The Role of Personality Traits in the Relationship Between Happiness and Money

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Objective

Researchers have shown that a bidirectional relationship might exist between money and happiness or *subjective well-being* (SWB; Diener & Biswas-Diener, 2002;). On the one hand, money is associated with increases in happiness/SWB up to a certain level (Diener & Biswas-Diener, 2002; Kahneman & Deaton, 2010). Research supports that income/wealth has a positive association with happiness/SWB (Diener & Biswas-Diener, 2002; Donnelly et al., 2018) and the wealth of society is an important moderator of this relationship (Diener & Biswas-Diener, 2002). Additionally, the livability theory states that the higher the quality of life, the happier people are in a society (Veenhover & Ehrhardt, 1995). On the other hand, happiness/SWB leads to positive outcomes in various life domains such as working, social relationship, and health, and thus has a positive association with income (Lyubomirsky, King, & Diener, 2005). Researchers have presented causal evidence for happiness/SWB to result in increased financial resources and positive financial behavior (Guven, 2012; Lyubomirsky, King, & Diener, 2005). For example, research findings have suggested that happier people save more, have less debt, take more time before making decisions, have a longer future time perspective, have higher self-efficacy, and have a broader mind-set (Fredrickson, 2012; Guven, 2012; Lyubomirsky et al., 2005). Diener and Biswas-Diener (2002) noted this possible causal direction in that "…it appears high SWB might increase people's chances for high income" (p. 119). Despite the robust literature that supports a possible direction from happiness/SWB to money (e.g., for an overview see Lyubomirsky et al., 2005), researchers continue to focus on how people derive happiness/SWB *from* financial resources. While a reciprocal relationship may indeed exist, the possibility for the presence of happiness/SWB to increase access to future wealth and income has received far less attention. And, despite the possibility of happiness/SWB to lead to positive financial outcomes, researchers tend to frame study results from the perspective that money causes happiness/SWB, even when there is no evidence for a causal direction (e.g., see Diener & Biswas-Diener, 2002; Donnelly et al., 2018).

Furthermore, the role of personality traits in this relationship has not yet been investigated. Research suggests that each of the Big Five personality traits—openness, conscientiousness, extraversion, agreeableness, and neuroticism—are associated with emotional expression. Specifically, openness is associated with greater levels of *both* positive and negative emotion (McCrae & Costa, 1991). Conscientiousness and agreeableness are associated with greater positive and less negative emotion (McCrae & Costa, 1991); however, Asebedo et al. (2019) found that older adults with greater agreeableness had lower levels of positive emotion and higher levels of negative emotion. Extraversion is associated with greater positive emotion, and neuroticism with greater negative emotion (McCrae & Costa, 1991). In addition to shaping emotions, personality traits have been shown to associate with financial outcomes. For example, Nabeshima and Seay (2015) found that extraversion and conscientiousness were associated with greater levels of wealth, and agreeableness was associated with lower levels of wealth. The literature reflects substantial empirical evidence that suggests that the Big Five traits are predictive of a variety of financial and life outcomes (e.g., see Asebedo, 2018 for a brief overview), and therefore may play a role in explaining the relationship between money and SWB/happiness.

Consequently, the purpose of this study is to investigate the potential for happiness/SWB to lead to positive financial outcomes by examining the role of personality traits (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism) in this relationship.

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Significance

There is a large body of literature that has investigated the effects of Big Five personality traits on individuals' financial behaviors such as trading activities (Brown & Taylor, 2014; Klein, Wagner, and Weller, 2016), and financial conditions such as lifetime earnings and wealth (Nabeshima & Seay, 2015; Gensowski, 2018); however, the Big Five personality traits have not yet been systematically investigated with psychological theory to determine how they are related to the relationship between happiness/SWB and money. Mowen's (2000) 3M Model of Motivation and Personality suggests that personality type is mediated by other individual traits to facilitate behavior, which suggests a possible path from personality traits to financial outcomes, mediated by happiness/SWB.

Hypotheses

Based upon the existing literature and the 3M, seven hypotheses were investigated:

Direct Effects with Wealth
> H1: Openness to experience is positively associated with wealth.
> H2: Conscientiousness is positively associated with wealth.
> H3: Extraversion is positively associated with wealth.
> H4: Agreeableness is negatively associated with wealth.
> H5: Neuroticism is negatively associated with wealth.
> H6: Positive affect is positively associated with wealth.

Indirect Effects with Wealth
> H7: Positive affect facilitates an indirect relationship between the Big Five traits and wealth.

