



Want to Be Happy? Hire a Financial Advisor

By Sonya Lutter, PhD, CFP®

Herbers & Company inaugural 2021 Consumer Financial Behaviors Study reveals that people who've hired a financial advisor are nearly three times happier with their life than others.

Turns out, money really can buy happiness—assuming a person uses it to hire a financial advisor.

In a survey of 1,000 random consumers across the US, Herbers & Company Research found that those with a financial advisor are statistically happier than those who haven't hired an advisor. To be included in the study, respondents had to have self-reported assets of \$250,000 or more. Slightly over half of the respondents (54%) were male, and 79% were either married or living with a significant other.¹ Before we get too deep into the data, let's define happiness.

Happiness is the feeling that reflects how well individuals' needs are being met, and, to a smaller degree, their contentment with their idealized self versus their actual self.² Happiness means that a person's emotional, mental, physical and relational needs are being met. Money contributes to a person's ability to meet their needs and those of their families.

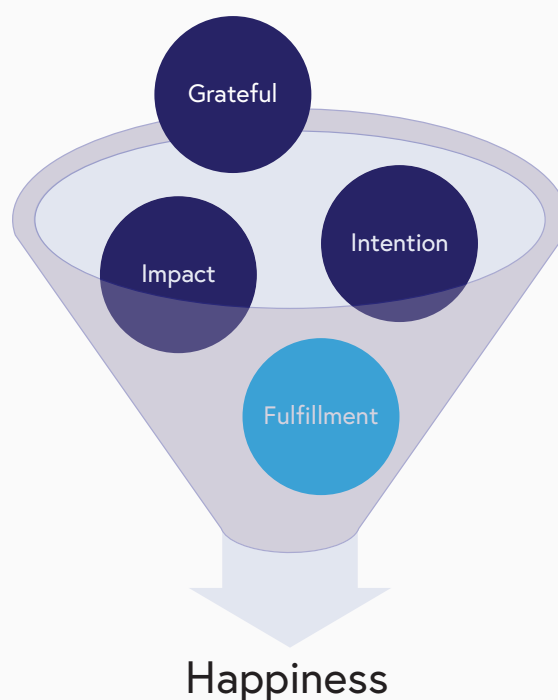
To gauge the level of consumer happiness, Herbers & Company created a list of 43 statements³. The survey questions, which were derived from core principles of psychotherapy, delved into consumers' daily behaviors and interactions, which are good indicators of their reality and their overall satisfaction or happiness.

Herbers & Company's inaugural 2021 Consumer Financial Behavior Survey identified four core factors that make people happier: fulfillment, intention, impact and gratefulness (see Figure 1).

Figure 1

The Four Predictors of Happiness

For financial consumers, fulfillment, intention, impact and gratefulness contribute to overall happiness.



"The research found that all four happiness factors are heightened in consumers who work with a financial advisor."

1 See our "2021 Consumer Financial Behavior Study FAQ" at www.HerbersCo.com for the full respondent demographic profile and in-depth statistical analyses.

