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# Long-run Effects of Lottery Wealth on Psychological Well-being

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**Abstract**

We surveyed a large sample of Swedish lottery players about their psychological well-being and analyzed the data following pre-registered procedures. Relative to matched controls, large-prize winners experience sustained increases in overall life satisfaction that persist for over a decade and show no evidence of dissipating with time. The estimated treatment effects on happiness and mental health are significantly smaller, suggesting that wealth has greater long-run effects on evaluative measures of well-being than on affective ones. Follow-up analyses of domain-specific aspects of life satisfaction clearly implicate financial life satisfaction as an important mediator for the long-run increase in overall life satisfaction.

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# 1 Introduction

Observational studies consistently find that happiness, life satisfaction and other facets of well-being are positively correlated with wealth and income (Diener et al. 1999, Diener & Biswas-Diener 2002, Biswas-Diener 2008, Sacks, Stevenson & Wolfers 2012, Deaton 2008). However, the extent to which these associations arise due to causal pathways from wealth to well-being remains poorly understood (e.g., Frey & Stutzer 2002, Clark, Frijters & Shields 2008, Dolan, Peasgood & White 2008). Considerable uncertainty therefore remains about the magnitude and persistence of any income or wealth effects on subjective well-being. A large literature on hedonic adaptation argues that people adjust their aspirations upwards when their economic conditions improve (e.g., Brickman & Campbell 1971, Frederick & Lowenstein 1999), implying the long-term effect of positive economic shocks may be small (Frey & Stutzer 2002, Clark, Frijters & Shields 2008).

A better understanding of how wealth and income impact long-run well-being is important for both societal and individual priorities. At the individual level, people may exaggerate the importance of financial conditions for well-being (e.g., Kahneman et al. 2006). Estimates of the effect of wealth may therefore help people who value subjective well-being make more accurate tradeoffs between pecuniary and non-pecuniary aspects of life (e.g., Layard 2006). At the societal level, subjective well-being data are increasingly being used in welfare analyses, a topic of ongoing discussion (e.g., Frey & Stutzer 2002, Fleurbaey 2009, Benjamin et al. 2014). In such settings, estimates of wealth effects may prove valuable, e.g. in cost-benefit analyses that rely on subjective well-being data to elicit willingness-to-pay for non-market goods (surveyed in Dolan & Fujiwara 2016).

To credibly estimate the causal effects of wealth it is necessary to isolate a source of variation in wealth that is plausibly unrelated to other determinants of well-being. Studies in developed countries have exploited variation in wealth or income induced by lotteries (Brickman, Coates & Janoff-Bulman 1978, Lindahl 2005, Gardner & Oswald 2007, Kuhn et al. 2011, Apouey & Clark 2015), tax rebates (Lachowska 2017), or within-person changes

over time (e.g., Frijters, Haisken-DeNew & Shields 2004, Frijters et al. 2006). These studies overwhelmingly conclude effects are positive, but the effect sizes vary substantially in magnitude.[1] Moreover, with the exception of Lindahl (2005), these studies do not consider long-term effects.

In this paper, we study long-run effects of wealth on well-being by leveraging the randomized assignment of lottery prizes in a sample of Swedish lottery players. We surveyed lottery players about their well-being 5 to 22 years after the lottery event. Our study has several methodological strengths. First, our data allow us classify players into groups within which we know the prize amount won is randomly assigned. Our estimates are based entirely on comparisons of players who are in the same group but were awarded prizes of different magnitudes. Second, because of the large sample size (3,362 players) and substantial prize pool ($277 million), our estimates have high precision relative to other work. Third, all main results are based on pre-registered analyses described in a publicly archived Analysis Plan (Östling, Lindqvist & Cesarini 2016).

We find that the long-run effects of wealth vary depending on the exact dimension of well-being.[2] There is clear evidence that wealth improves people's evaluations of their lives as a whole. According to our estimate, an after-tax prize of $100,000 improves life satisfaction by 0.037 standard-deviation (SD) units. We find no evidence that the effect varies by years-since-win, suggesting a limited role for hedonic adaptation over the time horizon we analyze. Our results suggest improved financial circumstances is the key mechanism behind the increase in life satisfaction. In contrast, the estimated effects on our measures with a

[1]Most studies in low- and middle income countries also find positive effects of wealth or income on well-being. For example, unconditional cash grants have been shown to improve short-run subjective well-being in Kenya (Haushofer & Shapiro 2016) and Malawi (Baird, de Hoop & Özler 2013), though not in Ecuador (Paxson & Schady 2010). Relatedly, a study of Chinese twins reports that the positive relationship between income and happiness persists in within-family analyses (Li et al. 2014). Hariri, Bjørnskov & Justesen (2015) finds that a decrease in real income induced by a currency devaluation in Botswana had large negative effects on subjective well-being.

[2]In the psychometric literature, it is common to make a distinction between affective and evaluative measures of well-being (Diener et al. 1999, Schimmack 2008). Measures derived from responses to questions about the frequency of various positive or negative feelings are classified as affective whereas questions that require respondents to report their evaluation of their life (or some aspect of their life) are often referred to as cognitive or evaluative.

stronger affective component – happiness and an index of mental health – are smaller and not statistically distinguishable from zero. Despite the strong correlation between happiness and life satisfaction in our data (0.86), we can statistically reject equal treatment effects of lottery wealth on these outcomes.

To help benchmark our results, we rescale our lottery-based estimates and compare them to gradients with respect to annual income (averaged over multiple years to smooth out transitory fluctuations). For happiness and mental health, our rescaled estimates are about one third the magnitude of the corresponding gradients. For life satisfaction, we find that our rescaled estimate is similar in magnitude to the income gradient. We also compare our main results to those reported in previous quasi-experimental studies of lottery players' well-being and show our study compares favorably both in terms of statistical power and the credibility of our causal inference.

Our paper is structured as follows. Section 2 describes our survey of lottery players and describes the representativeness of our estimation sample. Section 3 describes our identification strategy and provides evidence in support of our key identifying assumption that lottery prizes are randomly assigned conditional on factors we observe. Section 4 summarizes the results from our main analyses and benchmark our estimates against the cross-sectional gradients and previous lottery studies. Section 5 concludes with a broader discussion of our findings and their limitations. The Online Appendix contains appendix figures and tables and additional details about our analyses.

# 2 Data and Study Design

Our study was conducted in three stages. First, we identified a *Survey Population* composed of individuals from a large administrative sample of lottery players. Second, Statistics Sweden surveyed these individuals on our behalf. Third, Statistics Sweden supplied us with an anonymized data set with subjects' survey responses and administrative variables. For all

members of the *Survey Population*, including non-respondents, we have information about a set of basic demographic characteristics from Swedish registers and lottery-specific variables needed to implement our empirical strategy.

The analyses reported in this paper follow the procedures specified in an Analysis Plan (Östling, Lindqvist & Cesarini 2016) publicly accessible via the URL `https://osf.io/t3qb5/` and archived before the survey data were made available to us. The purpose of preregistration was to minimize readers' concerns about data-mining and undisclosed specification searches and to make transparent the distinction between pre-registered and post hoc analyses. All aspects of the main analyses were fully specified before the survey data were delivered to us. Specifically, we pre-specified the criteria for inclusion in the estimation sample; three diagnostic tests for endogenous attrition; our set of primary outcomes; variable coding (including handling of missing values and outliers); the estimating equation; heterogeneity and robustness analyses, and how we intended to adjust the $p$-values for our primary outcomes for multiple-hypotheses testing.

In formulating the plan, our goal was not only to reduce the number of investigator degrees of freedom in our main analyses, but to eliminate them altogether. We successfully executed the pre-registered analyses without having to make any additional judgment calls due to omissions or ambiguities in the Analysis Plan. The Analysis Plan also described our intention to benchmark our final estimates to household-income gradients and estimates previously reported in quasi-experimental studies. These comparisons were conducted according to the pre-registered procedures. However, we made no attempt to fully specify every detail of these comparisons before accessing the survey data.

## 2.1 Survey Population

The *Survey Population* was drawn from a large administrative sample that has been used in several previous studies on the impact of wealth on register-based outcomes such as health, mortality and children's outcomes (Cesarini et al. 2016), labor supply (Cesarini et al. 2017)

and participation in financial markets (Briggs et al. 2015). In determining which members of the administrative sample to survey, a primary goal was to retain as much as possible of the lottery-prize variation.

We survey players from three of the four lotteries in the administrative sample: Kombi, Triss-Monthly and Triss-Lumpsum.[3] Kombi is a monthly subscription lottery with approximately 500,000 subscribers, the proceeds of which are donated to the Swedish Social Democratic Party. The administrative sample contains information on the number of lottery tickets and large prizes won for all Kombi participants between 1998 and 2011. Triss is a highly popular scratch-off lottery run by the Swedish government-owned gaming operator, Svenska Spel. We have information on two types of Triss prizes which qualify the winner to a daily TV show where the size of the prize is determined by a new lottery draw. At the show, Triss-Lumpsum winners (1994 to 2011) win a lump-sum prize between $7,000 and $700,000. Winners of the Triss-Monthly prize (1997 to 2011) win a monthly income supplement. The size ($1,400 to $7,000) and duration (10 to 50 years) of the supplement are determined by separate tickets which are drawn independently. We convert the Triss-Monthly to net-present value using a discount rate of 2 percent.

To define the *Survey Population*, we first identified all winners from the Triss lotteries and all large-prize winners from Kombi (defined as players who won at least 1M SEK). We then imposed a number of sample restrictions summarized in Table A1. The Analysis Plan contains a detailed description of, and motivation for, each restriction. By far the most important restriction is that we only survey individuals aged at most 75 in 2016, the year of the survey. Applying the full set of sample restrictions left 259 large prizes from Kombi, 3,294 Triss-Lumpsum prizes and 608 Triss-Monthly prizes. We supplied information about these winners to Statistics Sweden, who dropped prizes won by individuals who were deceased or lacked an official Swedish address of residence in 2016. In a final step, they added four

[3]We elected not to survey participants in the fourth lottery used in our prior studies – the prize-linked savings accounts (PLS) – because nearly all of the large lottery prizes in this sample were awarded in the 1980s and 1990s, making it less likely that we would be able to detect treatment effect on an outcome measured in 2016. An additional consideration was that a substantial fraction of the PLS players are deceased.

controls for each large-prize winner in Kombi to the *Survey Population*. The four controls were randomly selected from the set of non-winning Kombi players whose sex, year of birth and number of tickets owned exactly matched those of the winner in the month of win. This leaves our *Survey Population* of 4,840 observations: 241 Kombi large-prize events and 964 (241×4) matched controls, 3,065 Triss-Lumpsum prizes and 570 Triss-Monthly prizes. Because a small number of individuals appear more than once, these 4,840 observations correspond to 4,820 unique individuals.[4]

## 2.2 Survey Protocol

In early fall of 2016, Statistics Sweden mailed a letter of invitation to all members of the *Survey Population* (see Figure A1 for summary of the timeline). The letter was accompanied by the survey, a return envelope, and a 100 SEK gift certificate. To reduce experimenter demand effects, the letter made no mention of lotteries.[5] Subjects who failed to return the survey after the first mailing were sent three reminders. Triss-Monthly players who had failed to return a survey after the third reminder were also contacted by telephone and asked to return the mail-in survey. (For budgetary reasons, we limited the telephone reminders to non-respondents from Triss-Monthly). Three weeks after the end of the regular data-collection via mail, Statistics Sweden tried to reach 501 randomly selected non-respondents by telephone. Subjects who answered the phone were invited to participate in an abbreviated phone version of the survey.

[4]Individuals may appear in the data more than once because they won the lottery on more than one occasion, because we draw the controls in Kombi with replacement, or because of overlap between the lottery samples.

[5]The final data set delivered to us contains subjects' survey responses and some basic socioeconomic variables from administrative registers. Statistics Sweden required that information about these registers be available to interested subjects, along with information about the selection of the *Survey Population*. To accommodate this requirement, the cover letter referred survey invitees interested in learning more to a website with information about the registers and details on the selection of the *Survey Population*. Unbeknownst to the subjects, each letter's website URL was unique, and the final data delivered to us therefore contains information about which subjects accessed the website. Only six subjects did, implying any resulting biases are likely to be negligible.

## 2.3 Respondents Sample

Statistics Sweden received mail-in surveys from individuals corresponding to 3,251 of the 4,840 observations of the original *Survey Population*. Another 111 players (out of 501) participated in the abbreviated telephone survey, bringing the total response rate to 69%.[6] We refer to the survey respondents as our *Respondents Sample*. Table 1 shows the survey response rate and the distribution of prizes won for each lottery and our pooled sample. Here and in all that follows, lottery prizes are net of taxes and measured in units of year-2011 dollars. Although the majority of prizes are modest, most of our identifying variation comes from prizes in the range \$100,000 – \$800,000.[7] Even though the *Respondents Sample* constitute less than 1% of the pooled lottery sample analyzed in Cesarini et al. (2016), the oversampling of large-prize winners ensures that about one third of the identifying variation in lottery wealth in the administrative sample is retained.

Table 2 compares the distribution of pre-lottery baseline characteristics of the individuals in the *Respondents Sample* and the *Survey Population* with a random sample of Swedish adults. The representative sample has been reweighted to match the sex- and age distribution in the *Respondents Sample*. Players are substantially more likely to be born in Sweden (92.4% versus 83.8%). However, the representative sample was drawn in 2010 and the fraction of the Swedish population that is foreign-born grew steadily in the lottery years. Therefore, the observed difference understates the representativeness of players in most lottery years. Players are similar to the Swedish population in terms of marital status and number of children residing in their household. They are less likely to have attended college but have higher labor incomes, on average. In both cases, the differences are modest (25.8% versus 30.1% and \$35,000 versus \$32,000, respectively). Overall, the similarity in baseline characteristics is

[6]The effective response rate varies between outcomes because not all respondents respond to all questions in the mail-in survey and because the abbreviated phone survey did not include all questions.

[7]One way to quantify the importance of large prizes is to consider the change in treatment variation (the number of observations times the variance in lottery prizes demeaned at the level of the groups defined in Section 3) when prizes above some cutoff are dropped. For example, dropping the 415 prizes above \$200,000 (column (5) of Table 1) reduces treatment variation by 91%.

reassuring, though we cannot rule out that players who select into the lottery differ from the population in unobservables in ways that could impair the generalizability of our findings.

