a large paycheck. The logic is that if a person can line up enough desirable circumstances, then happiness will necessarily follow. As commonsensical as this notion is, science shows that



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psychological wealth cannot be produced by circumstances alone. Although money, national origin, and marital status are correlated with subjective well-being, the relationship is sometimes small relative to other causes of happiness. Rather, happiness is an ongoing process that requires a way of experiencing life and the world that includes positive attitudes, meaning, and spirituality. Being truly rich is as much about the attitudes within us as the circumstances surrounding us.

The second major principle necessary in rethinking happiness and understanding psychological wealth is that it is beneficial to effective functioning. Historically, happiness has suffered from a bad reputation. Many people think of happiness as shallow, selfish, naïve, and complacent. Critics of the emotion claim that happiness cannot last, and cynics charge that joy is a fundamentally unrealistic feeling. The pursuit of happiness is seen as a waste of time. There is now a body of evidence from scientific studies that indicates precisely the opposite, that positive feelings are functional and beneficial. Research on the benefits of positive emotions show that they help people connect with friends, think more creatively, and become interested in new activities. Happiness, then, is itself a resource you can tap to achieve the things you want in life. In chapter 2, we explain why happiness is beneficial to effective functioning. Happiness is a cornerstone of psychological wealth in part because it is emotional currency that can be spent on other desirable goals, such as friendships and success at work. It is when we are feeling positive and energized that we often make the largest gains: we think of new ideas, take up new hobbies, tend to our relationships, maintain our health, and find meaning in life.

Part II: Happy People Function Better

In Part II, we focus on three aspects of psychological wealth – health, relationships, and meaningful work – that are directly related to happiness. It is here that we see that psychological wealth is closely related to happiness because it cannot be attained without positive emotions. The links between happiness





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and health, relationships, and work are the foundation of a portfolio of psychological wealth. Success in these life domains tends to boost happiness, and positive emotions, in turn, tend to lead to success in these life domains. In this section, we make the case that happiness is the fundamental building block of psychological wealth, but that it is important not just because it feels good, but because it is so beneficial in so many areas of life. Rethinking happiness requires us to understand that it is not just a pleasant goal, but necessary to achieving success in many domains of life.

Part III: Causes of Happiness and Genuine Wealth

For as long as folks have been trying to figure out the best route to happiness, the lion's share of people's attention has centered on life circumstances. It makes sense that people would attempt to increase their happiness by improving their lot in life. Common sense tells us that getting a new job, making more money, being healthier, or finding just the right spouse will lead to feelings of well-being. But does it? Research on subjective well-being reveals that most life circumstances, such as whether you are a man or a woman, or young or old, have only a small effect on happiness. There are a few areas, however, that are significantly linked to emotional well-being. We now have a solid understanding of how income buys some happiness and whether being religious adds to or takes away from emotional bliss. In Part III, we discuss the life circumstances that have been shown to be influential to psychological wealth, including income, spirituality, and culture.

Later in Part III, we discuss the psychological factors that influence happiness and, in turn, psychological wealth. People have long used phrases like "Life is what you make it," "See the silver lining in every cloud," and "Look at the world through rose-colored glasses." These phrases hint that part of our quality of life and happiness is due to our personal approach to, and interpretation of, the world. Some folks seem to be perennially upbeat, while the smallest problems drag other people into anger





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or depression. A variety of everyday mental processes exert a powerful influence on your well-being, including adaptation, emotional forecasting, and positive attitudes. Taken together, these mental processes are an essential part of psychological wealth.

Part IV: Putting It All Together

In the last section, we offer advice for integrating the various aspects of psychological wealth in the service of living a truly rich life. Importantly, we caution you against seeking unbridled happiness. Many people pursue intense, permanent feelings of happiness, believing this most-desired of emotions is truly a cup that can never overflow. New evidence suggests that there may be an optimal level of happiness, and people who are “too happy” actually appear to perform less well at work and school and may even be less healthy than folks who are optimally happy. This new line of research shows us that psychological wealth, like all wealth, is best when it is balanced and used wisely. Thus, we hope our book serves as a counterpoint to the self-help works that counsel feeling intensely happy as the be-all of existence.

In the end, the good life is really all about having psychological wealth. When we pursue a secure material existence, develop ourselves spiritually, and use our strengths in pursuit of valued goals, we are building our psychological wealth balance sheet. As physical beings, we are part of the material world and need to build our tangible resources to experience security and comfort. But we are also spiritual, needing a sense of meaning and purpose that is larger than ourselves, and that connects us to humanity and nature. Finally, we are psychological beings who interpret the world around us, and this means that our happiness depends in part on the mental habits we develop. True wealth requires material, spiritual, social, and psychological resources.

In the final chapter, we present measures of psychological wealth so that you can determine the net worth of your psychological wealth balance sheet. How rich are you? In the





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appendix, we describe how the Diener family is using science to understand happiness. With the virtues of the scientific method – controlled studies, large representative samples, and sophisticated statistical analyses – we are in a position to integrate and refine the historic wisdom about leading a good life drawn from philosophy, religion, and personal experience. But we hope that we are also more than science nerds. Ed Diener has been labeled the “Jedi Master of Happiness” not only because he has trained so many of the experts in the field, but also because, like Yoda, he did not conform to popular fads. And Robert has been called the “Indiana Jones” of psychology because of his adventures in exotic places around the globe while collecting happiness data. We hope you enjoy seeing how our personalities and life histories have led to the conclusions we present in this book.

We believe that you will enjoy reading this book, and know that you will come away rethinking your views on happiness!