Method

- **Data Source:** Data were utilized from the 2014 Health and Retirement Study (HRS), including the 2014 Leave-Behind Psychosocial and Lifestyle survey and the RAND HRS produced by the RAND Center for the Study of Aging. This study utilizes an older adult population who have accumulated financial resources and tend to have more stable personality traits than younger populations (Roberts & Mroczek, 2008).

- **Variables:**

  Dependent (Outcome) Variable. The inverse hyperbolic sine of total net wealth. The inverse hyperbolic sine transformation permits use of both positive and negative values.

  Big Five Personality Variables: Openness, conscientiousness, extroversion, agreeableness, and neuroticism were each estimated as latent variables with a confirmatory factor analysis. Indicators were parceled according to recommended methodology (Little, 2013).

  Positive Affect. Positive affect was estimated as a latent variable with a confirmatory factor analysis using 12 indicators that were parceled according to recommended methodology (Little, 2013).

  Control Variables. Age, couple status, gender, race, education, working status, and perceived health.

- **Analysis:** This study employed a structural equation model with a confirmatory factor analysis measurement model. A maximum likelihood estimator was employed for model estimation to facilitate testing of the indirect effects with 5,000 bootstrap draws in M*plus* version 8 (Little, 2013; Shrout & Bolger, 2002).
- **Sample:** The final analytic sample consisted of 4,656 observations of American adults age 54 to 99. Sample statistics are located in Table 1 and 2.

Results

Conscientiousness (H2) and positive affect (H6) were each directly associated with greater levels of net wealth, holding all else constant. Agreeableness (H4) was directly associated with lower levels of net wealth, holding all else constant. Results did not provide support for a direct relationship for openness (H1), extraversion (H3), or neuroticism (H5) and net wealth. Positive affect facilitated indirect effects between the Big Five traits and net wealth. First, each Big Five trait was associated with positive affect. Openness, conscientiousness, and extraversion were each associated with higher levels of positive affect. Agreeableness and neuroticism were each negatively associated with positive affect. Because positive affect was significantly associated with greater net wealth, it facilitated several indirect effects in support of hypothesis seven. Specifically, conscientiousness and extraversion were each indirectly associated with greater net wealth through higher levels of positive affect; agreeableness and neuroticism were each indirectly associated with lower net wealth through lower levels of positive affect. Bootstrap estimation results with 5,000 draws provided support for the significance of these indirect effects because the confidence interval for each effect did not contain zero (Shrout & Bolger, 2002). While not reported here due to space, similar results were found when utilizing life satisfaction as a proxy for SWB instead of positive affect.

Conclusions/Relevance

The results were consistent with the existing literature noted above and provide preliminary evidence that personality traits might play a role in the relationship between wealth and happiness, although it is important to note that the results are currently based upon cross-sectional data and there is no support for a causal claim. The researchers will extend this analysis to a cross-lagged panel model to further test the hypothesis that the relationship between happiness/SWB and wealth is in part caused by differences in personality traits and the propensity of some personality types to express greater levels of positive emotion and also engage in higher earning occupations (e.g., extraversion) and more prudent money management tendencies (e.g., conscientiousness). It is also possible that reciprocal effects are present, and the causal direction may indeed go both ways. This study will address a gap in the current literature focused on the relationship between happiness/SWB and money, as researchers have not yet considered that the observed empirical relationships might have roots in personality and natural tendencies for emotional expression and behavior.

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Table 1. Sample Characteristics of Categorical Variables (*N*=4,656)

Variable	n	%
Gender		
Female	2704	58.08%
Male	1952	41.92%
Household status		
Couple	2230	47.90%
Single	2426	52.10%
Race		
White	3476	74.66%
Other	1180	25.34%
Education		
Less than college	2318	49.79%
College or higher	2338	50.21%
Working status		
Working	1643	35.29%
Not working	3013	64.71%

Table 2. Sample Characteristics of Scales and Continuous Variables (*N*=4,656)

Variable	Mean	se	Min	Max
Wealth (IHS)	10.57	0.09	-13.81	17.84
Age	70.13	0.15	54.00	99.00
Perceived health	3.12	0.02	1.00	5.00
Positive affect	3.51	0.01	1.00	5.00
Big Five Personality Traits				
Openness to experience	2.90	0.01	1.00	4.00
Conscientiousness	3.28	0.01	1.00	4.00
Extraversion	3.17	0.01	1.00	4.00
Agreeableness	3.48	0.01	1.00	4.00
Neuroticism	1.96	0.01	1.00	4.00