## 2.4 Primary Outcomes

The Analysis Plan defined four primary outcomes. The first outcome, *Happiness,* is based on the respondent's answer to the question "All things considered, how happy would you say that you are?" The respondent is asked to select one response alternative among 11 numerically coded options ranging from 0 ("Extremely unhappy") to 10 ("Extremely happy"). Our second outcome, *Overall Life Satisfaction* (*Overall LS*, for short), is derived from the answer to the question "Taking all things together in your life, how satisfied would you say that you are with your life these days?" The respondent is asked to select an option from an 11-point scale ranging from 0 ("Extremely dissatisfied") to 10 ("Extremely satisfied").

Our third outcome, *Mental Health*, is constructed from responses to the 12-item version of the General Health Questionnaire (Golberg & Williams 1988). Originally developed as a screening instrument for mental health, the GHQ-12 is commonly used to measure an individual's level of psychological well-being. Each item requires respondents to indicate, on a four-point scale, how often during the last two weeks he or she has experienced a specific positive or negative emotion. The response category chosen on each item is then converted to an integer between 1 and 4, with higher values indicating greater well-being. The final variable is defined as the sum of the 12 numerical values, and is hence in the range of 12 to 48, with higher values denoting greater well-being.

Our fourth primary outcome is *Financial Life Satisfaction* (*Financial LS*, for short), one of nine domain-specific aspects of life satisfaction measured in our survey. Each domain was measured by a single question with a six-point response scale ranging from 1 ("Very dissatisfied") to 6 ("Very satisfied").

Researchers often make a conceptual distinction between evaluative (sometimes referred to as cognitive) and affective components of subjective well-being (Diener et al. 1999, Schimmack

2008). *Happiness* is a hybrid of these two dimensions, because our measure is based on a question with a clear evaluative component ("All things considered..."), yet at the same time asks about pleasant feelings. By contrast, *Overall LS* and *Financial LS* are evaluative: respondents are required to form an assessment, either of their life as a whole, or of their overall financial situation. Finally, our measure of *Mental Health* is affective, as the items included in the battery all ask about the frequency with which the respondent has recently experienced a range of pleasant and unpleasant feelings. Despite their differences, *Overall LS* and *Happiness* are highly correlated both with one another (0.86) and with *Mental Health* (0.70 in both cases). *Financial LS* is modestly positively correlated with each of the three other primary outcomes, with correlations ranging from 0.39 (*Mental Health*) to 0.46 (*Overall LS*).

# 3 Analytic Framework

## 3.1 Estimation and Identification Strategy

Our identification strategy exploits the fact that the lottery prizes in our samples are randomly assigned conditional on player characteristics we observe. We estimate the long-run causal impact of lottery wealth by ordinary least squares, using the following estimating equation:

$$(1) \quad y_{is} = \alpha L_{i,0} + \mathbf{Z}_{i,-1}\boldsymbol{\gamma} + \mathbf{X}_i\boldsymbol{\beta} + \varepsilon_i,$$

where the time of the lottery event is normalized to $t = 0$. $y_{is}$ is a measure of well-being standardized to unit variance for respondent $i$ measured $s$ years after the lottery event. Because we survey people who participated in lotteries between 1994 and 2011 in 2016, $s$ varies between 5 and 22. $L_{i,0}$ is the prize (in \$100,000) awarded to individual $i$ at $t = 0$ and $\mathbf{Z}_{i,-1}$ is a vector of baseline characteristics measured at year-end in the year prior to the lottery event. $\mathbf{X}_i$ is a set of indicator variables for groups of lottery players within which

the prize money is randomly assigned. We control for the "baseline controls" $\mathbf{Z}_{i,-1}$ solely to improve statistical precision.

In Kombi, we construct the group identifiers in $\mathbf{X}_i$ by assigning each large-prize winner to the same group as his or her matched controls (occasionally, large prize winners in the same draw have identical ticket balances, are of the same sex and share a year of birth; when this happens we assign multiple winners to the same group identifier). In the two Triss lotteries, two players share a group identifier if and only if they won the same type of prize (Lumpsum or Monthly) in the same year and under the same prize plan. Because the prize plan determines the distribution from which prizes of either type are drawn, conditioning on prize plan guarantees the size of the lottery win is random.

Throughout, we report $p$-values based on analytical standard errors that have been clustered (Zeger & Liang 1986) at the individual level. In our main analysis of the primary outcomes, we also report permutation-based $p$-values constructed by simulating the distribution of the relevant test statistic under the null hypothesis of zero treatment effects (Young 2017). In each simulation iteration, we independently permute the prize column in each group. We next use Equation (1) to generate an estimate of the treatment effect of wealth. Repeating this process 10,000 times gives us a simulated distribution that we use to calculate the probability of observing a test statistic as extreme as the one observed under the null hypothesis. Finally, in our main analyses of the primary outcomes, we also report $p$-values that have been adjusted to account for the fact that we examined four primary outcomes. To calculate these family-wise error rate adjusted $p$-values, we apply the free step-down resampling method of Westfall & Young (1993). In the tables, we refer to the resulting $p$-values as FWER-adjusted $p$-values.

In our estimating equation, $y_{is}$ depends linearly on $L_{i,0}$ even though the true relationship is likely to be concave. However, from a life-cycle perspective, the concavity is modest as long as the lottery prize is not very large relative to lifetime income. For example, suppose well-being is linear in log lifetime income and consider a household with remaining pre-win

lifetime income of $1.37 million, the approximate median in our sample.[8] For a $400,000 prize, the derivative of $y_{is}$ with respect to lifetime income is 1/1.37 for the first dollar won and 1/(1.37+0.4) for the last dollar, implying a linear specification offers a decent first approximation to the data.

### 3.2 Survey Non-Response and Tests of Endogenous Attrition

A potential concern about our identification strategy is that lottery wealth directly influences survey participation, potentially introducing endogeneity in the *Respondents Sample*, even if our identifying assumption holds in the *Survey Population.* To test for such selection biases, we conducted three pre-registered diagnostic tests for endogenous selection. All were conducted and reported exactly as described in the Analysis Plan (pp. 8-13). In test one, we found no evidence that survey participation is affected by lottery wealth (Table A2). In test two, we found no evidence of imbalance in baseline covariates measured prior to the lottery in neither the *Survey Population* nor the *Respondents Sample* (Table A3). In test three, we found that the estimated effects of lottery wealth on net wealth, debt, capital income and labor income do not change systematically when we restrict attention to the *Respondent Sample* by omitting the survey non-respondents from the estimation sample (Table A4). Overall, the results from these diagnostic tests bolster the credibility of our causal estimates, to which we now turn.

## 4 Results

### 4.1 Primary Outcomes

Figure 1 displays our estimates of the long-run effect of lottery wealth on each of the primary outcomes (see Table 3 for the underlying data). For all outcomes, we estimate positive

[8]The median annual household disposable income in year $t = -1$ was $47,000 in our sample. The lifetime income we use in our heApriluristic calculation is simply the product of this income figure and 29, the median remaining lifespan of lottery players in their year-of-win assuming a lifespan of exactly 80 years.

effects of lottery wealth. The estimated effects on *Overall LS* and *Financial LS* are, respectively, 0.037 SD units and 0.067 SD units per $100,000 won, and remain significant after our multiple-hypothesis adjustment. For *Happiness* and *Mental Health*, the corresponding point estimates are 0.016 and 0.013, respectively.[9] Neither estimate is statistically distinguishable from zero, but for both outcomes, we can reject treatment effects equal to those found for *Overall LS* and *Financial LS*.[10] It is noteworthy that we can rule out equally sized treatment effects of wealth on *Overall LS* and *Happiness* ($p < 0.001$), despite their very high pairwise correlation (0.86).

Table A5 reports the results from two pre-specified robustness tests. In the first, we reweight the sample so that the share of phone-survey respondents in the estimation sample matches the population share of mail-in survey non-respondents (33%). The reweighted estimates for the two primary outcomes measured by the telephone survey – *Overall LS* and *Happiness* – are similar to the main results. In the second, we rerun the analyses omitting players who won prizes above 4M SEK ($580,000). For all outcomes the coefficient estimates are similar to the baseline results, though with larger standard errors.

To explore potential mechanisms, we conducted post hoc analyses of seven domain-specific measures of life satisfaction. The results of these analyses are shown in in Figure 1 (see Table A6 for the underlying estimates). For each of the seven outcomes – health, spare time, friends, relatives, home, neighborhood and society overall – we can rule out treatment effects as large as those found for *Financial LS* and, except for a marginally significant effect on spare time, none of the estimated effects are statistically distinguishable from zero. Overall, these post hoc analyses suggest that *Financial LS* mediates much of the observed

[9] We note that our estimate of the effect on *Mental Health* (0.013) is similar to the appropriately rescaled reduction in consumption of prescribed mental health drugs of 0.023 SD units in our previous work on lottery winners' health (Cesarini et al. 2016).

[10] In post hoc analyses, we also reran the analyses of *Happiness*, *Overall LS* and *Financial LS* using the "blow-up and cluster" conditional logit estimator proposed by Mukherjee et al. (2008) which has recently been shown to work well in a related context (Baetschmann, Staub & Winkelmann 2015). For *Happiness* and *Overall LS* the point estimates are nearly identical, whereas the effect of wealth on *Financial LS* increases modestly (from 0.067 to 0.080).

long-run treatment effect of lottery wealth on *Overall LS*.[11]

The claim that the long-run, positive, effect of lottery wealth on *Overall LS* is mediated by improved *Financial LS* may seem hard to reconcile with a common folk wisdom according to which lottery winners routinely squander their wealth. Yet previous analyses of the Swedish administrative sample have found little evidence in support of the hypothesis that winners often consume frivolously following a win. Large-prize winners appear to enjoy sustained improvement in economic conditions that are robustly detectable for well over a decade after the windfall (Cesarini et al. 2016). Winners reduce their labor supply and gradually spend down the windfalls, but the reductions are modest, do not seem to depend on the type of prize (lump-sum or monthly installments), and spread out quite evenly over the entire time horizon for which we have post-lottery outcomes (Cesarini et al. 2017). They also invest a substantial share of the wealth in financial assets, often opting for low-risk bond products over equities (Briggs et al. 2015).

This evidence is well in line with conclusions from interview-based research on lottery winners in multiple countries (Kaplan 1987, Furåker & Hedenus 2009, Eckblad & Lippe 1994, Larsson 2011). For example, one study of American lottery winners concludes matter-of-factly that "contrary to popular beliefs, winners did not engage in lavish spending sprees" (Kaplan 1987, p. 168).

## 4.2 Heterogeneity

Again following pre-registered procedures, we reran our analyses in subsamples stratified by sex, age-at-win (below or above median), pre-lottery income (below or above median), years-since-win (before or after 2005) and type of prize (Triss-Monthly vs Triss-Lumpsum).[12] The results are shown in Figure 2 (see Table A7 for underlying data). Overall, the estimated

[11] Including *Financial LS* as an additional control in Equation (1) (similar to a Sobel mediation test) reduces the estimated effect of lottery wealth on *Overall LS* by 73%.

[12] As explained in our Analysis Plan, we exclude Kombi altogether in the heterogeneity analysis by type of prize because Triss-Lumpsum and Triss-Monthly winners are drawn from the same underlying population (people who procure Triss scratch-off lottery tickets). Excluding Kombi makes it less likely that any observed heterogeneity is due to factors correlated with winning a lumpsum prize.

treatment effects are similar across subsamples. For example, the long-run effects of lottery wealth on *Financial LS* and *Overall LS* show up quite consistently, with significant treatment effects ($p < 0.05$) on *Financial LS* in all eight subsamples.

We performed 20 tests of homogeneous effects (4 outcomes $\times$ 5 dimensions of heterogeneity) and we only reject the null hypothesis of equal effects (at nominal $p < 0.05$) in two instances: *Overall LS* by type of prize (Triss-Monthly vs Triss-Lumpsum) and *Mental Health* by years-since-win (before or after 2005). This is only one more rejection than expected by chance under the null hypothesis of homogeneous effects and overall, our analyses therefore provide no strong evidence of heterogeneous effects. We note that in our analyses by type of prize, the overall pattern of results is in the opposite direction to what one would expect if prize money paid as monthly installments helped winners with self-control smooth consumption. Our subsample analyses only yield clear evidence of a positive treatment effects among players who won lumpsum prizes.[13]

One notable finding is that the positive effects show little evidence of fading with the passage of time. Even when we restrict the sample to players surveyed at least 11 years after the lottery event ("Pre 2005") the treatment-effect estimates range from 0.038 SD units ($p = 0.062$) for *Happiness* to 0.058 SD units ($p = 0.004$) for *Overall LS*. To further explore how treatment effects vary by years-since-win, we conducted post hoc analyses, the results of which are summarized in Figure 3 (see Table A8 for underlying estimates). The estimated treatment effects on *Financial LS* decay with the passage of time, but for the remaining three outcomes, the pattern is in the opposite direction. The absence of fade-out suggests that there is little adaptation to the lottery win over the time window for which we have data (5-22 years after the lottery event). But this conclusion is subject to the caveat that year-of-win is not randomly assigned, so it is possible that early and late winners differ along some dimension that moderates the effect of wealth. Nevertheless, there is little doubt that

[13]The comparison between Triss-Lumpsum and Triss-Monthly is potentially confounded by non-linear effects of wealth. Since Triss-Monthly players win larger prizes, on average, non-linear effects of lottery wealth could produce heterogeneous effects across the Triss samples even if prizes with identical net present values have identical effects.

adaptation to the windfall is incomplete well over a decade after the lottery event.

## 4.3 Household-Income Gradients

Since lump-sum lottery prizes represent one-time increases in lifetime wealth, there is no unassailable method for comparing our causal estimates to the cross-sectional income correlations that have been the focus in much of the literature. However, the evidence that many players choose to spread out the gains fairly evenly and over long time horizons suggests that players often treat the windfall as a long-run supplement to annual income flows from other sources (Cesarini et al. 2016, Cesarini et al. 2017, Briggs et al. 2015). Following our Analysis Plan, we therefore convert each lottery prize to the annual payout it could sustain if it were annuitized over a 20-year period at an actuarially fair price, and rerun our main analyses with this alternative scaling. For example, a $100,000 prize corresponds to an increase in net annual income of $5,996.

