

The Price of Happiness: Investigating the Relationship Between Income and Emotional Well-Being

Research Question

This study examines whether higher income correlates with greater happiness or if its impact diminishes beyond a certain threshold. It also explores how financial experiences shape perceptions of sufficiency and whether increased income leads to heightened stress and responsibilities.

Methodology

A survey was conducted with 25 participants in Sitka, Alaska, to capture diverse perspectives:

- 15 Tourists
- 2 Cruise Ship Crew Members
- 5 Sitka Residents
- 3 OuterCoast Faculty and Staff

Participants responded anonymously to questions covering:

- Self-reported happiness (Cantril's Ladder).
- Annual income and net worth.
- Perceptions of financial sufficiency ("How much money is enough?").
- Anticipated impact of an additional \$10,000 on happiness.
- Financial stress and responsibility perceptions.
- Spending behavior and its perceived impact on the local economy.

I employed Pearson correlation coefficients and regression analysis to analyze the relationship between income and happiness.

Preliminary Results

1. Weak Correlation Between Income and Happiness

Statistical analysis found no significant correlation between self-reported happiness and income level ($R = 0.2539$, $P = 0.2549$). This suggests that while financial stability matters, higher income alone does not necessarily lead to greater happiness.

Notably, two Filipino crew members earning approximately \$10,000 annually reported a happiness score of 9, well above the study's average of 8.16 ($SD = 1.23$). Their responses indicate that relative financial gains (such as an additional \$10,000) have a greater impact on the well-being of lower-income individuals than on higher-income earners.

2. Diminishing Returns on Well-Being

Beyond a certain income threshold, additional earnings did not significantly impact happiness. Instead, a negative trend emerged between salary and the perceived impact of an additional \$10,000 on happiness ($R = -0.48$, $P = 0.11$).

Higher-income respondents were less likely to report that additional income would enhance their well-being. Many associated financial success with increased stress and expectations. As one participant stated:

"More money means more bills, more expectations, and more problems. You don't own money, it owns you."

This aligns with findings from the Harvard Study of Adult Development, which emphasize that social connections and a sense of life purpose are stronger predictors of long-term happiness than wealth alone.

3. Subjectivity of Financial Sufficiency

The study found that perceptions of "enough money" vary significantly by individual experience and financial background:

- Lower-income participants defined sufficiency at \$20,000–\$30,000, while others set the baseline at \$75,000+.
- This suggests that financial well-being is a relative rather than absolute concept, influenced by cultural background, lifestyle expectations, and cost of living.

Additionally, this challenges the \$75,000 happiness threshold, as prior studies have not accounted for net worth or financial security beyond annual income.

Conclusion:

By incorporating both quantitative analysis and qualitative insights, this study employs a mixed-methods approach to understanding financial well-being beyond income figures. The findings indicate that while financial stability is essential, its impact on happiness diminishes beyond a certain threshold, and perceptions of sufficiency vary by individual experience and cultural background. Lower-income participants reported greater well-being gains from financial increases, whereas higher-income individuals often associated wealth with increased stress and responsibilities.

To build on this pilot study, future research should increase the sample size to improve statistical power and examine longitudinal trends in income and happiness. These findings suggest that while money provides security, long-term happiness is more closely tied to social connections, purpose, and balance. Mindlessly chasing wealth without prioritizing well-being may lead to diminishing returns on happiness & well-being.