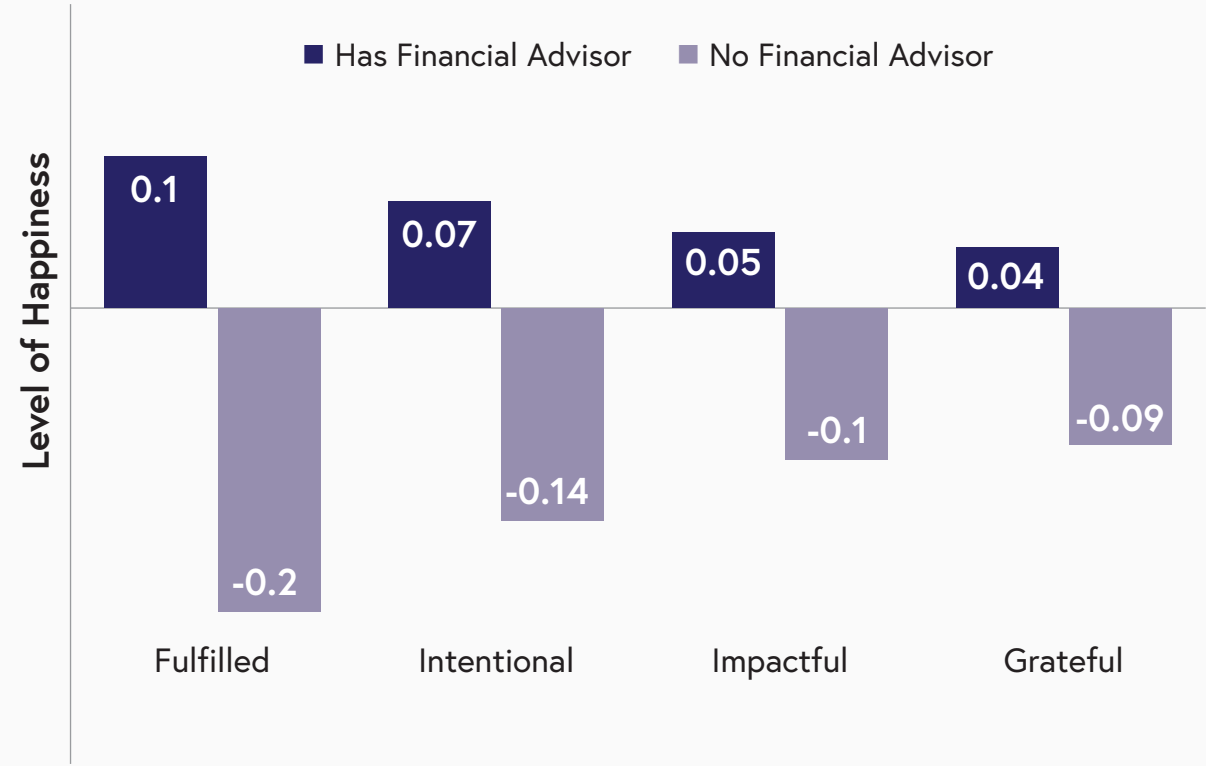
2 Veenhoven, 2011

3 Herbers & Company Research evaluated the face validity of the items in measuring happiness before administering the national survey, where respondents were asked to indicate how strongly they agreed or disagreed with a series of statements where 1 strongly disagree to 7 strongly agree to gauge their happiness. Through our factor analyses, we identified four distinct and highly reliable factors that were significantly predictive of happiness.

The research found that all four of those factors are heightened among 66% of consumers who work with a financial advisor, versus 34% of those who do not. In other words, people who hire a financial advisor were statistically happier (see Figure 2) than those who don't—by a wide margin. This held true even when controlling for gender, age, income and asset levels.

Figure 2
Increased Happiness in Consumers Who Hire Financial Advisors

Consumers who have hired financial advisors are happier across *all* four predictors of happiness, compared with those who have not hired a financial advisor.



It also appears that working with a financial advisor accelerates happiness in other key areas of our lives. People who have financial advisors are not only happier with their finances, but they are also far happier about their personal relationships and their communication with their partners.