We compare our annuity-rescaled treatment effects for each primary outcome to gradients estimated using a measure of household permanent income (average disposable income over the period 2004-2014), controlling for sex, a fourth-order polynomial in age and sex-by-age interactions. Because income is endogenous to the lottery outcome (Cesarini et al. 2017), we estimate the gradients only for individuals in the *Respondents Sample* who won prizes below $20K. The average prize won in this sample ($8,491) is small enough that any endogeneity is likely to be negligibly small. In preliminary analyses, we verified that the cross-sectional relationship between permanent annual income and our primary outcomes replicate standard patterns from the literature. Figure A2 shows that in our sample, the cross-sectional relationship between permanent annual income and each of our primary outcomes is positive and concave (Deaton 2008, Stevenson & Wolfers 2013). We also compare our rescaled treatment effects to gradients for Swedish respondents in two waves of the European Social Survey.[14]

[14]See Section 2 in the Online Appendix for details on the ESS gradients.

We compare our lottery estimates to the cross-sectional gradients in three different analyses, the first two of which are shown graphically in Figure 4 (see Table A9 and A10 for the underlying data from all three analyses). The upper panel of Figure 4 shows the rescaled estimates and gradients when well-being is assumed to be linear in household income. The rescaled estimates for *Happiness* and *Mental Health* are about one third as large as the gradients, whereas the rescaled estimates for *Overall LS* and *Financial LS* are similar in magnitude to the gradients. For both *Happiness* and *Mental Health*, we reject the null hypothesis that the causal effect is equal to the gradient.

It is common in the literature to assume well-being is linear in log income. To better compare our results to previous work, we therefore further rescale our lottery-based estimates to make them comparable to log-income gradients.[15] The lower panel of Figure 4 shows the log-income gradients fall within the normal range previously reported in rich countries (Stevenson & Wolfers 2013), and that the relationship between gradients and our lottery-based estimates is similar to the linear case. The causal effect of log income on *Overall LS* implied by our estimate (0.377) is thus similar to the log income gradient, while the implied effect for *Happiness* is substantially lower (0.165).

Finally, in Figure 5, we repeat the original linear analysis, but in subsamples stratified by permanent-income tertile. Here, the gradients are estimated using a piece-wise linear spline regression with two knots, one at each of the cutoff points that define the permanent-income tertiles. In the bottom income tertile, our treatment-effect estimates are bounded away from the income gradients (all $p < 0.045$), as shown in Figure 5. At medium and high incomes, the gradients are similar in magnitude to the causal estimates.

[15] To accommodate the linear-log functional form assumption, we calculated the natural logarithm of the sum of permanent income (based on pre-lottery income data only) and the annuitized prize. Our final estimates are from an instrumental variable analysis that uses lottery prizes to instrument for the log of the sum of permanent income and the annuitized prize. (We also tried alternative methods to accommodate the functional-form assumption with very similar results.)

## 4.4 Previous Lottery Studies

We identified five previous quasi-experimental studies of lottery players' well-being. Table 4 provides summary information about how our study compares to these studies along some key dimensions: outcome variables analyzed, lottery data used, effect sizes reported and identification strategy. To facilitate comparisons, the effect-size estimates have been rescaled for comparability with our main results in Table 3 (effects of $100,000 on an outcome with unit variance). Section 3 in the Online Appendix provides further details on the calculations underlying the data in Table 4. Here, we emphasize that cross-study comparisons based on data in the table are subject to two important interpretational caveats. First, even though most studies used survey measures similar (in several cases, identical) to ours, only one (Lindahl 2005) analyzed a long-run measure of lottery players' well-being. Second, the rescaled estimates are calculated under the simplifying assumption that the effect is linear in prize amount.

The first study listed (Brickman, Coates & Janoff-Bulman 1978) famously compared the happiness of 22 major lottery winners of the Illinois State Lottery to that of 22 controls domiciled in the same regions as the winners. The study found no statistically significant differences between winners and controls in terms of happiness (past, present or expected future). After re-scaling, we obtained a treatment-effect estimate of 0.014 with a standard error of 0.025. These rescaled estimates are therefore quite similar to what we report for *Happiness*, both in magnitude (0.014 vs 0.016) and precision (0.025 vs 0.014). However, the prizes won by the 22 lottery players are very large compared to lottery winners in subsequent studies, including ours, with an average prize of $1.18M (range $123K to $2.46M). The rescaled estimates we report for Brickman, Coates & Janoff-Bulman (1978) are therefore likely to be the most sensitive to plausible violations of the linearity assumption.

The next two studies listed reported large and positive effects of wealth on mental health, one using data from Sweden (Lindahl 2005) and the second using British data (Gardner & Oswald 2007). Apouey & Clark (2015) updated and extended the analysis of Gardner &

Oswald (2007) in several ways, including controlling for individual fixed effects in the analyses and adding data from survey waves that have subsequently become available. The follow-up study reported positive and statistically significant effects on life satisfaction and mental health measured two years after the lottery (but not on outcomes measured sooner). The next row shows information from a study of Dutch Postcode Lottery winners (Kuhn et al. 2011), finding a negative but statistically insignificant effect of lottery wins on happiness. The four studies that appeared after Brickman, Coates & Janoff-Bulman (1978) had rescaled estimates with standard errors *at least* 7 times larger than ours. Therefore, conditional on finding a statistically significant effect, the effects reported were very large compared to ours. If the true effect-parameters of these studies are not dramatically different from the effects we can rule out with high statistical confidence, these studies were under-powered.[16]

Of course, it may be inappropriate to use our estimates to inform calculations of the likely power of these other studies. For example, short-run effects of wealth may be substantially larger than long-run effects. The pattern of results is not easy to reconcile with this theory, however, since Kuhn et al. (2011) report a negative effect on happiness six months after the lottery and Apouey & Clark (2015) report larger treatment effects on outcomes measured two years after the lottery than on outcomes measured in the post-lottery year. This theory also fails to account for the results in the study that, like us, analyzed a long-run measure of well-being (Lindahl 2005). A second possibility suggested by the prize data in Table 4 is that the studies relied to a greater extent on identifying variation generated by small and modestly sized prizes. When we drop the largest prizes from our data, the estimated treatment effects increase for two out of four outcomes (Table A5). However, the implied non-linearity for these two outcomes is not nearly large enough for this factor alone to rationalize the stark

[16]To illustrate, suppose the true treatment effect on *Mental Health* in the previous studies was 0.044 SD units, the upper limit of the 95% confidence interval of our estimate. Then the statistical power of the three previous studies reporting statistically significant effects on mental health (Lindahl 2005, Gardner & Oswald 2007, Apouey & Clark 2015) ranged from 5.02% to 6.55% (at $\alpha = 0.05$). Conditional on finding a statistically significant effect, design calculations (Gelman & Carlin 2014) show that studies with such power will incorrectly sign the effect ("type S error") between 15% to 45% of the time, and overestimate (absolute value of) the effect size ("type M error") by a factor of at least five.

differences in effect sizes across studies.

The final column of Table 4 summarizes each study's identification strategy, yet another potential source of between-study heterogeneity in effect-size estimates. Brickman, Coates & Janoff-Bulman (1978) compared winners to controls from approximately the same area as the winners (recruited via phone books). Of the four remaining studies, only one (Kuhn et al. 2011) compares the outcomes of players from the same lottery, controlling for factors (e.g. lottery tickets) conditional on which the prizes in the lottery were randomly assigned.

# 5 Concluding Discussion

Our study leverages the randomized assignment of lottery prizes to generate estimates of the long-run effects of wealth on four facets of psychological well-being. Our estimates have strong internal validity and were obtained through pre-registered analyses. Overall, our study advances understanding of the broader question of why wealth and well-being often go hand in hand by providing credible and precise estimates of the long-run causal impacts of large changes in wealth in a sample of Swedish lottery players.

We find that lottery wealth causes sustained increases in *Overall LS*. Since we did not survey any players within five years of the lottery, our research design is not suitable for studying short-run adaptation, but our results do reject the strong hypothesis of complete adaptation. The effect shows no evidence of fading over the time horizon for which we have data and is robustly discernible over a decade after the lottery event. Our follow-up analyses suggest that the most important mechanism explaining the increase in *Overall LS* is increased satisfaction with personal finances. A sustained increase in *Financial LS* is not easy to reconcile with a common folk wisdom that lottery winners squander their wealth through wreckless spending. However, consistent with the previous qualitative evidence (Kaplan 1987, Eckblad & Lippe 1994, Hedenus 2011), we find little evidence of such behavior in our data (Cesarini et al. 2017). The long-run increases in *Overall LS* we document thus

appear to reflect improvements in households' long-run financial circumstances.

The estimated effects on our well-being measures with a stronger affective component – *Happiness* and *Mental Health* – are smaller and not significantly different from zero. At high levels of income, some studies have reported that only evaluative measures of well-being increase with income (Kahneman & Deaton 2010). We find that at all levels of income, lottery wealth appears to impact affective and evaluative measures of well-being differently. This result further underscores the potential value of maintaining the conceptual distinctions between different facets of well-being.

We find that our annuity-rescaled treatment-effects on *Overall LS* and *Financial LS* are similar in magnitude to household-income gradients whereas the effects on *Happiness* and *Mental Health* are about one third as large as the estimated gradients for these outcomes. The rescaled estimates are at best reasonable approximations given the inherent uncertainty about the parameters used in the annuity-adjustment. But with this caveat in mind, the results suggest cross-sectional gradients overstate the causal effects of household income on affective but not evaluative measures of well-being. Another possibility is that different sources of income could have substantially different causal effects. To the extent that the key feature of lottery wealth that distinguishes it from household income is that it is unearned, our estimates may be most relevant for ongoing efforts to assess the likely costs and benefits of policy proposals that involve large, unconditional income transfers, such as basic income programs (Marinescu 2018).

We conclude by emphasizing three of our study's limitations that may inspire future research. A first is that in the spirited debate about the "Easterlin hypothesis" (e.g., Easterlin 1974, Easterlin 1995, Clark, Frijters & Shields 2008, Sacks, Stevenson & Wolfers 2012, Stevenson & Wolfers 2013) a key question is whether absolute or relative economic conditions are more important determinants of well-being. Since a lottery prize causes both relative and absolute wealth to increase, it is not clear that our results are relevant for resolving the controversy. Second, even though the demographic characteristics of individuals in our *Re-*

*spondents Sample* are overall similar to a representative sample of Swedish adults, lottery players may differ along unobserved dimensions in ways that limit the generalizability of our findings, especially in settings outside Sweden or very narrowly defined subsamples. Finally, previous research has found that financial distress (e.g., Berlin & Kaunitz 2015, Dobbie & Song 2015) and negative wealth shocks (e.g., McInerney, Mellor & Nicholas 2013) can have substantial adverse effects on well-being. Since all lottery prizes induce positive shocks to wealth, our data do not allow us to explore the intriguing possibility that the effects of negative and positive wealth shocks are asymmetric.

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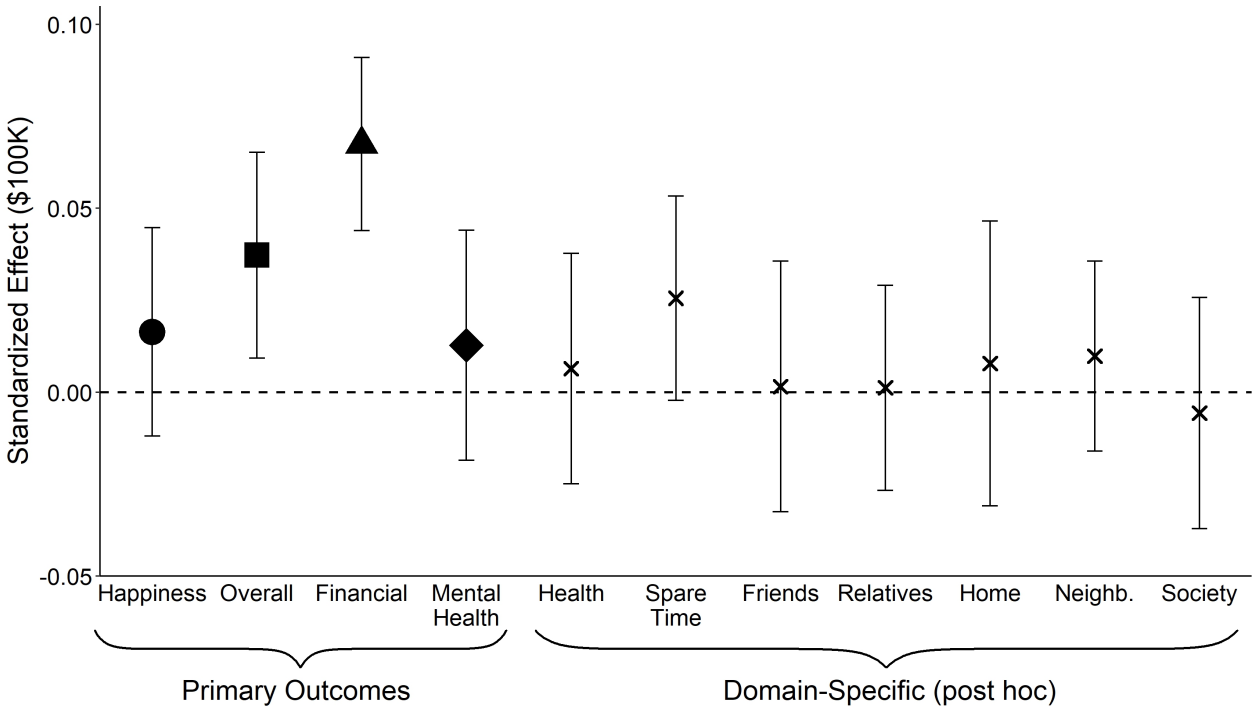


**Figure 1: Causal Impact of Wealth on Primary Outcomes and Domain-Specific Measures of Life Satisfaction.**

The figure shows estimated treatment effects of $100,000 USD (net of taxes) measured in SD units and coded such that higher values denote greater well-being. The lines show 95% CIs. The first four estimates are treatment-effect estimates from pre-registered analyses of primary outcomes. Family-wise-error corrected/nominal $p$-values 0.257/0.392 (*Happiness*), 0.009/0.025 (*Overall LS*), <0.001/<0.001 (*Financial LS*) and 0.423/0.397 (*Mental Health*). The seven estimates to the right are from post hoc analyses of domain-specific measures of life satisfaction. The figure omits one domain-specific outcome included on the survey – work – because one half of our respondents left this question blank (likely because they were retirees).

