

Understanding the Three Dimensions of Life Well-Being & How Income Affects Them

Think about your answer to the following question:

“Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you, and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally stand at this time?”

We know this ladder as Cantril’s ladder, and the step you have chosen, 6, 7, 8 or 9, measures evaluative well-being. Psychologists Andrew Steptoe and Arthur Stone and Nobel Laureate economist Angus Deaton described life well-being as composed of three parts: experienced, evaluative and meaning.¹

Exploring the Distinctions Among Experienced, Evaluative and Meaning Well-Being

Experienced well-being, also known as emotional or hedonic well-being, refers to our momentary emotions such as happiness, sadness, and anger. Evaluative well-being refers to our satisfaction with our lives. Meaning well-being, also known as eudemonic well-being, refers to our assessment of the meaning and purpose of our lives. I discuss these three components of life well-being in my new book, “A Wealth of Well-Being: A Holistic Approach to Behavioral Finance.”²

Steptoe and co-authors measured experienced well-being by asking people about their emotional experiences, with adjectives such as happy, sad and angry. They measured evaluative well-being by Cantril’s ladder. And they measured meaning well-being by levels of agreement with statements such as “I have discovered a satisfying life purpose” and “I have something to contribute to society.”

Cognitive reflection distinguishes the three parts of well-being. Experienced well-being can be reported directly, requiring no cognitive reflection, whereas evaluative and meaning well-being require cognitive reflection, including aggregation over time and comparison with self-selected standards such as our lives today compared to our lives a decade ago, our lives compared to the lives of others and our lives compared to our aspired lives.



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His latest book, “A Wealth of Well-Being: A Holistic Approach to Behavioral Finance,” was published by Wiley in April 2024.

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Differences between experienced and evaluative well-being are evident in Finns' reactions to Finland's top place in the *World Happiness Report* six years in a row.³

Finns acknowledge their high evaluative well-being, praising their country's strong social safety net. A Finn who has also lived in the United States noted that Finns, unlike Americans, have no big worries in life. "I am retired, getting a pension which is about 70 percent of my last salary, and I'll get it till I die...I still pay relatively high taxes, but all education is free also through college ... I have had two hip replacement operations with hospital stay, total cost to me about \$600."⁴

Yet Finns also acknowledged their low experienced well-being, characterizing themselves as quite gloomy, a little moody or not given to unnecessary smiling. Indeed, when a leaked video of Sanna Marin, Finland's 36-year-old leader at the time, showed her dancing energetically and singing with friends, some Finns suspected that she was high on drugs.⁵

Julia Wilson-Hangasmaa, a 59-year-old woman, immigrated to Finland from Zimbabwe three decades ago. Zimbabwe ranks 144th, in the World Happiness Survey, better only than Lebanon and Afghanistan. She appreciates the freedom Finland provides all people to pursue their dreams without worrying about meeting basic needs, but when she returns to Zimbabwe, she is struck by people's exuberant joy. "What I miss the most, I realize when I enter Zimbabwe, are the smiles."⁶

Differences between meaning well-being and experienced well-being are striking in the experiences of mountain climbers. Maurice Herzog, the first man to climb an 8,000-meter peak, lost several fingers and parts of his feet to gangrene, surely diminishing his experienced well-being and perhaps his evaluative well-being, but the ordeal enhanced his meaning well-being.

The ordeal wrote Herzog, "has given me the assurance and serenity of a man who has fulfilled himself. It has given me the rare joy of loving that which I used to despise. A new and splendid life has opened out before me."⁷

Some people are willing to trade experienced well-being for meaning well-being. Ample finances provide John Craig the funds for high experienced well-being, including the mansion where sociologist Michele Lamont interviewed him. Yet he seeks to enhance his meaning well-being.

"To keep the pace up to generate a lot of income gets wearing. We live in a high-ticket town. I got caught up in the big house and the high lifestyle...Now I have become more conscious and aware of what is important to me." To redefine what is important to him, he is reading "The Road Less Travelled," a book aimed at helping readers attain meaning well-being.⁸

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Others trade future evaluative and meaning well-being for present experienced well-being. Many find experienced well-being in smoking, excessive spending or fleeting relationships, but these often detract from future evaluative and meaning well-being.

