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Shopping for happiness

By Brett Graff

brett@thehomeeconomist.com



Walter Michot / Miami Herald Staff

Cy Cook, owner of Rapunzel Hair Salon in Miami, knows exactly what will happen if she adds another high-end handbag to her collection: 'I will feel happier.'

Cy Cook's handbag collection — filled with creations by Hermès, Chanel and Valentino — is valuable enough to be considered by the courts a marital asset in her pending divorce. But it's the very demise of her marriage that's got Cook itching to spend \$2,600 on a Louis Vuitton Vernis bag (her third, by the way) in pop pink.

"I will feel happier," says the owner of Rapunzel Hair Salon in Miami, where services such as hair extensions can cost clients \$3,000 a month. "If someone walks into the salon with a great bag, we take it for a promenade around the place."

Cook doesn't mind saying what researchers are discovering: We'll easily spend big money on expensive

status symbols — which in Miami include handbags, for sure, but also luxury cars, watches and sunglasses — when hoping to heal emotional wounds because they signal to others that we're valuable. What's more, say researchers, is that when under stress — even financial stress — we're willing to pay more for those goods than we might normally.

For some people, experts say that occasionally shopping to soothe is fine. But for others, there are better financial and psychological boosts easily within reach.

"There are 100 ways to restore your self worth," says Nathan Pettit, an assistant professor at NYU's Stern School of Business. "You can fight back. You can reconfigure what that statement looks like. But another very common way is to buy things that signal good things about you."

In experiments, he falsely told half a group it scored well on a test and the other half it answered poorly.

After they were given their scores, member of both groups were asked to buy jeans and given a choice of how they would pay. Those in the supposedly high-scoring group selected what the researcher called an "everyday brand" and were more likely to pay with cash. Those in the low-scoring group were more likely to chose designer jeans and pay with credit cards — and to pay full retail.

Pettit says that while buying luxury items may for a moment repair our egos, we still can't bear the psychological pain of parting with our cash. So instead we'll whip out our charge cards — which could have expensive interest rates — and postpone the payment.

“Credit allows us a pain-free route to consume things that restore our egos,” he says. “So you have three things going on: you’re willing to buy expensive things, willing to pay more for them, and also use a more expensive method of payment.”

In addition to high interest rates, card balances can cost you a good credit score, warns Ellen Siegel, an independent financial advisor in Miami. When that takes a hit, future lenders hike their rates. So if you can’t resist a purchase, try at the very least to spend under 50 percent of your credit limit.

“It’s a quirky thing in the credit world,” Siegel says, “but it’s better to have lots of cards and small balances than to consolidate purchases.”

Big credit card balances, meanwhile, and also stock market drops that damage your portfolio, can also easily — and negatively — affect your ego, says Laura Rowley, the author of *Money & Happiness* and a columnist with AOL’s DailyFinance.com. And we’re just as likely, she says, to engage in retail therapy when we’re feeling blue about our finances.

“If you think that having a certain amount in retirement savings will make you feel free and then you watch it disappear, well, guess what,” she says. “You won’t feel worthy. The lack of control people are feeling about the markets could be making them spend more.”

So is that mentally healthy? Only if it doesn’t cause other problems, such as further deterioration of your finances or tension in a relationship with a spouse who might be trying to save money, says Michael Rappaport, a Miami clinical psychologist. If that’s the case, he suggests instead exercising, learning a language, taking a pottery class, and essentially becoming proficient at something you enjoy.

“Happiness — like depression — is contagious,” Rappaport says, “so the most important thing is to be around happy people.”

Actually, *Money & Happiness* author Rowley says the best people to be around when you’re about to make a status purchase are those who can remind you of your other goals and ambitions. That will reverse the behavior and restore your self esteem while keeping your finances in order.

“Don’t turn to shopping,” she says. “Turn to someone who will reinforce your value to you.”

But Pettit, who performed the research, says simply by being aware of your decision to shop for happiness will make it less likely you’ll do so. And even if it doesn’t, you’ll exercise better judgment about prices if you force yourself to pay in cash.

That’s how Cook will pay for her handbag as she works to rebuild her credit — though she is using a lay-away plan. But she refuses to give up the retail rush.

“I told my son, ‘I bought that bag,’” she says. “And he said, ‘Mom, I’m glad because you’re happier when you buy stuff.’”