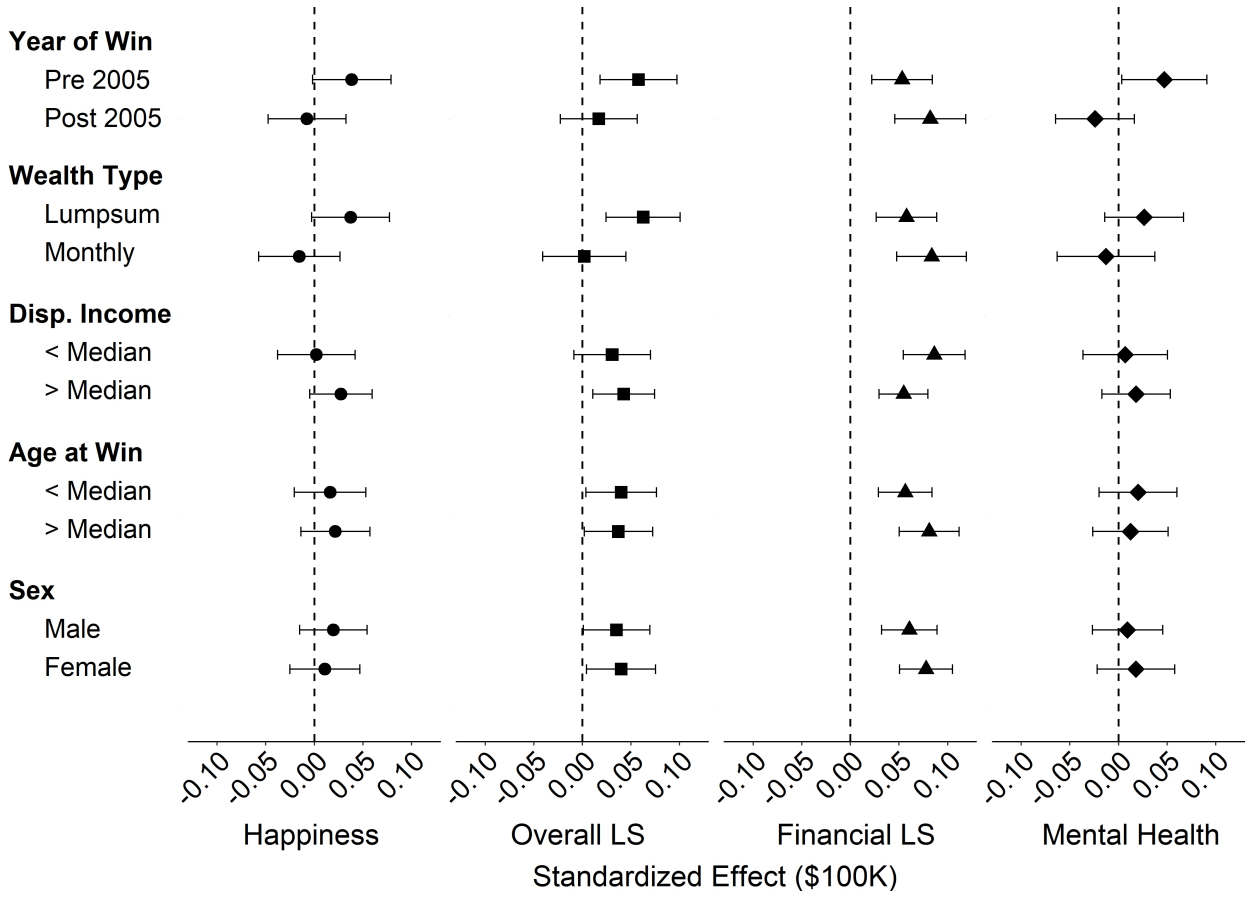


**Figure 2: Treatment-Effect Heterogeneity**

The figure shows estimated treatment effects of $100,000 USD (net of taxes) in subsamples defined in the Analysis Plan. For underlying data, see Table A7.

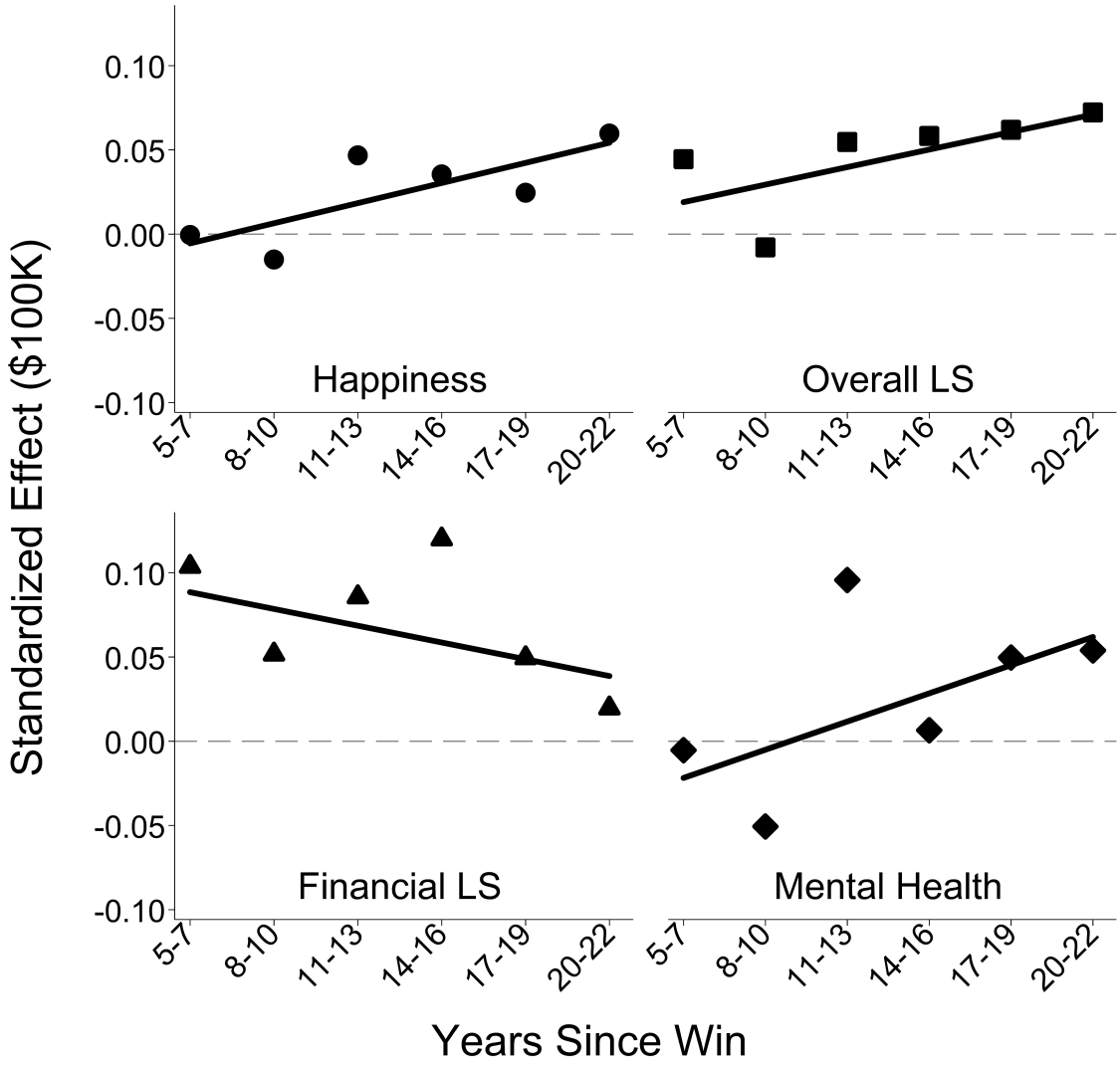


**Figure 3: Treatment-Effect Heterogeneity by Years-Since-Win (Post Hoc)**

This figure depicts estimates from post hoc analyses of treatment-effect heterogeneity by years-since-win. The line shown is from a regression of the treatment-effect estimate on average years-since-win in each group, weighting each point in proportion to the inverse of the variance of the estimate. The underlying data are in Table A8.

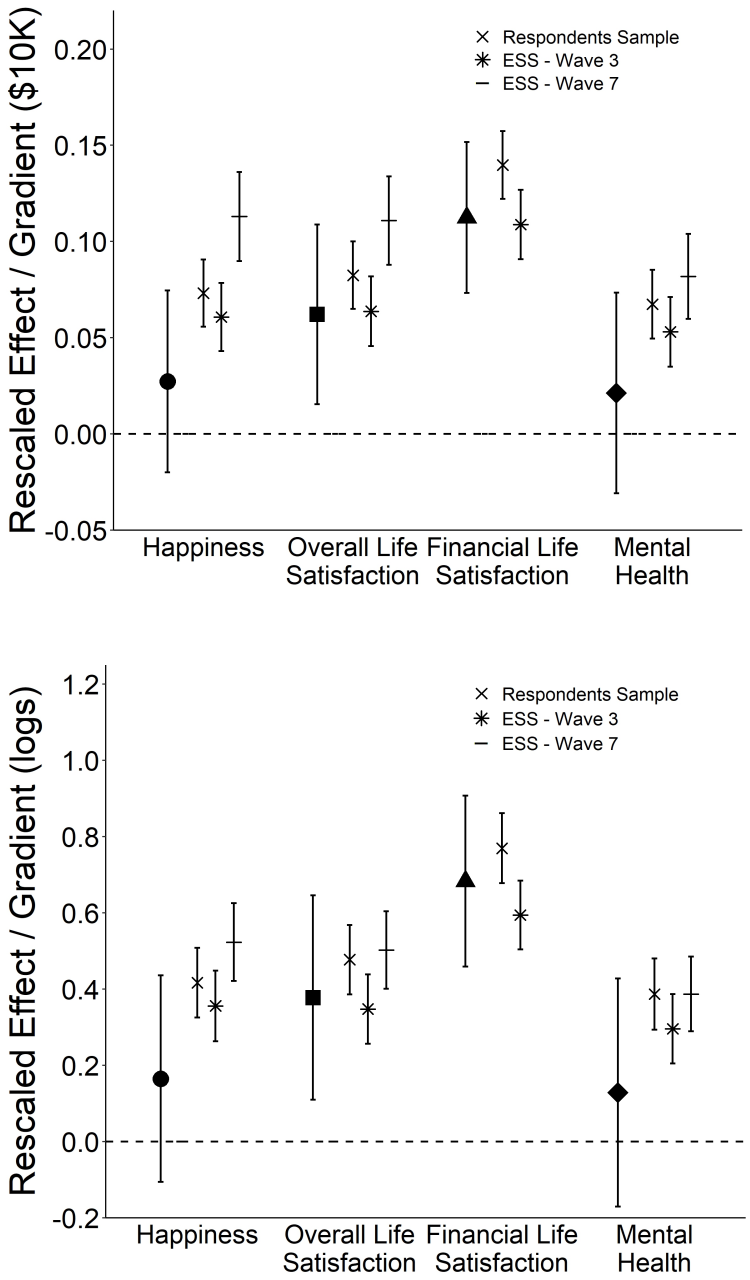


**Figure 4: Comparing Annuity-Rescaled Treatment-Effect Estimates to Income Gradients**

The figure shows annuity-rescaled causal estimates of the treatment effects and well-being log-income gradients estimated using similar methods in the *Respondents Sample* and two waves of the European Social Survey with comparable measures (ESS). In the *Respondent Sample*, gradients are estimated with large-prize winners (>$20K) omitted and household-permanent-income defined as the average of disposable, household income over the period 2004-2014. In the upper panel, income is measured in $10K. In the lower panel, we instead compare the causal estimates to log-income gradients. For additional details and underlying data, see Tables A9 and A10.

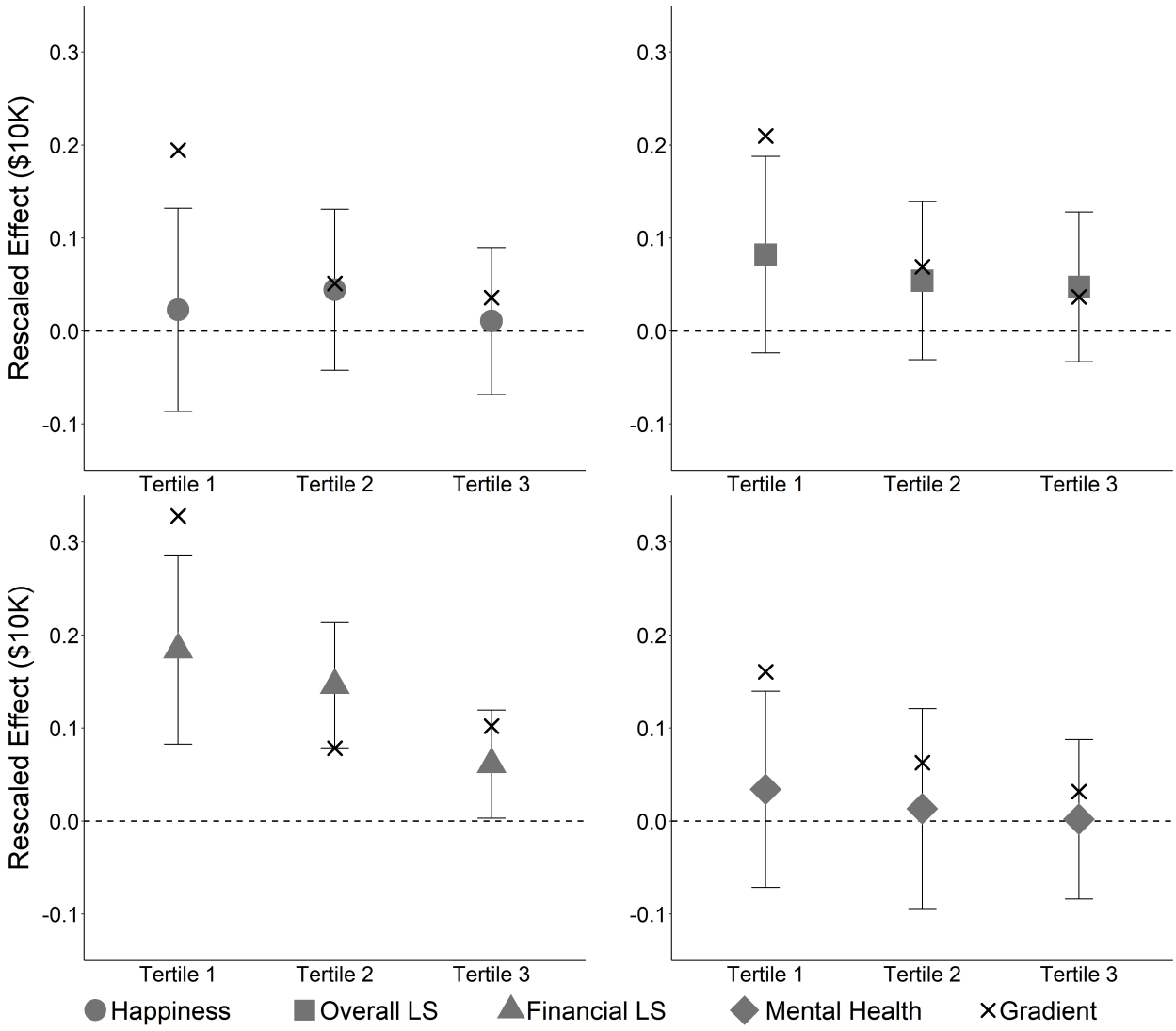


**Figure 5: Comparisons of Rescaled Treatment Effects and Gradients by Permanent-income Tertile.**

The figure shows the relationship between primary outcomes and household permanent income in the restricted *Respondents Sample* stratified by pre-lottery income tertile. The gradients reported are estimates from a single piecewise linear spline regression with two knots, one at each of the cutoff points that define the permanent-income tertiles.

