



Finance for Physicians 101

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- Goal
 - Provide valuable financial advice to young physicians
- Objectives
 - Introduce different areas of personal finance that a young provider may not realize are available or important to consider
 - Give participants resources to allow for further education



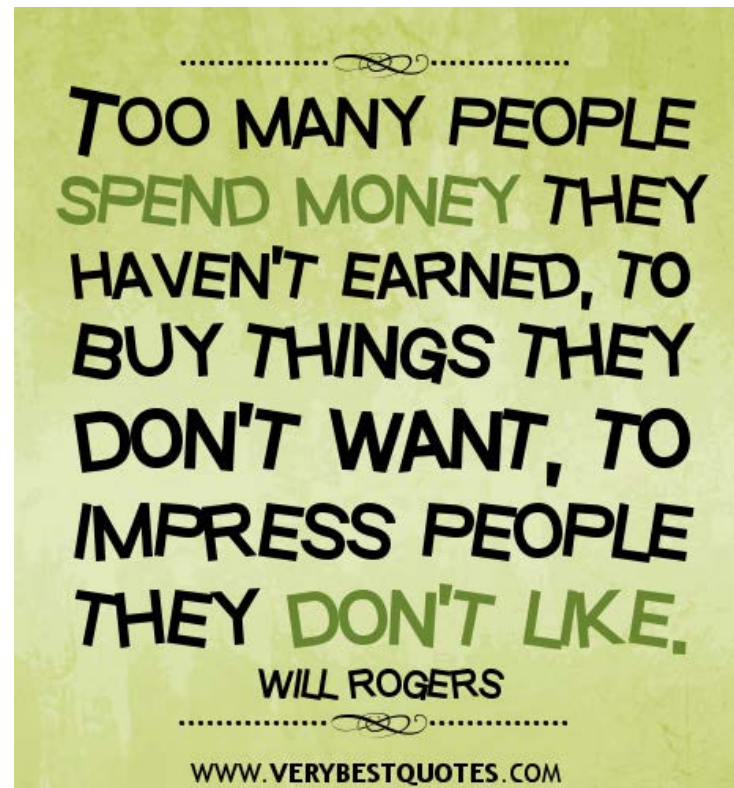
35 separate loans =
\$426,791.84

About me

- Since:
 - Self taught about finance
 - Refinanced to private lenders saving us 10's of thousands of dollars
 - Paid off over 45% of our consumer/student debt
 - Paid for a car in cash
 - On track to be able to retire by age 55



Why is this important?

