Money: A Love Story

By Dr. Elesa Zehndorfer

There are moments in your life when you realize money can indeed buy happiness. It’s the joy you feel when you get the unexpected bonus at work. Or the cash in your hand when you sell a car. Or the pleasure when a stock you took a risk on quickly doubles or triples in value. Money delivers a rush.

The way you feel at those times is a physiological response to money. That’s because when we think about money, it can exert a neurological effect on our brains so seductive that it literally matches what happens to our bodies when we think about love or sex—some of our most primal of urges. It’s no wonder, then, that research from behavioral economists and neuroscientists confirms it can be difficult to remain rational when it comes to our investing behavior. We are seeking that rush, time and time again.

My field of study, physiology, sheds fascinating light on how the body deals with these seductive effects. Let’s investigate why evolution hardwires us to react emotionally rather than rationally when it comes to money, and how we, as investors, can tame our inner beast and resist the allure of quick profits from the next cryptocurrency.1

The Desire of Desire

Our thoughts and feelings about money likely start when we’re children and find a quarter on the sidewalk, and it continues today when we see an investment unexpectedly increase in value. The rush is particularly alluring, especially when investors believe there’s more of it to be made quickly and easily—like during the dot com run-up 20 years ago, or cryptocurrency today.

Money has been referred to as the “desire of desire”.2 From a physiological perspective, a craving or longing for money activates the exact pathways that are stimulated when we think about or engage with the first flush of love or sex.
Potentially addictive, it powerfully clouds our rational decision-making capacities, flooding our brains with dopamine.\textsuperscript{2} When this happens, we can be tempted to ditch our well-planned, long-term strategy in hopes of making a quick gain.

When we think about money, we experience a stimulating, pleasurable sensation as our limbic system becomes engaged.\textsuperscript{2,3} As we enjoy daydreams of a retirement spent on a sailboat, or a relaxing lifestyle living by a lake, for example, the neurotransmitters dopamine and oxytocin actively stimulate our brains. The downside? These chemical reactions can motivate us to seek out instant gratification of those dreams as quickly as possible—an instinct that has wreaked havoc on 401(k)s and other retirement accounts the world over.

Investors, who otherwise seem rational, can at times abandon their long-term strategy to acquire immediate rewards—a new boat, an RV, or a vacation—after being affected by these physiological drivers. Frequently, the “rush” drives riskier decisions (Bitcoin, for example), and can significantly harm long-term outcomes.

Why, you might ask, might our physiology betray us in such a way?

**Capturing the Evolutionary Spirit**

Gordon Gekko, in Oliver Stone’s 1987 film, “Wall Street,” famously remarked that “Greed, for want of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit.”

And he was right. Mostly.

What we refer to as greed today is better understood as an evolutionary response that allowed us to maximize our chances of survival in ancient times. Greed, it has been said, “begins in the neurochemistry of the brain,”\textsuperscript{4} representing an intense and selfish desire for something, especially wealth, power, or food. Turn back the clock some 50,000 years to Paleolithic times. This powerful instinct allowed our hunter-gatherer ancestors to protect and provide for their families with the “fear, protection seeking and renewed aggressiveness”\textsuperscript{5} required of their often short and brutish life, rewarding them with empowering testosterone and pleasure-inducing dopamine and oxytocin when they slayed a beast or successfully defended their tribe.

In modern times, however, these survival instincts can lead us to make genuinely ill-founded financial decisions because they enliven our desires for immediate gratification, subsequently motivating us to act—even though it’s often better, in an investing context, to stay put. They may also cause us to doubt sound investing decisions, resulting in needless anxiety and stress.

—Dr. Elesa Zehndorfer
Something More Exciting

Famed economist John Maynard Keynes first remarked that individuals are driven by “animal spirits,” a salient observation that cuts to the heart of our often primal relationship with money, and our evolutionary-driven hardwiring as a species that is defined by a daily and, in terms of survival, necessary pursuit of pleasure.

For the modern investor, this often means that even if we have rationally and confidently chosen a long-term, actively managed investing strategy, such as mutual funds, we might still feel anxious, stressed, or seduced by the latest Bitcoin or ETF goldrush, leading us to experience worry about losing out on a big profit, which makes us doubt our well informed, albeit less immediately exciting, approach.

The great news is that understanding the physiological mechanisms that lie behind these feelings and emotions allow us to make smart lifestyle choices that will benefit our long-term investing strategies.
Next Steps

1. **Talk to your advisor.** When facing decisions about your investments, get professional guidance from your financial planner or advisor first. They can offer you a completely rational perspective your primal brain is not considering.

2. **Take a walk.** The dopamine surge caused by thinking about money is powerful, but something as simple as a brisk walk, walking the dog, hiking, or chopping logs calms our pleasure pathways. So does a romantic evening with a loved one, or oxytocin-inducing quality time with our kids and families, making us less interested in gaining feelings of pleasure from unnatural sources, such as money.

3. **Stick to your strategy.** Warren Buffett knows that holding a long-term investment and simultaneously rejecting the pull of exciting, risky new ventures is profitable—but takes a lot of courage. It can be physiologically tiring—one reason for George Soros’s famed backaches. So applaud your ability to hold firm, safe in the knowledge that you are making grounded financial choices for you and your family.

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