**Table 1: Distribution of Prizes Awarded.**

| | Survey Population | | | | Respondents Sample | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Triss... | | | | Triss... | |
| | All | Kombi | Lumpsum | Monthly | All | Kombi | Lumpsum | Monthly |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 0 | 964 | 964 | 0 | 0 | 747 | 747 | 0 | 0 |
| 5K to 10K | 811 | 0 | 811 | 0 | 554 | 0 | 554 | 0 |
| 10K to 50K | 1,896 | 0 | 1,896 | 0 | 1,261 | 0 | 1,261 | 0 |
| 50K to 100K | 211 | 0 | 211 | 0 | 138 | 0 | 138 | 0 |
| 100K to 200K | 340 | 213 | 42 | 85 | 247 | 163 | 27 | 57 |
| 200K to 400K | 322 | 21 | 43 | 258 | 216 | 14 | 34 | 168 |
| 400K to 600K | 149 | 4 | 26 | 119 | 104 | 4 | 18 | 82 |
| 600K to 1M | 135 | 2 | 36 | 97 | 87 | 0 | 23 | 64 |
| >1M | 12 | 1 | 0 | 11 | 8 | 1 | 0 | 7 |
| Prize Sum ($M) | 410.7 | 44.4 | 128.3 | 237.9 | 277.2 | 33.3 | 86.1 | 157.8 |
| % of Survey Pop. | | | | | 67% | 75% | 67% | 66% |
| *N* | 4,840 | 1,205 | 3,065 | 570 | 3,362 | 929 | 2,055 | 378 |
| % of Survey Pop. | | | | | 69% | 77% | 67% | 66% |

This table compares the distribution of prizes in the *Respondents Sample* and in the *Survey Population*. All prizes are after tax and measured in year-2011 USD. In Triss-Monthly, prize amount is defined as the net present value of the monthly installments won, assuming the annual discount rate is 2%.

**Table 2: Representativeness of Survey Respondents.**

| | Respondents Sample | | | | | |
|---|---|---|---|---|---|---|
| | Kombi | Triss-Lumpsum | Triss-Monthly | Pooled | Survey Population | Representative Sample |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Year of Birth | 1951.1 | 1957.2 | 1957.5 | 1955.6 | 1957.3 | 1955.6 |
| S.D. | 8.0 | 11.5 | 11.6 | 11.0 | 11.7 | 11.0 |
| Female | 40.0% | 52.1% | 49.2% | 48.4% | 46.5% | 48.4% |
| College | 24.0% | 26.1% | 28.0% | 25.8% | 22.1% | 30.1% |
| Swedish-born | 95.2% | 91.2% | 91.5% | 92.4% | 90.7% | 83.8% |
| Married | 53.3% | 53.8% | 53.7% | 53.7% | 48.4% | 51.0% |
| # Children | 0.33 | 0.69 | 0.62 | 0.58 | 0.62 | 0.56 |
| S.D. | 0.73 | 1.00 | 0.94 | 0.94 | 0.97 | 0.95 |
| Capital Income | -625 | -978 | -691.4 | -848 | -964 | -26 |
| S.D. | 5,412 | 7,870 | 7,462 | 7,226 | 6,706 | 8,464 |
| Labor Income | 37,454 | 33,431 | 37,160 | 34,963 | 33,874 | 32,074 |
| S.D. | 22,598 | 21,748 | 22,277 | 22,123 | 21,893 | 24,671 |
| $N$ | 929 | 2,055 | 378 | 3,362 | 4,840 | 373,276 |

This table reports descriptive statistics for the baseline controls in the *Respondents Sample*, both by lottery (columns 1-3), overall (4) and for the *Survey Population* (5). To help gauge representativeness, column 6 provides the same descriptive statistics for a representative sample draw in in 2010 after reweighting to match the sex and age distribution of the *Respondents Sample*. All time-varying variables are measured the year prior to the lottery event. The income variables are annual and measured in units of year-2011 $1,000.

**Table 3: Happiness and Life Satisfaction (Primary Outcomes).**

| | Happiness | Overall Life Satisfaction | Financial Life Satisfaction | Mental Health |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Effect ($100K) | 0.016 | 0.037 | 0.067 | 0.013 |
| SE | (0.014) | (0.014) | (0.012) | (0.016) |
| $p$ (analytical) | [0.257] | [0.009] | [<0.001] | [0.423] |
| $p$ (resampling) | [0.257] | [0.011] | [<0.001] | [0.397] |
| FWER $p$ | [0.392] | [0.025] | [<0.001] | [0.397] |
| $N$ | 3,327 | 3,331 | 3,216 | 3,147 |

This table reports the treatment effect of $100K (year-2011 prices) on the four primary outcomes measured in SD units. We control for baseline controls measured at $t = -1$ and group-identifier fixed effects in all specifications. Standard errors are clustered at the level of the individual. The resampling-based $p$-values are obtained by simulating the distribution of coefficient estimates under the null hypothesis of zero treatment effects, as described in the main text. The family-wise error rate (FWER) is calculated using the free step-down resampling method of Westfall & Young (1993). Sample mean/SD in the *Respondents Sample* prior to standardization is: 7.14/1.77 (*Happiness*), 7.21/1.93 (*Overall Life Satisfaction*), 4.55/1.29 (*Financial Life Satisfaction*) and 38.1/5.18 (*Mental Health*).

## Table 4: Comparison to Previous Lottery Studies.

| | Outcome Variable | | Lottery Prizes | | | | Rescaled | | Identification Strategy |
|---|---|---|---|---|---|---|---|---|---|
| | Dimension | $t$ | $N_{win}$ | Mean | Max | Sum | Effect | SE | |
| Current Study | Overall LS | 5-22 | 2,589 | 106K | 1,557K | 275M | 0.037 | 0.014 | Within-lottery comparisons of players with identical pre-lottery odds of winning. |
| | Happiness | 5-22 | 2,585 | 106K | 1,557K | 275M | 0.016 | 0.014 | |
| | Mental Health | 5-22 | 2,439 | 105K | 1,557K | 257M | 0.013 | 0.016 | |
| Brickman et al. (1978) | Happiness | N/A | 22 | 1,182K | 2,464K | 26M | 0.014 | 0.025 | Winners compared to non-lottery controls from similar areas (recruited via phone book). |
| Lindahl (2005) | Mental Health | 0-12 | 626 | 5.6K | N/A | 3.5M | 0.280 | 0.124 | Comparison of players (original lotteries unknown) who won different prize amounts (13-year period). |
| Gardner and Oswald (2007) | Mental Health | 2 | 137 | 8.8K | 245 | 1.2M | 2.952 | 1.048 | Comparison of players (original lotteries unknown) who won different prize amounts. |
| Apouey and Clark (2013) | Mental Health | 1 | 674 | 5.8K | 372 | 3.9M | 0.297 | 0.455 | Longitudinal analysis of within-person changes after win (original lotteries unknown). |
| | Mental Health | 2 | 674 | 5.8K | 372 | 3.9M | 1.298 | 0.452 | |
| | Overall LS | 1 | 674 | 5.8K | 372 | 3.9M | 0.264 | 0.436 | |
| | Overall LS | 2 | 674 | 5.8K | 372 | 3.9M | 1.369 | 0.424 | |
| Kuhn et al. (2011) | Happiness | 0.5 | 223 | 22.5K | N/A | 5.0M | -0.112 | 0.216 | Within-lottery comparison with controls for quadratic in tickets. |

$N_{win}$ is number of lottery winners in sample (non-winners are excluded). Rescaled estimates are effects of \$100K (year-2011 prices) on the outcome measured in SD units. Lottery prizes have been converted to year-2011 prices. Further information about the studies and calculations underlying the rescaled effects are available in Section 3 in the Online Appendix.

# "Long-run Effects of Lottery Wealth on Psychological Well-being"

# Online Appendix

May 2018

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# 1 Introduction

The Analysis Plan described our intention to compare our causal estimates against two separate benchmarks: household-income gradients and the results of previous quasi-experimental studies, especially of lottery winners. Here, we report additional information about procedures used in these comparisons. Specifically, Section 2 describes how we estimated income gradients using data from the European Social Survey discussed in Section 4.3 of the main paper. Section 3 provides details behind our rescaling of the previous lottery studies discussed in Section 4.4. Section 4 provides English translations of the survey used in this paper.

# 2 Income Gradients in the European Social Survey

We compared the gradients in the *Respondents Sample* with gradients estimated among Swedish respondents from two waves of the European Social Survey (ESS). To maximize comparability, we estimated the ESS gradients using the same sex and age controls, in a sample reweighted to match the sex and age distribution of the *Respondents Sample*. Waves 3 and 7 of the ESS, administered in 2006 and 2014, contain questions about *Happiness* and *Overall LS* phrased very similarly to ours, with the same number of response categories (ESS 2006, ESS 2014). Neither wave contains our measure of *Mental Health*, so our measure of mental health in ESS is instead the respondent's score on the eight-item version of the Center for Epidemiologic Studies Depression Scale (Randloff 1977). Finally, only Wave 3 contained a question about satisfaction with finances. Hence, we only report one ESS gradient for this variable. The ESS question we use – "And how satisfied are you with your present standard of living?" – is phrased somewhat differently from our survey's measure of *Financial Life Satisfaction*.

In both ESS waves, respondents are asked to indicate their household income, net of taxes, by choosing one of several categories. Each category corresponds to an interval. In

ESS3, we assign each respondent an income equal to the midpoint of the chosen interval. For households in the highest category, which is unbounded, we assume an annual after-tax income of 1.13M SEK (year-2006 prices). In ESS7, we proceed analogously and set the annual after-tax income to 0.66M SEK (year-2014 prices) for households in the top decile. For comparability, our final income variables are converted to units of year-2011 10K USD, and we apply the same left-censoring threshold ($6,000) as in the *Respondents Sample*.

# 3 Comparison to Published Estimates from Lottery Studies

We surveyed the literature on the well-being of lottery winners, and in this section, we explain how we transformed the estimates in the original studies to make them comparable to ours. Below we present the detailed calculations behind the figures in Table 4.

## 3.1 Brickman, Coates and Janoff-Bulman (1978)

The authors of this study compared 22 winners of the Illinois State Lottery to 22 controls selected from the same regions as the winners. The study found no statistically significant differences in average happiness levels (*Past*, *Present* or *Future*) in the two groups. Our calculations below are based on *Present Happiness,* since it most closely resembles our primary outcome *Happiness*. *Present Happiness* is derived from the respondent's response to a question about their happiness at this stage in their life. Respondents were asked to choose one of six response categories which ranged from 0 ("not at all") to 5 ("very much"). Table 1 of the study (p. 921) reports that the average *Present Happiness* of winners is 0.18 greater than that of controls. Even though the SD of the *Present Happiness* variable is never reported directly, it can be approximated from other information in the paper. Specifically, the paper reports an $F$-statistic of 0.27 from what we assume is a one-way ANOVA $F$-test of *Present Happiness* in winners and controls. With only two groups, the $F$-statistic is the

squared $t$-statistic from a $t$-test of equal means (assuming equal variances). The test statistic is $t=\frac{\overline{X}_1-\overline{X}_2}{\sqrt{\hat{var}(X)\times\sqrt{2/n}}}$, where $\overline{X}_1-\overline{X}_2$ is the difference in sample means, $n$ is the per-group sample size and $\hat{var}(X)$ is an unbiased estimate of the common population variance. Since $t=\sqrt{F}=\sqrt{0.27}=0.520$, $\overline{X}_1-\overline{X}_2=0.18$ and $n=22$ we have that $\hat{var}(X)=1.32$ and hence the sample SD is approximately 1.15. The paper hence reports a difference of $0.18/1.15=0.16$ SD units between winners and controls. The standard error of this estimate is 0.30.

Three of the 22 winners were awarded prizes of \$50K, four won \$100K, two won \$300K, six won \$400K and seven won \$1M (p. 919). We assume these prize amounts are gross of taxes and in year-1978 prices. We therefore convert them to after-tax dollars (year-2011 prices) using the CPI inflation calculator of the Bureau of Labor Statistics and assuming a tax rate of 30%. Net of taxes, the inflation-adjusted prizes therefore ranged from \$123K ($\$50K\times 3.52\times 0.7$) \$2.46M ($\$1M\times 3.52\times 0.7$), with an average prize of $1.69M\times 0.7=\$1.18M$. The 30% estimate of the average tax is based on a study of 576 Americans who won a state lottery in the 1970s or early 1980s (Kaplan 1987, p. 177). Kaplan writes that a prize paid out in annual installments of \$50,000 would "often" leave the winner with "less than \$35,000" per year after city, state and federal taxes have been deducted. Since our estimate of the after-tax prize won is \$1.18M, we multiplied these estimates by a factor of 1/11.8 to improve their comparability with our main results. This final conversion gives us a a rescaled estimate of 0.014 (0.16/11.8) SD units per \$100,000 won, with a standard error of 0.025 (0.30/11.8).