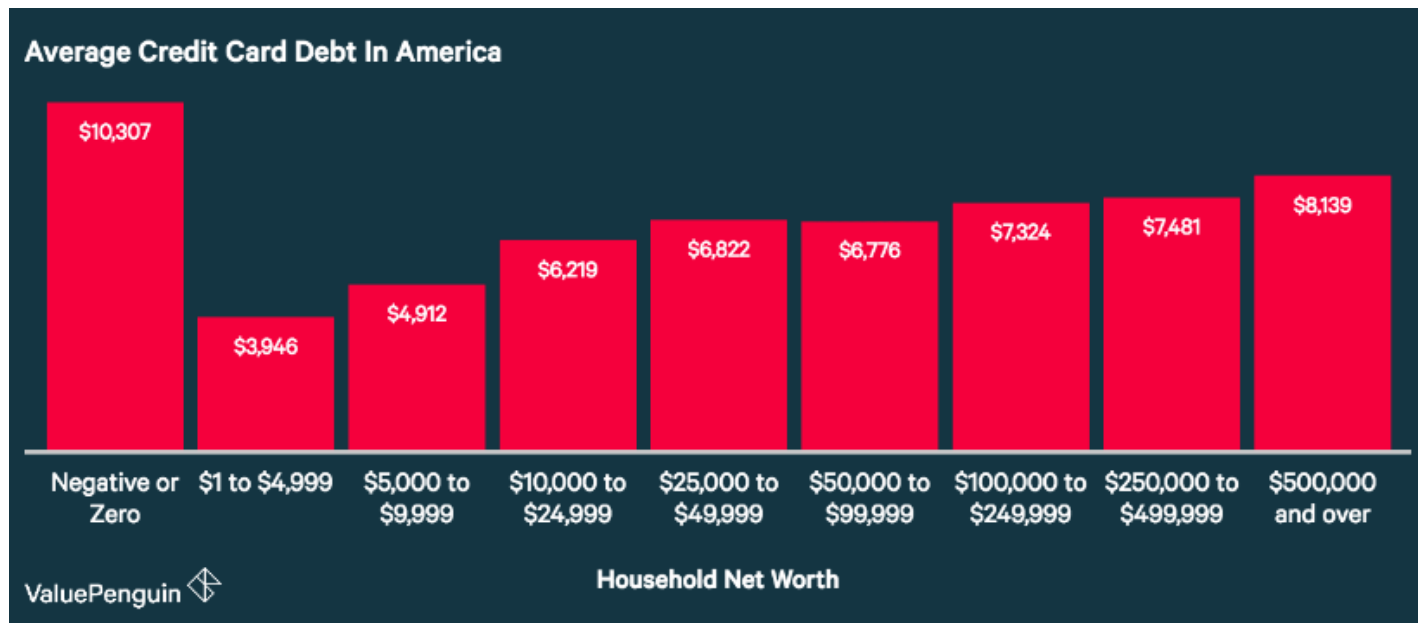


About us as a society

- Keep up with the Joneses

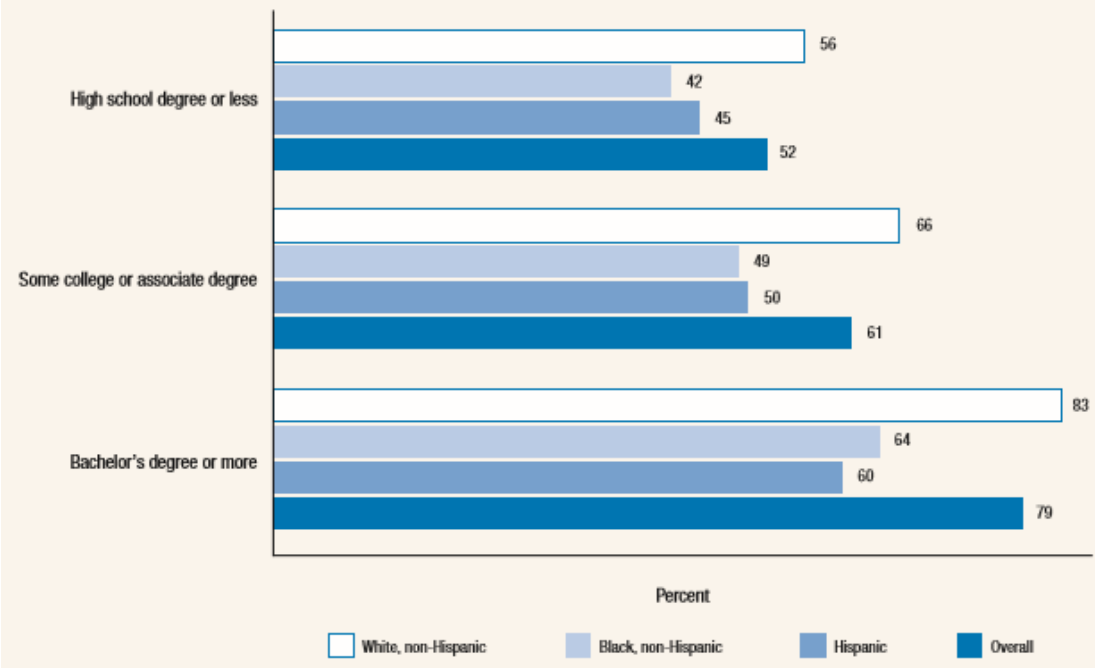


Are okay with debt



Not able to cover small emergency

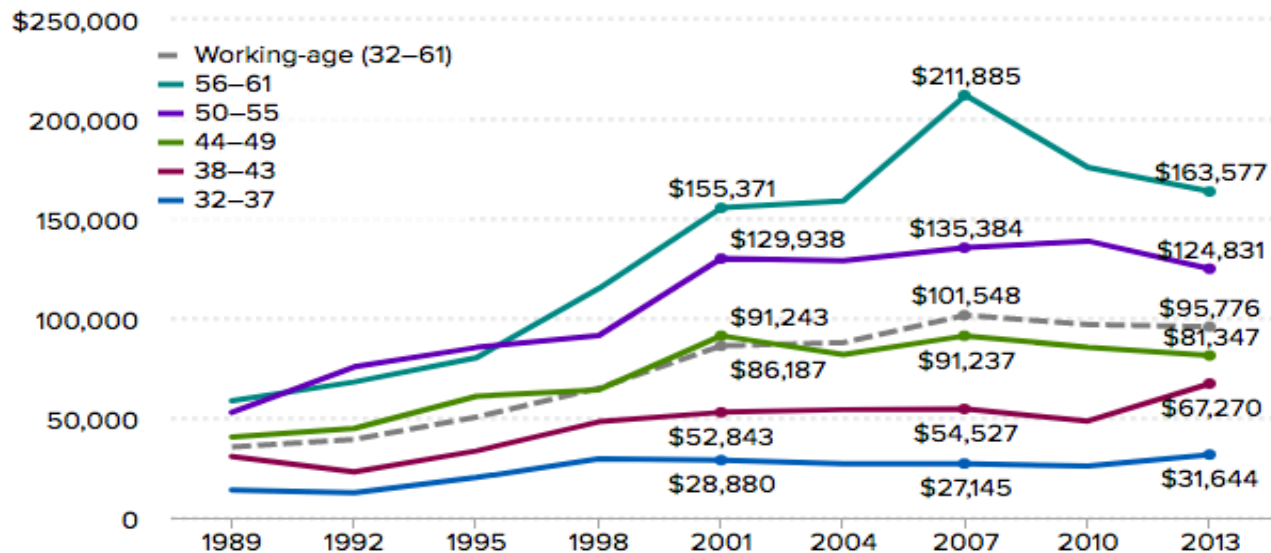
Figure 13. Adults who would still be able to pay all of their current month's bills in full if faced with a \$400 emergency expense that they had to pay (by education and race/ethnicity)



Lack retirement savings

Retirement savings have stagnated in the new millennium

Mean retirement account savings of families by age, 1989–2013 (2013 dollars)



