

How an increase in wealth affects spending

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Abstract

Our Research Project was a study on the psychology behind the decisions made on spending. We chose to focus our study on the spending patterns after the subject had an unexpected increase in wealth. This could pertain to anything from a raise to winning the lottery. By sending out google forms we came to the conclusion that these sudden increase in wealth has a direct relation to the decisions made while spending.

Introduction

The question we are researching is: how does the sudden accumulation of wealth affect spending? We reviewed many articles and papers on the topic of money spending, using that information towards our research project. We reviewed already present data as a starting point for our project. We read many articles like The Psychology of Money – How Saving and Spending Habits are Programmed in Your Brain and The Psychology of Spending Money that explained the spending habits of people in low income households and spending habits of adults. Our project was specifically targeted towards teenagers because those were the subjects that were present. Our research will continue to add to the data that other people have gathered.

Purpose

We wanted to learn about how the mind processes decision making after receiving large quantities of money. We chose this topic because as children, we soon will be responsible for our own money. This provides the opportunity for us to learn responsible spending, so we wanted to research something that would be viable in our lives, leading to the research question of how does a sudden accumulation of wealth affect spending?

Materials and Methods

We built a google form targeted towards students that gave us a clear understanding of what type for decisions people made after receiving “money”. We allowed the subject to pick between different pictures to completely designs bedroom or bathroom. Each of the images had a price below, letting the subject know what the most expensive item was and what the least expensive item was they then had to pick one that would allow them to stay in budget while also having a nice looking room. The data that came from the google form was then reviewed and turned into graphs(see below).

Results

We sent two similar surveys out to try and answer our question. The major differences between the surveys was how much money was originally provided and the second survey had more questions. Even though the money to questions ratio was the same between the surveys, participants would more often buy the more expensive product when they were given more money.

Discussion

The data we collected shows a direct correlation between the amount of money suddenly acquired and the amount spent. As shown in the graph there is major difference in the percent of people given more money who chose the pricer option as opposed to the people given less money. There may be some fault in that this survey only was sent out to teenage girls with little to no financial education. In the future we would like to follow up this experiment by reversing the experiment to measure spending habits of those who just lost a large sum of money. An independent variable would be the amount of money given and the dependent variable would be the percent of people who buy the most expensive item.

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