## 3.2 Lindahl (2005)

Lindahl (2005) studied 626 Swedish lottery winners and estimated that a windfall of 130,000 SEK (in 1998 prices) reduced an index of mental health problems by 0.061 (SE = 0.027). Lindahl constructs his measure of total lottery prize won from responses to the questions (1) "Have you ever in your life won at least 1,000 Swedish Kronor (SEK) on gambling or lottery

of any kind" and the follow-up question (2) "Approximately how much altogether?". We err on the side of conservatism and assume respondents report prize amounts that are net of taxes. The SD of the index is 0.95 in the sample of lottery winners and 0.99 in the sample of non-players (Table 1, pp. 147–148). In our calculations below, we set the SD equal to the sample-size weighted average of these two figures (0.98), implying a standardized effect-size estimate of 0.062 (SE = 0.028). To help interpret this estimate, we converted 130,000 year-1998 SEK to units of year-2011 USD. In a first step, we used CPI data from Statistics Sweden to adjust prizes for inflation between 1998 and 2011. In a second step, we subsequently converted the resulting amount of USD using the year-end exchange rate of (6.89). According to these calculations, 130,000 year-1998 SEK is equal to 22,264 year-2011 USD. Thus, it is necessary to multiply Lindahl's original estimates by a factor of $100,000/22,264 \sim 4.49$. This conversion gives a rescaled estimate of 0.280 SD units ($\sim 0.062 \times 4.49$) with a standard error of 0.124 ($\sim 0.027 \times 4.49$). The average amount won was 32,500 year-1998 SEK, corresponding to 5,566 year-2011 USD. Since there were 626 winners, the total prize pool was therefore \$3.5M.

### 3.3 Gardner and Oswald (2007)

Gardner & Oswald (2007) use longitudinal data from the British Household Panel Survey (BHPS). They find that relative to controls, 137 large-prize winner (defined as a prize greater than £1,000 in year-1998 prices) experience an improvement of 1.406 (SE = 0.50) points on the GHQ scale (Table 2, p. 55) two years after the win. Gardner & Oswald (2007) measure of lottery prize won is derived from responses to two questions (1) "Since September 1st (year before) have you received any payments, or payment in kind, from a win on the football pools, national lottery or other form of gambling?" (2) "About how much in total did you receive? (win on the football pools, national lottery or other form of gambling)". We again err on the side of conservatism and assume respondents report prize amounts that are net of taxes.

Since the SD of the GHQ variable is 5.42 (Table 1, p. 52), the effect on a standardized outcome variable is 0.259 (SE = 0.092). The average large prize in their sample is £4,300, corresponding to approximately 8,775 year-2011 USD. To facilitate comparisons, we therefore inflate the standardized effect sizes by a factor 100,000/8,775 ˜ 11.4. Thus rescaled for comparability, the estimate they report is thus 2.952 SD units (SE = 1.048). Since the average prize won by the 137 large-prize winners was $8,775 in year-2011 prices, the total prize pool was $1.2M. The authors report that the largest prize awarded was approximately £120,000, corresponding to $244,884 in year-2011 prices.

## 3.4 Apouey and Clark (2015)

This follow-up study to Gardner & Oswald (2007) finds that relative to controls, big-prize winners (defined as total winnings in a year in excess of £500 in year-2005 prices) have larger average GHQ scores in the year of win (0.091, SE = 0.178), the year after win (0.094, SE = 0.143) and two years after win (0.408, SE = 0.142). For life satisfaction, the analogous estimates are 0.0536 (SE = 0.0416), 0.0197 (SE = 0.0325) and 0.102 (SE = 0.0316). Apouey & Clark (2015) do not report SDs for their outcome variables. For GHQ, we therefore use the value 5.42 reported by Gardner & Oswald (2007). For life satisfaction, not analyzed in (Gardner & Oswald 2007), we instead approximate the SD in the estimation sample by the SD among all BHP respondents with non-missing data in the survey waves included in Apouey and Clark's panel-data analyses. In SD units, the estimated effect on GHQ scores one and two years after the win are therefore 0.0173 (SE = 0.0264) and 0.0753 (SE = 0.0262). For life satisfaction, the analogous estimates are 0.0153 (SE = 0.0253) and 0.0794 (SE = 0.0246).

On page 524, Apouey & Clark (2015) report the average size of small prizes (£61.64), the fraction of prizes classified as big (6%) and the average prize size overall (£245). From this information, we infer that the average big prize is approximately £3,120 in year-2005 prices, or $5,800 in year-2011 prices. Their standardized estimates should therefore be multiplied

by 17.241 (100,000/5,800). Hence, rescaled for comparability, the estimated effects on GHQ one and two years after the lottery are 0.297 (SE = 0.455) and 1.298 SD units (SE = 0.452). For life satisfaction, the rescaled effects are 0.264 (SE = 0.436) and 1.369 (SE = 0.424). Since there are 11,229 prizes, approximately 674 of which are big (6% of 11,229), the combined value of prizes awarded to big-prize winners is 674×5,800 = $3.9M in year-2011 prices. The study reports (p. 524) that the largest win is "over £200,000" but does not provide an exact magnitude. The figure $371,795 reported in Table 4 is calculated under the simplifying assumption that the largest win is exactly £200,000.

### 3.5 Kuhn, Kooreman, Soetevent, and Kapteyn (2011)

Kuhn et al. (2011) study Dutch Postcode Lottery winners and estimate a treatment effect of €10,000 on happiness, measured using a 10-point scale six months after the lottery event, equal to −0.023 (SE = 0.050). From the paper's discussion of the results in Table 6 (see p. 2244), we infer that the SD of the paper's happiness variable is 1.73. Hence, the implied treatment-effect estimate on a standardized outcome is approximately−0.015 SD (SE = 0.029). The data analyzed in the study are from the period 2003-2006, so we assume all monetary values are in units of year-2005 USD. Inflation in Germany between 2005 and 2011 was about 2%, implying €10,000 in 2005 corresponds to about €10,200 in year-2011 prices. At the year-end exchange rate (0.759), a €10,200 prize corresponds to about $13,400. Therefore, the estimates need to be inflated by 100,000/13,400 ˜ 7.46 for comparability. This conversion gives a rescaled estimate of −0.112 SD (SE ≈ 0.216). The study analyzed data from 223 households who won an average net-of-tax prize of €16,747, or $22,506 in year-2011 prices (the average prize amount includes the monetary value of cars won by some households). The total amount of prizes won is therefore $5.0M. The paper does not contain information about the largest prizes won by households in the estimation sample.

# 4 Translation of Survey Questions

Below we provide English translations of the survey questions used in this paper. The complete original Swedish version of the survey is provided in our Analysis Plan.

**Mental Health**

**1.** Next we have some questions about how you have been feeling the past two weeks. Mark the alternative that best fits you. During the past two weeks, how often have you...

- ...been able to concentrate at what you are doing?
- ...had troubles sleeping due to anxiety?
- ...felt that you are important?
- ...felt that you can make decisions?
- ...felt under pressure?
- ...been able to handle problems in the everyday life?
- ...been able to appreciate the everyday life?
- ...been able to deal with difficulties?
- ...felt unhappy or depressed?
- ...had low self-confidence?
- ...thought of yourself as a worthless person?
- ...felt rather happy?

Never; Sometimes; Often; Always.

**Happiness**

**2.** Taking all things together, how happy would you say that you are?

- 0: Extremely unhappy
- ...
- 10: Extremely happy

**Overall Life Satisfaction**

**3.** All things considered, how satisfied are you with your life as a whole these days?

- 0: Extremely dissatisfied
- ...
- 10: Extremely satisfied

**Domain-Specific Life Satisfaction**

**4.** Now follow some questions on how satisfied or dissatisfied you are with some different areas of your life. How satisfied or dissatisfied are you with...

- ...your health?
- ...your leisure time?
- ...your personal economy?
- ...your friends?
- ...your relatives?
- ...the home that you live in?
- ...the neighborhood that you live in?

- . . . Swedish society?
- . . . your work?

Very dissatisfied; Rather dissatisfied; Somewhat dissatisfied; Somewhat satisfied; Rather satisfied; Very satisfied. The last item ("your work") also includes the option "Not working".

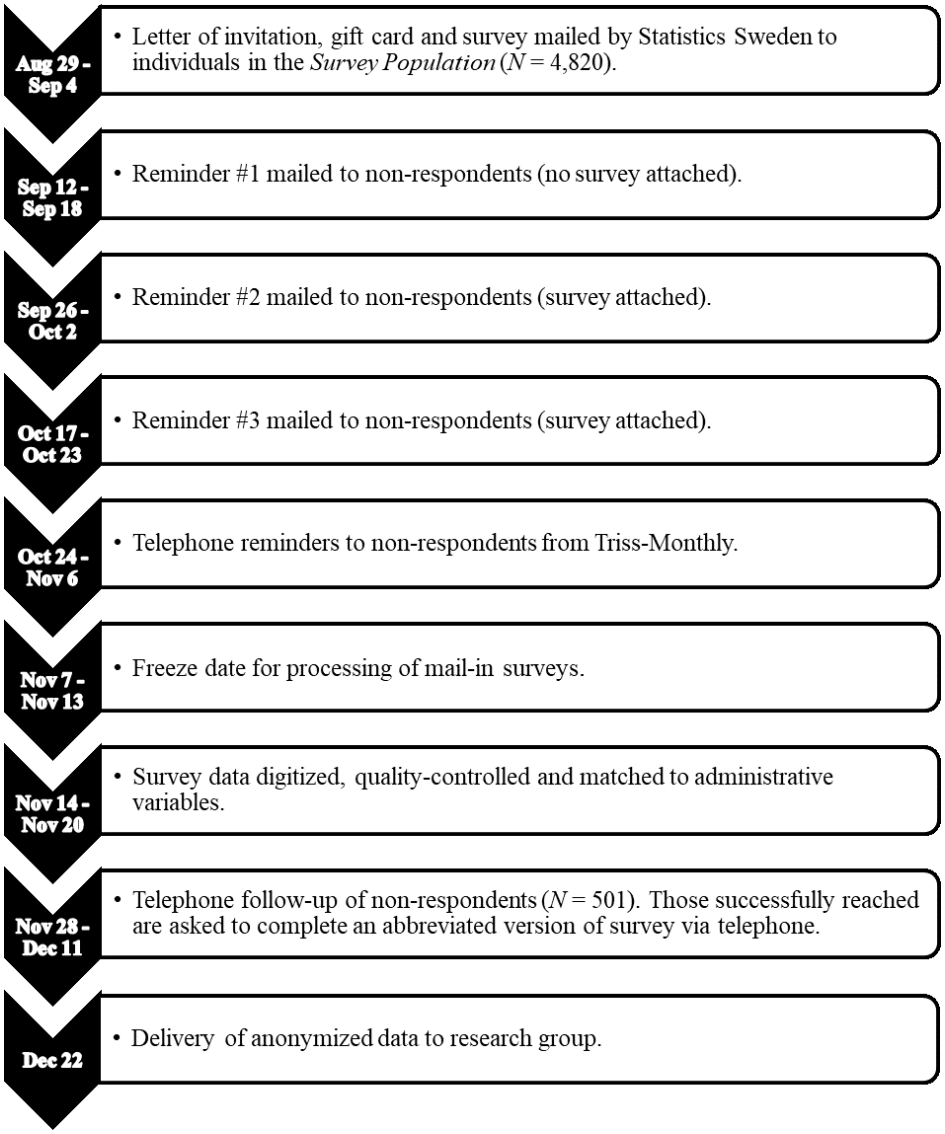


**Figure A1: Schematic overview of survey-data-collection timeline.**

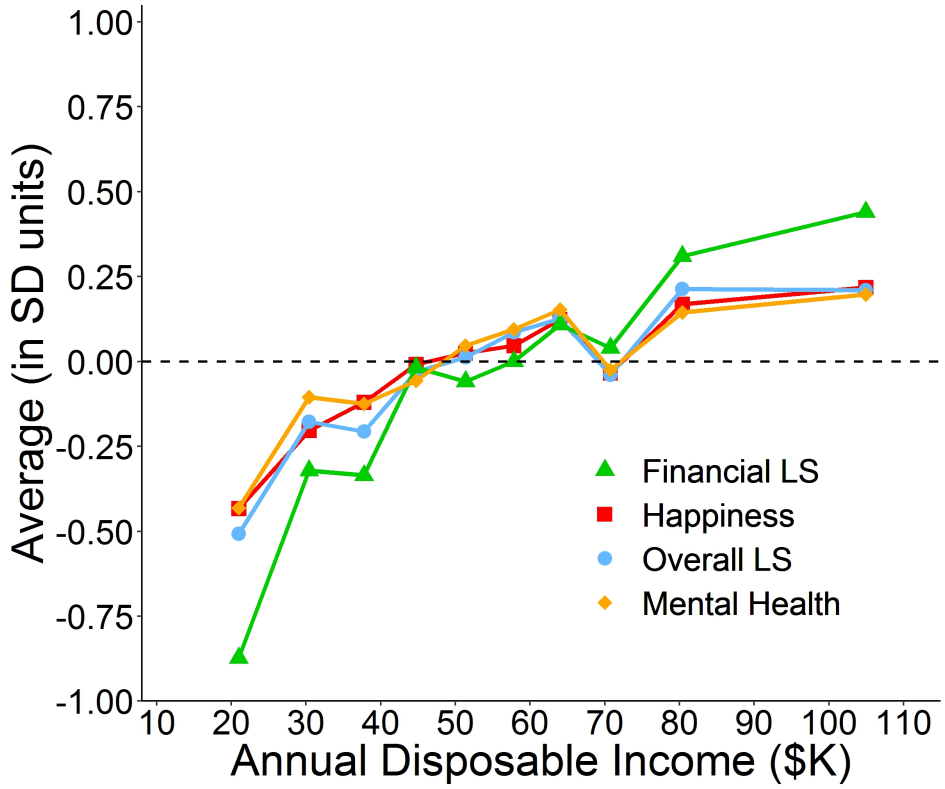


**Figure A2: Well-Being Income Gradients with Respect to Permanent Annual Income**

This figure depicts the average of our primary outcomes by household-permanent-income. All calculations are based on the restricted Respondents Sample composed of small-prize winners (<20K only).