Figure 1. Structural Equation Model Results for Total Net Wealth
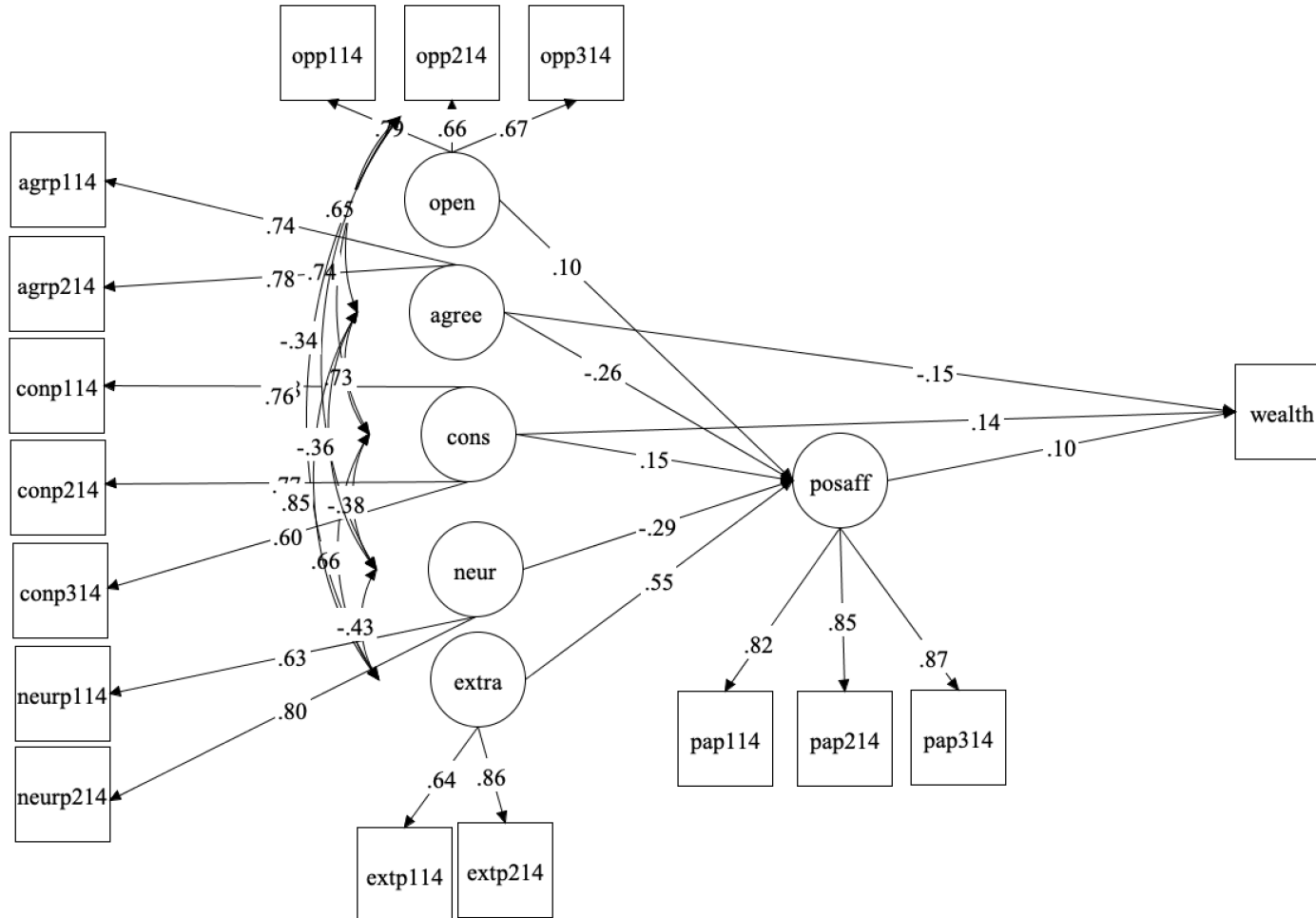
Note: All paths shown are significant at *p < .05 or less.* Model Fit Indices: χ^2(df 150) = 3,597.424, p = <.001; RMSEA = .07, 90% CI [.068, .072], CFI = .90, TLI = .85; SRMR=.051. All results were computed in *Mplus* with a maximum likelihood (ML) estimator to facilitate testing of the indirect effects with 5,000 bootstrap draws (Little, 2013; Shrout & Bolger, 2002), therefore the HRS weights and complex sample design were not incorporated into these results due to the use of the ML estimator and the need to test the indirect effects with a bootstrapping technique in *Mplus*. Parameter estimates are in STDYX standardization. The structural model included control variables according to the full partial method (Little, 2013): age, gender, race, education, couple status, work status, and self-reported health.