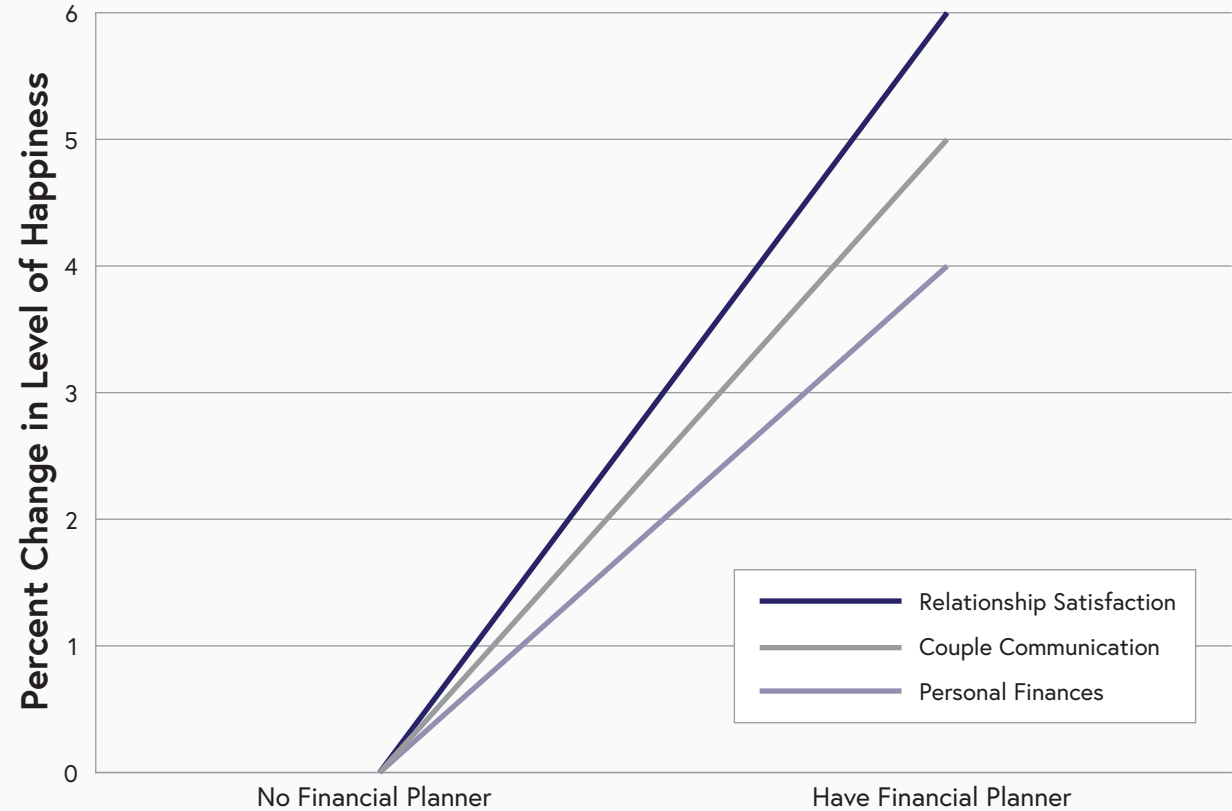
While it's possible that happy couples might be more likely to hire financial advisors, it's also possible that working with a financial advisor gives couples an opportunity to talk about financial goals, and thereby gives them a happiness boost.

"Across the board, happiness was increased in relationship satisfaction, couple communication, and personal finances with a financial advisor."

Across the board, happiness in the individual levels of relationship satisfaction, couple communication, and personal finances is higher with a financial advisor. And once again, the pattern holds true regardless of gender, age, income or assets (see Figure 3).

Figure 3
Having a Financial Advisor Increases Relationship Satisfaction and Couple Communication

People who work with financial advisors are happier in their personal relationships, compared with those who have not hired a financial advisor.

