

Pursuing the Right Goals

"I think I've been in the top 5% of my age cohort all my life in understanding the power of incentives, and all my life I've underestimated it. And never a year passes but I get some surprise that pushes my limit a little farther." - Charlie Munger

New college graduates around the country are all being inundated with some form of the following questions:

What do you want to do with your life? What are your goals?

The standard advice most young people receive is to 'set goals for yourself and then work as hard as you can to achieve those goals so you can live happily ever after.'

A group of researchers from the University of Rochester set out to determine which types of goals led to a happier existence later in life. After interviewing a number of college students about their life goals they separated the responses into two categories. Some students had "extrinsic aspirations." They wanted to become wealthy or famous so these were labeled as profit goals. Other students had "intrinsic aspirations." Their goals were more centered around helping others improve their lives or increasing their depth of knowledge and growing as a person. These were labeled purpose goals.

A number of years later they tracked down these students to see if there was any relationship between the types of goals they set and their well-being. They found that the people who had purpose goals reported much higher levels of satisfaction and self-esteem about their lives. They also had lower levels of anxiety and depression. On the other hand, the students who set profit goals had lower levels of satisfaction and self-esteem. Even when they attained the profit goals they set for themselves they weren't any happier than when they were in college. This group had higher levels of anxiety and depression.

Daniel Pink interviewed the authors of this study in his book [Drive: The Surprising Truth About What Motivates Us](#). Here they discuss the problem with having the wrong incentives involved when thinking about your goals:

"The typical notion is this: You value something. You attain it. Then you're better off as a function of it. But what we find is that there are certain things that if you value and if you attain them, you're worse off as a result of it, not better off."

Failing to understand this conundrum -- that satisfaction depends not merely on having goals, but on having the right goals -- can lead sensible people down self-destructive paths. If people chase profit goals, reach those goals, and still don't feel any better about their lives, one response is to

increase the size and scope of the goals -- to seek more money or greater outside validation. And that can "drive them down a road of further unhappiness thinking it's the road to happiness," Ryan said.

These researchers found that people who pursued profit goals and looked to attain a certain level of status were too busy to create meaningful relationships with others or enjoy the fruits of their labor. So all that hard work to achieve those goals was for naught.

I've seen both sides of this equation working in the finance industry. There are those who work 80-90 hours a week to earn a huge paycheck at a reputable firm only to end up never enjoying the fruits of their labor. There are also firms that hold sales contests, charge outrageous commissions and focus on gathering assets which leads to a terrible client experience and a never-ending treadmill for those who are forced to sell this type of service.

Wall Street gets a bad rap but I see a change in attitude with the next generation coming up in the industry. They want to help the people they work with, not take advantage of them. They want to work with the right people, not compete with them for every last penny. They want to give useful advice, not make a sale. And what they really want is to be able to look at themselves in the mirror and be proud of the work they're doing.

Don't get me wrong -- I'm not saying money isn't important. Of course it is. It's just that after a certain threshold it's not always going to make you any happier with your life or your career.

Incentives are a huge driver of people's actions but happiness is not always as easy as putting a carrot on a stick. You have to have the right carrot. Pink goes on to say in his book that, "The science shows that the secret to high performance isn't our biological drive or our reward-and-punishment drive, but our third drive -- our deep-seated desire to direct our own lives, to extend and expand our abilities, and to make a contribution."

Sometimes getting what you want isn't always what you need.

Source:

[Drive: The Surprising Truth About What Motivates Us](#)

Further Reading:

[How Spending Money Affects Happiness](#)