**Table A1: Selecting Sample of Survey Respondents.**

| | Kombi | Triss-Lumpsum | Triss-Monthly | Total |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Time Period | 1998-2011 | 1994-2011 | 1997-2011 | 1994-2011 |
| # Prizes Awarded | 499 | 5,057 | 824 | 6,380 |
| Original Restrictions | | | | |
| # Quality Control | 7 | 190 | 36 | 233 |
| # Share Prize | 0 | 342 | 61 | 403 |
| # Multiple Winners in Group | 0 | 8 | 0 | 8 |
| # Age <18 at Win | 0 | 19 | 0 | 19 |
| # Born < 1941 | 230 | 12 | 119 | 1552 |
| # <4 Valid Controls (Kombi) | 3 | 0 | 0 | 3 |
| # Deceased before 2011 | 0 | 1 | 0 | 1 |
| Statistics Sweden | | | | |
| # Deceased, Emigrated, No Address | 18 | 229 | 38 | 285 |
| Survey Population | | | | |
| # Prizes | 241 | 3065 | 570 | 3876 |
| # Controls | 964 | 0 | 0 | 964 |
| *N* | **1,205** | **3,065** | **570** | **4,840** |
| # Unique Individuals | 1,196 | 3,061 | 570 | 4,820 |
| Survey Respondents | | | | |
| Survey Respondents | 909 | 1,977 | 365 | 3,251 |
| Abbreviated Survey | 20 | 78 | 13 | 111 |
| *N* | **929** | **2,055** | **378** | **3,362** |
| # Unique Individuals | **920** | **2,051** | **378** | **3,344** |

This table summarizes the procedure by which we arrived at our final *Survey Population*. Failed quality control includes winners without information about ticket balance (Kombi only), missing or incorrect personal identification number, uncertainty about the identity of the winner, and so on. The table also reports survey participation by lottery (columns 1-3) and overall (column 4) and the number of players who participated who responded to the abbreviated telephone survey. We dropped prizes if the winning player's personal identification number ("PIN") could not be reliably determined or if key covariates (e.g., information about the number of tickets owned in Kombi) were missing. From each of the two Triss samples, we dropped subjects for whom we had indications that the winning ticket was jointly owned. Such players constitute ∼7% of the sample (for details on joint ownership, see Section IV in the Online Appendix of (Cesarini et al. 2016)). We also dropped a small number of Triss players who won multiple prizes under the same prize plan. We restricted the sample to prizes won by players aged 18 or above at the time of win and who were at most 75 years of age when surveyed. For each large-prize event in Kombi, we sought to identify suitable experimental controls. A non-winning player was deemed a suitable control if their sex, year of birth and number of tickets owned (in the month of win) were identical to that of the winner. For three large-prize winners, we were unable to identify four controls satisfying these criteria; we therefore dropped them. In a final step, we added four experimental controls for each large-prize winner in Kombi.

**Table A2: Testing Endogenous Selection into the Respondents Sample.**

| *Outcome* | Mail-in Survey | | Phone Survey | Mail-in or Phone |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Effect ($100K) | -0.0057 | -0.0024 | 0.0077 | -0.0024 |
| SE | (0.0040) | (0.0059) | (0.0183) | (0.0058) |
| $p$ (analytical) | [0.154] | [0.677] | [0.675] | [0.682] |
| $p$ (resampling) | [0.151] | [0.678] | [0.634] | [0.688] |
| $N$ | 4,840 | 4,840 | 501 | 4,840 |
| Proportion | 67.2% | 67.2% | 22.2% | 69.5% |
| Group FEs | No | Yes | Yes | Yes |

This table reports the results from Diagnostic Test 1 in the Analysis Plan. The first two columns report coefficient estimates from a regression of an indicator variable equal to 1 for subjects who returned a mail-in survey and 0 for subjects who did not, on prize amount won. The results without group identifier fixed effects are shown in column 1 and the results with the group identifier fixed effects are in column 2. Column 3 shows the results from an analogous specification estimated among players invited to the abbreviated telephone survey (see Figure A1). Here, the dependent variable is an indicator equal to one for subjects who agreed to participate. Finally, column 4 shows the results from a specification in which survey participation is defined as either having returned the mail-in survey or having answered the abbreviated telephone survey. Across all specifications, we fail to see any indications that survey participation was impacted by the outcome of the lottery.

**Table A3: Testing for Conditional Random Assignment of Lottery Prizes.**

| | Survey Population | | | | Respondents Sample | | | |
|---|---|---|---|---|---|---|---|---|
| Kombi | X | X | X | | X | X | X | |
| Triss-Monthly | X | X | | X | X | X | | X |
| Triss-Lumpsum | X | X | | X | X | X | | X |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Fixed Effects | None | Group ID | Group ID | Group ID | None | Group ID | Group ID | Group ID |
| $N$ | 4,840 | 4,840 | 1,205 | 3,635 | 3,362 | 3,362 | 929 | 2,433 |
| Pre-Lottery Characteristics | | | | | | | | |
| Age (Beta/SE) | 0.525 | 1.049 | N/A | 1.045 | 0.274 | 0.798 | N/A | 0.709 |
| $p$ (analytical) | 0.599 | 0.294 | N/A | 0.296 | 0.784 | 0.425 | N/A | 0.478 |
| Age$^2$ (Beta/SE) | -0.710 | -0.782 | N/A | -0.809 | -0.366 | -0.550 | N/A | -0.485 |
| $p$ (analytical) | 0.478 | 0.435 | N/A | 0.419 | 0.714 | 0.582 | N/A | 0.628 |
| Female (Beta/SE) | 0.952 | 0.792 | N/A | 0.809 | 1.006 | 0.959 | N/A | 1.002 |
| $p$ (analytical) | 0.341 | 0.429 | N/A | 0.418 | 0.314 | 0.338 | N/A | 0.317 |
| College (Beta/SE) | 0.750 | 1.516 | -0.278 | 1.732 | 1.150 | 1.508 | 0.086 | 1.619 |
| $p$ (analytical) | 0.453 | 0.130 | 0.781 | 0.083 | 0.250 | 0.132 | 0.932 | 0.106 |
| Married (Beta/SE) | 0.118 | -0.594 | -0.971 | -0.290 | 0.127 | -0.769 | -1.375 | -0.303 |
| $p$ (analytical) | 0.906 | 0.552 | 0.332 | 0.772 | 0.899 | 0.442 | 0.169 | 0.762 |
| Swedish (Beta/SE) | -1.197 | -1.060 | -1.091 | -0.844 | -1.497 | -1.318 | -1.503 | -1.028 |
| $p$ (analytical) | 0.231 | 0.289 | 0.275 | 0.399 | 0.135 | 0.187 | 0.133 | 0.304 |
| # Children (Beta/SE) | -0.080 | 0.836 | 1.552 | 0.437 | 0.297 | -0.049 | 0.599 | -0.210 |
| $p$ (analytical) | 0.936 | 0.403 | 0.121 | 0.662 | 0.766 | 0.961 | 0.549 | 0.833 |
| Capital Income (Beta/SE) | 0.098 | -0.043 | -1.609 | 0.157 | -0.290 | -0.593 | -1.649 | -0.446 |
| $p$ (analytical) | 0.922 | 0.965 | 0.108 | 0.876 | 0.772 | 0.553 | 0.100 | 0.656 |
| Labor Income (Beta/SE) | 0.839 | 0.382 | -0.314 | 0.477 | 1.199 | 0.652 | -0.244 | 0.748 |
| $p$ (analytical) | 0.402 | 0.702 | 0.754 | 0.633 | 0.230 | 0.514 | 0.808 | 0.455 |
| Joint Test of Baseline Covariates | | | | | | | | |
| $F$-statistic | 0.716 | 1.247 | 1.054 | 1.262 | 0.889 | 1.256 | 1.021 | 1.265 |
| $p$ (analytical) | 0.694 | 0.261 | 0.389 | 0.253 | 0.535 | 0.256 | 0.410 | 0.251 |
| $p$ (resampling) | 0.638 | 0.305 | 0.360 | 0.306 | 0.345 | 0.231 | 0.420 | 0.304 |

This table reports results from Diagnostic Test 2 in the Analysis Plan. Each column reports results from a regression in which the dependent variable is the lottery prize. In all specifications, we control for baseline characteristics measured at $t = -1$. Under the null hypothesis of conditional random assignment, variables determined before the lottery should not have any predictive power conditional on the group-identifier fixed effects. The table shows $t$-statistics, that is, coefficient estimates divided by their standard errors. The resampling-based $p$-values are constructed by performing 10,000 simulations to approximate the distribution of covariate coefficients under the null hypothesis of zero treatment effects, as described in the main text.

**Table A4: Treatment-effect Estimates in the *Survey Population* and *Respondents Sample*.**

| | $t = 0$ Net Wealth | | $t = 0$ Total Debt | | $t = 1$ Capital Income | | $t = 1$ Labor Income | |
|---|---|---|---|---|---|---|---|---|
| | Survey Population | Respondents Sample | Survey Population | Respondents Sample | Survey Population | Respondents Sample | Survey Population | Respondents Sample |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Effect ($100) | 53.256 | 53.523 | -2.392 | -1.178 | 0.722 | 0.532 | -1.196 | -1.211 |
| SE | (3.836) | (5.110) | (0.978) | (1.500) | (0.197) | (0.178) | (0.180) | (0.219) |
| $p$ (analytical) | [<0.001] | [<0.001] | [0.015] | [0.433] | [<0.001] | [0.003] | [<0.001] | [<0.001] |
| $p$ (resampling) | [<0.001] | [<0.001] | [0.002] | [0.178] | [<0.001] | [0.003] | [<0.001] | [<0.001] |
| Mean | 84,637 | 90,951 | 43,387 | 44,482 | -331 | -195 | 32,857 | 33,966 |
| S.D. | 137,053 | 141,577 | 54,072 | 53,325 | 8,329 | 8,918 | 22,677 | 23,175 |
| $N$ | 1,976 | 1,403 | 1,976 | 1,403 | 4,129 | 2,901 | 4,129 | 2,901 |
| Years-of-Win Restrictions | 2000-2007 | | 2000-2007 | | 1994-2009 | | 1994-2009 | |

This table reports the results from Diagnostic Test 3 in the Analysis Plan.We estimated the treatment effect of lottery wealth on a number of register-based outcome variables in the *Survey Population* and examined whether the coefficients moved appreciably when the estimation sample was restricted to the *Respondents Sample*. In all specifications, we control for baseline characteristics measured at $t = -1$ and the lag of the dependent variable. The sample restrictions in columns 1-4 are needed because the outcomes — wealth and debt at year-end in the year of the lottery event — are only available in government registers 1999-2007. Hence, the analyses are restricted to the subset of players who won during this period. Estimates in column 1-4 data are restricted to the lotteries that pay lump-sum prizes (Kombi and Triss-Lumpsum). The sample restrictions in 5-8 reflect the fact that the last year for which we have income data for the *Survey Population* is 2010. As discussed in the Analysis Plan, evidence of systematic differences between the two sets of coefficient estimates could, but need not, be an indication of endogenous selection into the *Respondents Sample*. We find no evidence of systematic differences in the coefficient estimates. In columns 1, 3, 5, and 7 we report estimates from the *Survey Population* (the smaller sample sizes in columns 1 and 3 reflect the fact that financial variables are only available 2000-2007 and net wealth and debt at year-end in the year of the lottery event is only defined for players who won in these years). In columns 2, 4, 6, and 8, we report the results from exactly analogous analyses conducted with non-respondents omitted from the estimation sample. For all pre-specified outcomes – $t = 0$ net wealth, $t = 0$ debt, $t = 0$ capital income, and $t = 0$ labor income – the estimated treatment effects are similar in magnitude.

**Table A5: Robustness Analyses.**

| | Happiness | Overall Life Satisfaction | Financial Life Satisfaction | Mental Health |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| Original Estimate | | | | |
| Effect ($100K) | 0.016 | 0.037 | 0.067 | 0.013 |
| SE | (0.014) | (0.014) | (0.012) | (0.016) |
| Reweighted Estimate | | | | |
| Effect ($100K) | 0.010 | 0.045 | N/A | N/A |
| SE | (0.015) | (0.018) | N/A | N/A |
| $p$ (analytical) | [0.506] | [0.013] | N/A | N/A |
| $p$ (resampling) | [0.643] | [0.079] | N/A | N/A |
| $N$ | 3,327 | 3,331 | N/A | N/A |
| Drop Large Prizes (above $580K) | | | | |
| Effect ($100K) | 0.021 | 0.029 | 0.075 | 0.000 |
| SE | (0.025) | (0.024) | (0.023) | (0.025) |
| $p$ (analytical) | [0.399] | [0.240] | [0.001] | [0.987] |
| $p$ (resampling) | [0.383] | [0.240] | [0.003] | [0.986] |
| $N$ | 3,227 | 3,230 | 3,119 | 3,053 |

This table reports the results from two pre-registered robustness analyses. In the first robustness analyses, we weight each respondent to the abbreviated telephone survey such that the weighted fraction of mail-in survey non-respondents in the estimation sample matches the population fraction of 33%. This robustness check is not feasible for the two outcomes that were not measured in the abbreviated survey. The second robustness check reports the results when excluding very large prizes, define as a prize above 4M SEK in the Analysis Plan.

## Table A6: Dimensions of Life Satisfaction (Post Hoc).

| | Overall | Financial | Health | Spare Time | Friends | Relatives | Home | Neighborhood | Society | Work |
|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Effect ($100K) | 0.037 | 0.067 | 0.006 | 0.026 | 0.002 | 0.001 | 0.008 | 0.010 | -0.006 | -0.018 |
| SE | (0.014) | (0.012) | (0.016) | (0.014) | (0.017) | (0.014) | (0.020) | (0.013) | (0.016) | (0.026) |
| $p$ (analytical) | [0.009] | [<0.001] | [0.689] | [0.072] | [0.929] | [0.932] | [0.692] | [0.457] | [0.724] | [0.497] |
| $p$ (resampling) | [0.010] | [<0.001] | [0.670] | [0.082] | [0.920] | [0.935] | [0.612] | [0.503] | [0.704] | [0.438] |
| Correlation with *Overall LS* | 1.00 | 0.46 | 0.54 | 0.61 | 0.46 | 0.41 | 0.45 | 0.36 | 0.27 | 0.43 |
| $N$ | 3,331 | 3,216 | 3,224 | 3,211 | 3,210 | 3,213 | 3,220 | 3,220 | 3,210 | 1,667 |

This table reports the results from post hoc analyses of the effect of lottery wealth on domain-specific aspects of life satisfaction. We control for baseline controls measured at $t = -1$ and group-identifier fixed effects in all specifications. All outcomes are measured in SD units. Standard errors are clustered at the level of the individual. For point of reference, columns 1-4 report results for two of our primary outcomes: *Overall LS* and *Financial LS*.