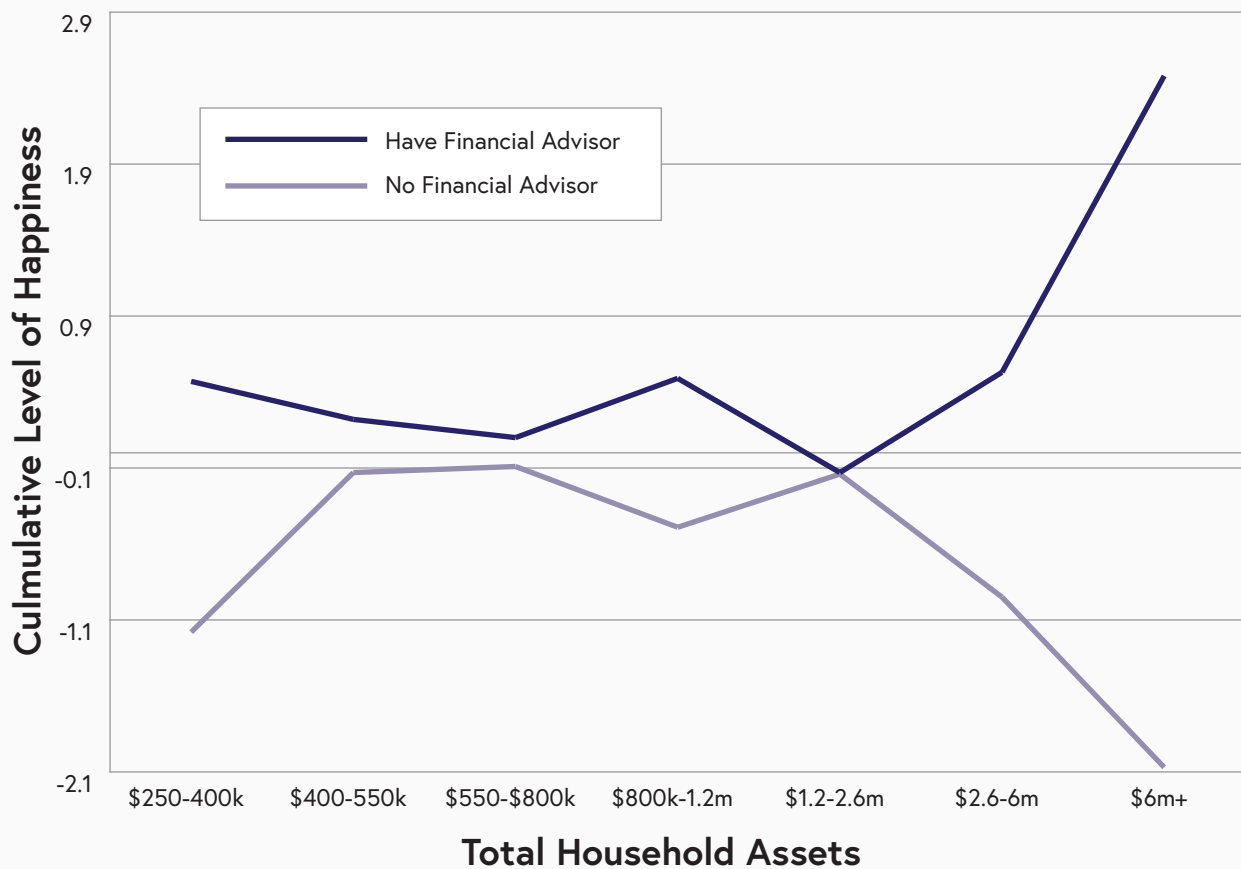


"For those who make it to the top 5% of wealth in the U.S., working with an advisor can mean the difference between being happy with financial success or allowing money to decrease happiness."

Despite these findings, there's a reason we have sayings like "Money can't buy happiness." As Figure 4 illustrates, \$1.2 million in assets is a critical point at which to hire a financial advisor. For those who make it to the top 5% of wealth in the U.S., working with an advisor can mean the difference between being happy with financial success or allowing money to decrease happiness. A financial advisor is needed to increase happiness levels above the \$1.2 million threshold.

Figure 4
Happiness Levels by Household Assets

As individuals move past \$1.2 million of assets, those who work with financial advisors rapidly increase in happiness, while those without advisors rapidly become less happy.



So what is the true value of a financial advisor? Yes, they provide investment management advice, financial planning services, and guidance for their clients' financial futures. More importantly though, hiring financial advisors, sooner rather than later, makes people happier. Finally, for individuals with more than \$1.2 million in assets, a financial advisor is critical to happiness.

About the Author

Sonya Lutter, PhD, CFP® is researcher, educator, financial planner and therapist. She worked in higher education for over 15 years before joining Herbers & Company as Director of Institutional Research and Education. Previously she was administrator over Applied Human Sciences at Kansas State University, combining disciplines from financial planning to therapy to conflict resolution and more. She has published over 60 peer-reviewed publications, written several edited books, and is a regular invited speaker for academic and practitioner audiences in financial services.