Fred Jones, an elderly man, never married, had six children by four different women, yet maintained close ties with only one of his children. “I played and played and played until I played out,” he said. “I wasn’t smart enough. I thought I was gonna be healthy, happy and vigorous and everything else for a hundred years at least. Then I got caught – nobody here to take care of me, and it’s all my own fault.”⁹

COVID-19 led some to reconsider their well-being, assigning less weight to day-to-day experienced well-being and more weight to evaluative and meaning well-being. Yet it led others to renewed appreciation of experienced well-being. Dennis Little, a retired chef, has been eating well at home but looked forward to the simple pleasure of sitting at the patio of his favorite restaurant, drinking a dark beer and eating “a really, really good cheeseburger,” pleasure made possible now by his recent COVID-19 vaccination.¹⁰

How Higher Income Boosts Evaluative and Emotional Well-Being

Finances enhance both evaluative and experienced well-being, as documented by psychologist Matthew Killingsworth.¹¹ Killingsworth found that higher income enhances evaluative well-being at all levels of income, confirming a conclusion reached earlier by Nobel Laureates Daniel Kahneman and Angus Deaton.¹² But he overturned their other conclusion, that experienced well-being ceases to increase once annual income reaches \$75,000. Instead, he found that higher income enhances both evaluative and experienced well-being at any income level.

Killingsworth noted that Kahneman and Deaton asked people to recall yesterday’s experienced well-being, yet a gap likely exists between yesterday’s experienced well-being as recalled right now and yesterday’s experienced well-being, as experienced right then. Instead, he measured experienced well-being right now by smartphone answers to the question “How do you feel right now?”

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Yet Killingsworth also found that the magnitudes of well-being increments associated with income increments are lower when income is higher. For example, the difference in well-being between a family with a \$20,000 annual income and one with triple that, \$60,000, is about the same as the difference in well-being between a family with a \$60,000 annual income and one with triple that, \$180,000.

Moreover, life well-being has many domains beyond finances, including family, friends, health, work, education, religion and society. We need financial well-being to enjoy life well-being, but it is life well-being that we seek.

Endnotes

¹ Andrew Steptoe, Angus Deaton, and Arthur A. Stone, "Subjective wellbeing, health, and aging," *Lancet* 385 (2015): 640–648.

² Meir Statman, *A Wealth of Well-Being: A Holistic Approach to Behavioral Finance*, (Hoboken, New Jersey, Wiley 2024.)

³ Jenny Gross and Johanna Lemola, "Finland is again the world's happiest country, report finds," *New York Times*, April 20, 2021.

⁴ Ibid.

⁵ Johanna Lemola, "Party videos of Sanna Marin, Finland's prime minister, draw criticism," *New York Times*, August 18, 2022.

⁶ Penelope Colston and Jake Michaels, "Why is Finland the happiest country on Earth? The answer is complicated," *New York Times*, April 9, 2023.

⁷ George Loewenstein, "Because It Is There: The Challenge of Mountaineering ... for Utility Theory," *Kyklos* 52, no. 3 (August 1999): 315–343.

⁸ Michèle Lamont, *Money, Morals, and Manners: The Culture of the French and the American Upper-Middle Class*, Morality and Society Series, (Chicago: University of Chicago Press. Kindle Edition, 2012), 62-63.

⁹ John Leland, *Happiness Is a Choice You Make: Lessons from a Year Among the Oldest Old*, (New York: Farrar, Straus and Giroux, 2018), 29-30.

¹⁰ Jem Bartholomew, "After the Covid Vaccine, People Find Joy in Little Things," *Wall Street Journal*, February 1, 2021.

¹¹ Matthew A. Killingsworth, "Experienced well-being rises with income, even above \$75,000 per year," *Proceedings of the National Academy of Sciences* 118, no. 4, e2016976118 (January 2021).

¹² Daniel Kahneman and Angus Deaton, "High Income Improves Evaluation of Life but Not Emotional Well-Being." *Proceedings of the National Academy of Sciences* 107, no. 38 (September 2010): 16489-16493.