

Does Spending Imply Wealth?

Imagine a person who is flashy in the way they spend their money – their cars, their clothes and their meals. And now, think of someone who is a bit different – someone who orders a McDonald’s breakfast every day and never spends more than \$5.

What meaning do you attach to these spending habits? Does one seem richer than the other? If so, which one? If you put this question to your friends, you might be surprised to find differences of opinion.

Some might think the big spender is wealthier, believing you must be wealthy to be able to spend a lot. Others may have the opposite view and insist that someone who spends more has less wealth because spending depletes wealth. Others might tell you that they have no idea because they don’t think there’s a strong relationship between wealth and spending habits.

The concept that I’m circling around is one that my colleagues Heather Barry Kappes, Joe Goldstone, and I have labeled “the belief that spending implies wealth.” In a paper in press at *The Journal of Consumer Research*, we explore the beliefs people hold about spending and what these beliefs mean for their spending habits.¹



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His research asks, “How can we help move people from who they are now to who they’ll be in the future in a way that maximizes well-being?”

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What Is the Belief That Spending Implies Wealth?

Kappes spearheaded this project, which began with the idea that there's a continuum of beliefs about what spending habits say about someone's wealth. To determine where a person would stand on this continuum, in one of our studies, we surveyed a nationally representative group of 1,000 people. We asked them to indicate how much they agreed with statements like these:

- Spending a lot indicates that someone is wealthy.
- If someone isn't spending much money, they probably don't have much to spend.
- I think people who spend more are wealthier than people who spend less.

While the majority of respondents did not think spending was related to wealth, a third of our participants did. These beliefs were distinguishable from related concepts such as materialism, financial literacy, and self-control. In other words, the belief that spending implies wealth wasn't interchangeable with other potentially similar concepts.

What Do These Beliefs Mean for Financial Habits?

Though there are some negative associations that go along with being *super* rich, most people would rather be rich than poor, a sentiment borne out in prior research.² Because of that, we assume that people are more likely to behave the way that they believe the rich act (to the extent that their financial resources allow). Theoretically, people who have strong "spending implies wealth" beliefs should spend excessively as well.

In another study, we examined over 2 million banking transactions from more than 2,000 customers of a large bank in the United Kingdom. The bank customers' responses to our questionnaire revealed that those who believe spending was related to wealth were also more likely to spend lavishly on things like jewelry and designer clothes.

We established this relationship independent of age, gender, and income factors that might predict spending habits. We also found that those who believe strongly that spending implies wealth were more financially vulnerable and experienced lower financial well-being than those who didn't hold such beliefs. Of course, this link is just a correlation.

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Can We Influence Attitudes About Spending?

In two other studies, we asked participants to read articles with headlines like “Big spenders are often wealthier” versus “Big spenders are often less wealthy.” We found the articles influenced spending intentions and actual behaviors. When we created stronger beliefs in the idea that spending implies wealth, research participants were less likely to want to invest or save, and more likely to want to spend.

Taken together, this research shines a light on what might have been an overlooked aspect of financial attitudes and behavior. There’s no shortage of policy work – and work from financial advisors – that tries to educate consumers on how to wisely spend and save their money. Although there may be some value in doing so, it may also be prudent to attempt to modify beliefs about what spending means.

As it turns out, Warren Buffett goes to McDonald’s for breakfast every day and he never spends more than \$5. We all have different relationships with money that are influenced by countless factors. But stopping to ask ourselves and our loved ones questions about the meaning of spending may prompt eye-opening discussions. It might even spur changes in our behavior.

Endnotes

¹Heather Barry Kappes, Joe J. Gladstone, and Hal E. Hershfield, “Beliefs about Whether Spending Implies Wealth,” *Journal of Consumer Research* 48, no. 1 (June 2021): 1-21.

²Suzanne R. Horwitz and John F. Dovidio, “The rich – love them or hate them? Divergent implicit and explicit attitudes toward the wealthy,” *Group Processes & Intergroup Relations* 20, no. 1 (January 2017): 3-31.