Note: Retirement account savings include 401(k)s, IRAs, and Keogh plans.

Source: EPI analysis of Survey of Consumer Finance data, 2013.

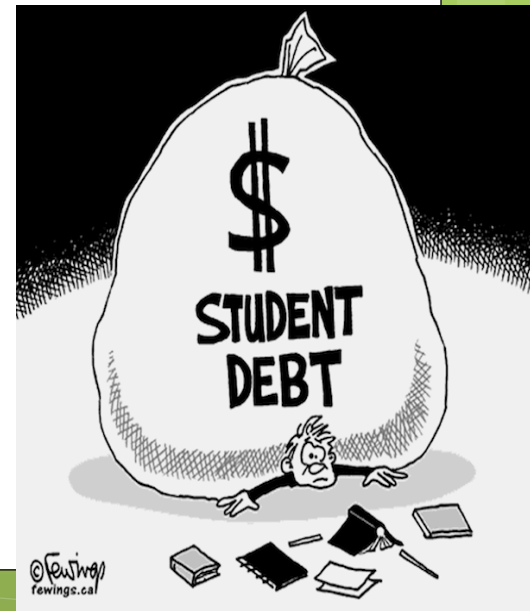
[Share](#) | [View the underlying data on epi.org.](#)

Economic Policy Institute

About us as physicians

- Have a large debt load
 - Average medical student loan debt:
 - In 2015: \$183,000*
 - Relatively new to have high debt load
 - Older docs unlikely to understand this
- Older than peers when graduate
- Financial target

* American Medical Colleges (not counting undergrad)



How can we change this?



