



The Happiness Equation

As Lennon and McCartney so eloquently put it in 1964, “Money Can’t Buy Me Love.” Well, the truth is money can’t buy us happiness either, unless we spend it to buy more time or experiences. According to the Easterlin Paradox, increasing income only makes us significantly happier to the point where our basic needs have been met (think the first two tiers of Maslow’s hierarchy).

The trick is for each of us to discover where that point is, which experiences bring us the most joy and contentment, and how to outsource the jobs we dread to “buy back” time to enjoy some of our favorite things. Just like a high school algebra problem, if we can solve these variables, we will have the answer to our own unique “Happiness Equation.” This is the formula to be truly happy!

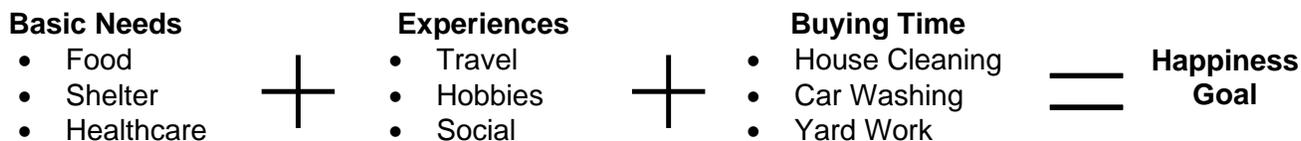
Both logic and our own life’s experience tell us that having enough income is critically important to being happy. However, at HCM, one thing we have learned from working with our wealthiest clients is that the law of diminishing returns applies when it comes to money and happiness.

The academic research supporting this realization was completed in a peer-reviewed study by Nobel Prize-winning economist Angus Deaton at the Center for Health and Well-Being at Princeton University. A separate study conducted at the University of British Columbia by psychology professor Elizabeth Dunn helps us understand this riddle of money and happiness a little better.

According to Dunn, if we want to be truly happy, our goal should not be to accumulate the largest pile of “stuff” before we die, but rather to design a life plan that includes significance, social connections, meaningful experiences and more than enough financial resources to fund that plan.

It is also important to know that many of the happiest people work all their days, they love what they do and the conditions under which they do it. They may or may not remain in the field in which they worked during the first sixty or so years of their lives, but they contribute in some way they feel is significant.

If you have not yet done so, it is time to design your own happiness equation. Figure out what you want to do, when you want to do it, and how much income it will take to do it. No answer to this question is better or worse if it is right for you. Happiness Equation example:



The Happiness Goal is the level above which happiness does not rise proportionately with income.

Once you know the answer you need to:

- Build financial security by accumulating, maintaining, and protecting a diversified collection of high-quality assets that can provide the lifestyle you want to be happy.
- Create a financial safety net to protect your nest egg from market disruptions.
- Keep proper insurance protection in place so you won't experience catastrophic events that have the potential to destroy either your property or your health.
- Develop and maintain a variety of dependable, diversified, growing income sources.
- Use debt intelligently, and only when it is offset by dependable, productive/appreciating asset(s). Never use debt to fund consumption or wasting assets.

If you do these things you will have solved the "Happiness Equation" and will be rich, no matter how much money you have.

Moving on to year-end wealth planning considerations, it is now time to start thinking about your taxes for 2020. Enclosed you will find our financial planning checklist which includes our key individual tax planning issues to address before year end. If you would like some help with this, please let us know. We will be reaching out to schedule conversations with those who have taken us up on our tax planning offer in the past.

If you have any questions or need some help getting a plan in place, reviewing/updating your existing plan or getting ready for year-end, please give us a call at your convenience. We are happy to help.

Invitation to Contact Your HCM Advisor

We want to hear from you. If you have experienced any changes in your life that may impact your financial situation, be sure to let us know. It's always best to meet regularly so we can discuss any changes that may affect your planning or investment objectives. It is always nice to hear from an old friend. We'd love to meet in person or schedule a conference call, whatever works best for your busy schedule.

As always, we appreciate the opportunity to work with you and we thank you for your confidence.

Sincerely,



Michael T. Hengehold, CPA/PFS MST RICP®

P.S. Please look for HCM's Quarterly Investment Review Webinar in your email inbox in mid-October.