Money

3 Economists Share Their Personal Retirement Strategies — and Their Biggest Money Mistakes

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Have you ever wondered how people who work with money spend their money?

Here at MONEY, we did. So we interviewed three economists about they manage their their personal finances: everything from their saving strategies, what they like they to spend money on, how they prepare for retirement, and what their biggest money mistakes have been. Are they much better-off than the rest of us thanks to their extensive knowledge about personal finance and the economy? Their answers may surprise you.

All three take different approaches to their financial lives, but have managed to set themselves up to be relatively comfortable in retirement and save responsibly, even if they splurge now and then. One was never that worried about saving and tries not to overthink her finances; one has more retirement accounts than the average person can keep track of, and one said that the way her family handled money when she was young influenced her to become a super saver.

Monique Morrissey

Retirement economist at the Economic Policy Institute

Money style:

Monique Morrissey, 52, a retirement economist at The Economic Policy Institute, had a string of low-paying jobs at non-profits when she started out in the working world, but she was never much of an obsessive saver. She lived off her student stipend and borrowed money from her brother to make rent every month during grad school.

"I'm pretty hands off," says Morrissey of her money style. "I think I'm fairly typical." Most years she has been able to max out her 401(k) to the legal contribution limit, but this year she neglected to bump it up when she hit the age limit for catch-up contributions, which allows people who are 50 and over to add an additional $6,000 each year (the regular contribution limit is $18,000).

In terms of other savings, Morrissey has money sitting in a handful CDs that she is "too lazy to deal with."

"It stays there getting very low interest — that's kind of stupid," she acknowledges. But she is married to someone who has a secure union job, so Morrissey is one of the lucky Americans who can still rely on a pension to enjoy a comfortable retirement. Pension aside, she points that out being hands-off — within reason — has it's benefits.

"Hands-off is sometimes considered good. You don't want someone trying to time the market," Morrissey says, referring to everyday investors who believe they can determine when the market will rise and fall and therefore take their money out at the "right" time. But research over the past few decades shows that people who put money in the market and leave it there as long as possible fare much better than those who take out funds during a moment of panic over losses or a moment of euphoria about recent gains.

The benefit of a "set it and forget it" mindset like Morrissey's helps you maximize the benefits of compound interest — when you earn interest on the interest of your original sum of money, creating a snowball effect that helps your money grow, a key to building up a sizable retirement nest egg.

Overall, Morrissey says she spends her money on travel (her family's favorite splurge) and convenience, rather than expensive products or cars.

"We're thrifty in terms of our possessions," she says, "On the other hand, what we pay for is garage space. We don't have a lot of time, so we tend to spend on anything that saves time."

The 1 Money Regret:

Until recently, Morrissey was invested in a less than ideal 401(k) plan offered by employer — it had high-fees thanks to the plan's administrator. Excessive fees can cost workers thousands of dollars over a lifetime, eating into your hard-earned retirement cash. But an internal push from employees to find an alternative to the company's costly provider changed that. Now Morrissey and the rest of her organization have excellent 401(k) plans, a retirement-savings win for everyone.

Her company contributes a generous 9.25% to their employees' 401(k) accounts annually — and it is not contingent on the employees contributing to their 401(k) themselves. So Morrissey can contribute $0 to her account every year and still receive her employer match, which is rare. Most companies these days require workers to contribute a certain percentage of their salary in order to qualify for the company match. The average company match these days is around 4.1%, according to Fidelity.

"That was a responsible thing to do, continuing to push on that," Morrissey says. "There were many years where I was paying higher fees than necessary."

Jeffrey Miron

Director of economic studies at the Cato Institute, Director of undergraduate studies in the Department of Economics at Harvard University

Money Style:

Jeffrey Miron, 62, director of economic studies at the Cato Institute and the director of undergraduate studies in the Department of Economics at Harvard University, takes a definitively more hands-on approach to his retirement strategy than Morrissey.

"I did open a 401(k) as soon as I was able to too, and an IRA as soon as I had an income," says the Harvard economist, who teaches a personal finance class there in the spring.