## Table A7: Heterogeneous Effects.

| | | Year of Lottery | | Prize Type | | Disp. Income | | Age | | Sex | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1994 to 2004 | 2005 to 2011 | Lumpsum | Monthly | Below Median | Above Median | Below Age 51 | At least 51 | Male | Female |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Happiness | Effect ($100K) | 0.038 | -0.008 | 0.037 | -0.015 | 0.002 | 0.027 | 0.016 | 0.022 | 0.020 | 0.011 |
| | SE | (0.021) | (0.020) | (0.020) | (0.021) | (0.020) | (0.016) | (0.019) | (0.018) | (0.018) | (0.018) |
| | $p$ | [0.062] | [0.713] | [0.068] | [0.473] | [0.922] | [0.096] | [0.388] | [0.234] | [0.267] | [0.555] |
| | $p$ equal | [0.112] | | [0.075] | | [0.253] | | [0.813] | | [0.684] | |
| | $N$ | 1,659 | 1,668 | 2,031 | 375 | 1,429 | 1,893 | 1,663 | 1,664 | 1,722 | 1,605 |
| Overall LS | Effect ($100K) | 0.058 | 0.017 | 0.063 | 0.002 | 0.031 | 0.042 | 0.040 | 0.037 | 0.035 | 0.040 |
| | SE | (0.020) | (0.020) | (0.019) | (0.022) | (0.020) | (0.016) | (0.019) | (0.018) | (0.017) | (0.018) |
| | $p$ | [0.004] | [0.403] | [0.001] | [0.925] | [0.126] | [0.009] | [0.031] | [0.039] | [0.045] | [0.028] |
| | $p$ equal | [0.153] | | [0.038] | | [0.596] | | [0.896] | | [0.827] | |
| | $N$ | 1,665 | 1,666 | 2,036 | 372 | 1,432 | 1,894 | 1,662 | 1,669 | 1,722 | 1,609 |
| Financial LS | Effect ($100K) | 0.053 | 0.082 | 0.058 | 0.083 | 0.086 | 0.055 | 0.056 | 0.081 | 0.061 | 0.078 |
| | SE | (0.016) | (0.019) | (0.016) | (0.018) | (0.016) | (0.013) | (0.014) | (0.016) | (0.015) | (0.014) |
| | $p$ | [0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] | [<0.001] |
| | $p$ equal | [0.237] | | [0.286] | | [0.059] | | [0.152] | | [0.287] | |
| | $N$ | 1,604 | 1,612 | 1,955 | 360 | 1,378 | 1,833 | 1,596 | 1,620 | 1,669 | 1,547 |
| Mental Health | Effect ($100K) | 0.047 | -0.024 | 0.026 | -0.013 | 0.007 | 0.018 | 0.020 | 0.012 | 0.009 | 0.018 |
| | SE | (0.022) | (0.021) | (0.021) | (0.026) | (0.022) | (0.018) | (0.020) | (0.020) | (0.018) | (0.020) |
| | $p$ | [0.035] | [0.245] | [0.200] | [0.616] | [0.755] | [0.314] | [0.324] | [0.533] | [0.615] | [0.376] |
| | $p$ equal | [0.019] | | [0.233] | | [0.638] | | [0.748] | | [0.698] | |
| | $N$ | 1,568 | 1,579 | 1,916 | 349 | 1,340 | 1,803 | 1,577 | 1,570 | 1,635 | 1,512 |

This table reports the results from the five pre-registered heterogeneity analyses. Columns 1 and 2 show results separately for winners before or after January 1, 2005. Columns 3 and 4 show the results separately for Triss-Lumpsum and Triss-Monthly winners. Columns 5 and 6 display results separately for those above or below the median income in a representative sample. This analysis is based on individual disposable income (in the pre-lottery year) and compared to the population median which is calculated conditional on the respondent's sex and age category (18-27, 28-37,..., 68+) in the year prior to the win. Column 7 and 8 show the result for winners above or below the median age in the sample. Finally, columns 9 and 10 show the results separately for men and women. All regressions include the baseline control variables measured at $t = -1$, indicator variable for the dimension of heterogeneity being examined (e.g. 1 if female in the sex-heterogeneity analyses), and interactions between the indicator and the baseline characteristics. We also control for group identifier fixed effects and their interactions with the indicator.

## Table A8: Heterogeneity by Years-Since-Win (Post Hoc).

| | Happiness | | | Overall Life Satisfaction | | | Financial Life Satisfaction | | | Mental Health | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Years of Lottery Win | Effect ($100K) | SE | $N$ | Effect ($100K) | SE | $N$ | Effect ($100K) | SE | $N$ | Effect ($100K) | SE | $N$ |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1994-1996 | 0.060 | (0.043) | 347 | 0.072 | (0.033) | 347 | 0.020 | (0.028) | 334 | 0.054 | (0.035) | 326 |
| 1997-1999 | 0.025 | (0.039) | 411 | 0.062 | (0.044) | 413 | 0.049 | (0.028) | 394 | 0.050 | (0.038) | 384 |
| 2000-2002 | 0.035 | (0.040) | 515 | 0.058 | (0.041) | 516 | 0.120 | (0.036) | 504 | 0.006 | (0.054) | 494 |
| 2003-2005 | 0.047 | (0.036) | 577 | 0.055 | (0.037) | 580 | 0.086 | (0.029) | 556 | 0.096 | (0.042) | 542 |
| 2006-2008 | -0.015 | (0.031) | 756 | -0.008 | (0.029) | 757 | 0.052 | (0.022) | 735 | -0.051 | (0.029) | 724 |
| 2009-2011 | -0.001 | (0.030) | 721 | 0.044 | (0.031) | 718 | 0.104 | (0.032) | 693 | -0.005 | (0.032) | 677 |

This table reports results from post hoc analyses of treatment-effect heterogeneity by years-since-win. The specifications are analogous to the pre-registered heterogeneity analyses, except with players assigned to six different groups instead of the original two.

## Table A9: Comparison to Income Gradients in European Social Survey

| | Happiness | | | | Overall Life Satisfaction | | | |
|---|---|---|---|---|---|---|---|---|
| | Respondents Sample | | ESS | | Respondents Sample | | ESS | |
| | Small-Prize Winners | All | Wave 3 | Wave 7 | Small-Prize Winners | All | Wave 3 | Wave 7 |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Lin-Lin | | | | | | | | |
| Gradient ($10K) | 0.073 | 0.074 | 0.061 | 0.113 | 0.083 | 0.081 | 0.064 | 0.111 |
| SE | (0.009) | (0.007) | (0.009) | (0.012) | (0.009) | (0.007) | (0.009) | (0.012) |
| *N* | 2,104 | 3,309 | 1,439 | 1,292 | 2,107 | 3,313 | 1,442 | 1,292 |
| Lin-Log | | | | | | | | |
| Gradient (ln(Income)) | 0.417 | 0.414 | 0.356 | 0.523 | 0.477 | 0.456 | 0.348 | 0.502 |
| SE | (0.047) | (0.037) | (0.047) | (0.052) | (0.046) | (0.036) | (0.046) | (0.052) |
| *N* | 2,104 | 3,309 | 1,439 | 1,292 | 2,107 | 3,313 | 1,442 | 1,292 |
| | Financial Life Satisfaction | | | | Mental Health | | | |
| | Respondents Sample | | ESS | | Respondents Sample | | ESS | |
| | Small-Prize Winners | All | Wave 3 | Wave 7 | Small-Prize Winners | All | Wave 3 | Wave 7 |
| | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) |
| Lin-Lin | | | | | | | | |
| Gradient ($10K) | 0.140 | 0.110 | 0.109 | N/A | 0.067 | 0.068 | 0.053 | 0.082 |
| SE | (0.009) | (0.007) | (0.009) | N/A | (0.009) | (0.007) | (0.009) | (0.011) |
| *N* | 2,038 | 3,198 | 1,442 | N/A | 1,999 | 3,129 | 1,429 | 1,292 |
| Lin-Log | | | | | | | | |
| Gradient (ln(Income)) | 0.769 | 0.607 | 0.594 | N/A | 0.387 | 0.378 | 0.296 | 0.387 |
| SE | (0.047) | (0.036) | (0.046) | N/A | (0.048) | (0.038) | (0.046) | (0.050) |
| *N* | 2,038 | 3,198 | 1,442 | N/A | 1,999 | 3,129 | 1,429 | 1,292 |

This table compares the income-well-being gradient in our restricted *Respondents Sample* (limited to players whose prizes are below $20K), the full *Respondents Sample*, and Swedish respondents in waves 3 (2006) and 7 (2014) of the ESS. All gradients are estimated controlling for sex, a fourth-order age polynomial and sex-by-age interactions. To maximize comparability, the ESS regressions are weighted to ensure a sex- and age distribution that matches the restricted *Respondents Sample*. In the lottery samples, income is defined as the respondent's average annual household disposable income between 2004 and 2014. We left censor annual income observations at $6K in all analyses. In the ESS analyses, we sought to define the outcomes as similarly as possible. The *Happiness* and *Overall LS* measures in both waves of the ESS are near-identical to our survey measures. Our measure of *Financial LS* from wave 3 of the ESS is based on responses to the question: "And how satisfied are you with your present standard of living?" (no suitable meaure of financial life satisfaction is available in wave 7). Finally, our measure of *Mental Health* in both ESS waves is the eight-item version of the Center for Epidemiologic Studies Depression Scale, coded so higher values imply better mental health.

**Table A10: Comparison to Permanent-Income Gradients in Respondents Sample.**

| | Happiness | | Overall Life Satisfaction | | Financial Life Satisfaction | | Mental Health | |
|---|---|---|---|---|---|---|---|---|
| | Effect | Gradient | Effect | Gradient | Effect | Gradient | Effect | Gradient |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Lin-Lin (Group FEs) | | | | | | | | |
| Effect/Gradient ($10K) | 0.027 | 0.073 | 0.062 | 0.083 | 0.112 | 0.140 | 0.021 | 0.067 |
| SE | (0.024) | (0.009) | (0.024) | (0.009) | (0.020) | (0.009) | (0.027) | (0.009) |
| $p$ (analytical) | [0.257] | [0.000] | [0.009] | [0.000] | [0.000] | [0.000] | [0.423] | [0.000] |
| $p$ equal effects | [0.062] | | [0.403] | | [0.179] | | [0.084] | |
| $N$ | 3,327 | 2,104 | 3,331 | 2,107 | 3,216 | 2,038 | 3,147 | 1,999 |
| Lin-Lin (Group FEs) | | | | | | | | |
| *Income Tertile 1* | | | | | | | | |
| Effect/Gradient ($10K) | 0.023 | 0.194 | 0.082 | 0.210 | 0.184 | 0.328 | 0.034 | 0.160 |
| SE | (0.056) | (0.037) | (0.054) | (0.037) | (0.052) | (0.038) | (0.054) | (0.039) |
| $p$ (analytical) | [0.683] | [0.000] | [0.128] | [0.000] | [0.000] | [0.000] | [0.525] | [0.000] |
| $p$ equal effects | [0.007] | | [0.041] | | [0.024] | | [0.045] | |
| *Income Tertile 2* | | | | | | | | |
| Effect/Gradient ($10K) | 0.044 | 0.051 | 0.054 | 0.069 | 0.146 | 0.078 | 0.013 | 0.063 |
| SE | (0.044) | (0.033) | (0.043) | (0.033) | (0.034) | (0.033) | (0.055) | (0.033) |
| $p$ (analytical) | [0.314] | [0.118] | [0.211] | [0.035] | [0.000] | [0.017] | [0.807] | [0.060] |
| $p$ equal effects | [0.894] | | [0.764] | | [0.119] | | [0.398] | |
| *Income Tertile 3* | | | | | | | | |
| Effect/Gradient ($10K) | 0.011 | 0.036 | 0.048 | 0.037 | 0.061 | 0.102 | 0.002 | 0.032 |
| SE | (0.040) | (0.018) | (0.041) | (0.018) | (0.030) | (0.018) | (0.044) | (0.018) |
| $p$ (analytical) | [0.788] | [0.044] | [0.247] | [0.040] | [0.039] | [0.000] | [0.963] | [0.078] |
| $p$ equal effects | [0.525] | | [0.787] | | [0.157] | | [0.480] | |
| $N$ | 3,326 | 2,104 | 3,330 | 2,107 | 3,215 | 2,038 | 3,146 | 1,999 |
| Lin-Log Approximation | | | | | | | | |
| Effect/Gradient | 0.165 | 0.417 | 0.377 | 0.477 | 0.683 | 0.769 | 0.129 | 0.387 |
| SE | (0.138) | (0.047) | (0.137) | (0.046) | (0.114) | (0.047) | (0.153) | (0.048 |
| $p$ (analytical) | [0.233] | [0.000] | [0.006] | [0.000] | [0.000] | [0.000] | [0.399] | [0.000] |
| $p$ equal effects | [0.084] | | [0.489] | | [0.478] | | [0.106] | |
| $N$ | 3,326 | 2,104 | 3,330 | 2,107 | 3,215 | 2,038 | 3,146 | 1,999 |

This table compares the effect of lottery wealth to income-well-being gradients estimated in the restricted *Respondents Sample*. Gradients are estimated using the respondent's average annual household disposable income between 2004 and 2014 (left censored at $6K). The top panel reproduces the linear gradients from Table A9 alongside rescaled effect-size estimates using lottery prizes annuitized over 20 years at a 2% real interest rate. The middle panel reports effect size estimated separately by income tertile, again assuming that the prize is annuitized over 20 years, alongside gradients estimated assuming linear splines with knots at each tertile of the income distribution. The bottom panel shows gradients from a log-linear specification. Effect size estimates in the bottom panel were obtained by using the lottery prize as an instrument for the logarithm of the average of annual household income ten years prior to winning plus the annuity value of the lottery prize. "$p$ equal effects" is the $p$-value obtained from a Wald test that the rescaled causal estimate and the gradient estimate are equal. Standard errors are clustered at the level of the individual.