"I don't have every single possible flavor, but I have a lot," he says of the myriad retirement savings vehicles he has contributed to over his career: 401(k), 403(b), 401(a), a 457 plan, traditional IRA, ROTH IRA, SEP IRA, and a Keough. That may be overkill for some people, but Miron likes to capitalize on as much tax-advantaged savings as possible. He has been able to contribute the maximum amount to to all of his retirement accounts without it negatively impacting his standard of living.

But even if you can't afford to max out your accounts, the one time it always makes sense to max out is when your employer matches your contribution, because you double your money automatically with an employer match, he says.

Given his own treasure trove of retirement accounts, one of his biggest sources of personal woe comes from seeing just how many people, friends and family included, don't contribute enough to the tax-deferred retirement accounts available to them.

"I'm always stunned at how many people are not [contributing to tax-deferred retirement accounts] because they want to spend more now and don't want save it," he says. "The return is so much better on tax deferred savings, and particularly when you get an employer match."

Miron likes to spends his money playing "interesting golf courses" and traveling to see his children.

The 1 Money Regret:

One of Miron's biggest regrets? Never cashing in on the Bitcoin craze — though he may have ended up on the right side of that regret given the volatility of crypto currency markets over the past few years.

"I asked my wife if we could put $1,000 in it, and she said ok," says Miron. "But you couldn't buy it very easily. You had to set up a bank account in Japan."

Romina Boccia

Economic expert at The Heritage Foundation

Money Style:

When Romina Boccia, 34, an economic expert at The Heritage Foundation, was growing up in Germany her family always gave monetary gifts during holidays like Christmas, which instilled the value of money to her at a young age.

"My grandma always emphasized importance of saving in order to have independence, and a rainy day fund so you don't end up in trouble when you are in trouble," she says.

She also got a nudge from her education: At her German elementary school, local bankers came to her class and gave the students savings books and piggy banks, and if they kept track of their savings after a few months, it was deposited into an account the banks opened for them.

When it comes to saving for retirement, she has a 403(b), which is a 401(k) equivalent for non-profits, an IRA and an Health Savings Account. She maxes out her HSA first because it's "the account where I can most easily access my money if I need it," followed by her 403(b) which she maxes out when she can afford it. She puts money into her IRA last.

Her advice to friends and family is to max out their own HSA accounts, which she believes is an under-utilized retirement savings vehicle. When you put money into an HSA you can deduct it from your taxes, it then grows tax-free, and your withdrawals for qualified expenses do not incur any taxes, either. More popular retirement accounts like 401(k)s and IRAs are not tax-exempt and have penalties for early withdrawals. For Boccia, it's a no brainer.

"That's more money in your pocket that you can save," she says. "The benefits are just that much better."

The 1 Money Regret:

Boccia is working on becoming comfortable spending more money. She worked full-time through college and graduate school to avoid having any student loans, but it took a toll on her personal life.

"It was rough, because I didn't have time for social activities because I was either studying, in class or working," she says. "But I knew that time would come to an end."

Now, she uses more of her money to travel in her free time and knows she will be able to continue to do so comfortably in retirement. "I realized I was saving too much and withholding the simple pleasures of life," she says. The only debt she ever incurred was for renovations on her house, which she owns, and considers an investment.

While she has time to make up for a few lost vacations, a money mistake she made early on was not negotiating a higher starting salary at her first job, the consequences of which can last over the course of your career, and ultimately impact your ability to save for your golden years.

"I think it depressed my earnings for at least two years, and that's just money that I will never recoup," she says. "I'm sure I left money on the table by making a lowball offer."

That's something you can change if you are proactive in your own career, she says. After learning she was being paid less than her colleagues, she asked her boss to have a conversation about her compensation.

"I asked my supervisor for lunch and prepared a report on the responsibilities that I had taken on, the work I had performed, and what I thought I had done well to make the case," says Boccia.

What started as a money mistake became a moment of professional success when her boss offered her the raise. And she's working on spending it — but never at the expense of saving for retirement or taking on debt, she emphasizes.

"I realized that life is finite," she says. "I spend most of my money on travel now. This is what I enjoy the most and that's an expenditure that I'm happy to make."