3 Keys to building wealth

- Minimize/eliminate your debt load
- Live on less than you make
- Pay yourself first

Minimize/eliminate your debt load

- Figure out your debt
 - School, car, credit card, possible mortgage



Debt – how to minimize

- Student
 - Take out as little as possible
 - Extra \$5000 at 6.8% = \$7924
 - 1-2X salary
 - Pay interest on loans if able
- Resident
 - Rent /drive current car
 - Pay student loan interest as it accrues
 - Capitalized interest
 - \$100,000 @ 6.8% → \$121,818.64 after three years
 - Tax savings
 - Phases out



Debt - how to minimize

- Attending
 - Avoid “docitis” or “live like a resident”
 - Avoid extra debt, fancy vacations, car, etc.
 - Average car payment:
 - \$503 a month for 68 months
 - Live in lower cost of living area if possible

Debt - how to minimize

- Consider refinancing your loans
 - Many options – even for residents
 - Private loans can cut interest rates by more than half
 - Saving 10s of thousands of dollars
 - Many offer protections that federal loans do and typically do not have fees
 - Get money back!!!

Live on less than you make

- Figure out your net worth/savings rate
- Figure out where your money is going
 - **Budget**
 - YNAB, EveryDollar, Mint
- Have an Emergency Fund
- How to become wealthy:
 - **SPEND LESS MONEY THAN YOU MAKE!**

How to save yourself \$\$\$

- Budget
- Refinance
- Mortgage considerations
 - No more than 1-2X annual pay
 - 15 year mortgage
 - \$300,000 loan*
 - 30 year at 4% versus 15 year at 3.25%
 - \$1432 versus \$2108 a month
 - \$215,609 versus \$79,441
 - Difference of **\$136,168**

*Investopedia Comparison of a 30 year versus 15 year mortgage

How to save yourself \$\$\$

- Mortgage Considerations
 - Shop around and know options
 - Physician Loans
 - Sofi/similar
 - Local banks


Planning for the future







- Student/resident
 - 403(b)/401(k)
 - Be aware of Vesting
 - Roth IRA
- New physician
 - 401(k), SepIRA, Individual 401(k), Roth IRA, Backdoor Roth
 - Health Savings Account (HSA)


Planning for the future

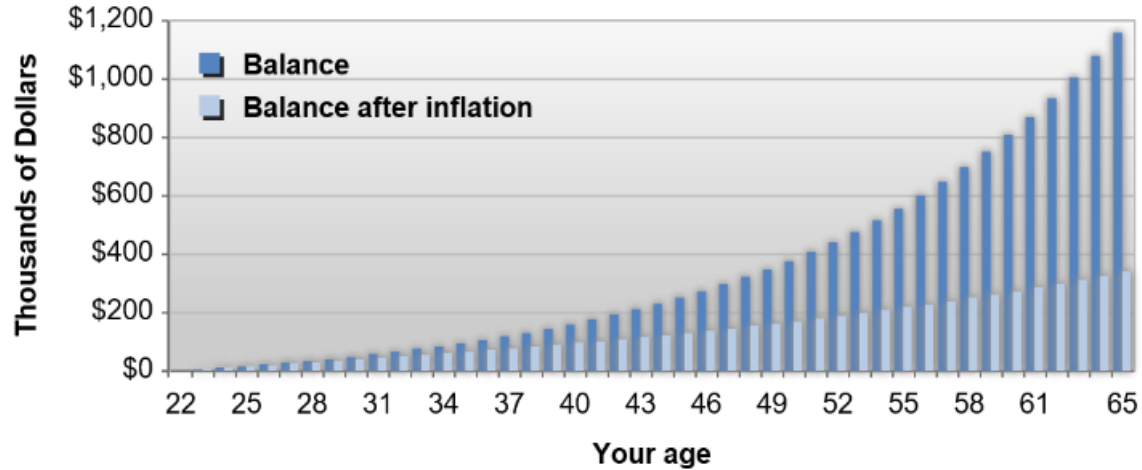
- Project age of retirement
 - Saving 20% allows retirement in 37 years
 - Saving 25% allows for 32 years

Current plan could make you a millionaire at age 63!

Millionaire savings plan:  [-]

| | | | | | | |
|---|----------------------------|------------------------------------|-----|-------|--------|-------|
|  | Your age: | <input type="text" value="22"/> | 0 | 33 | 66 | 100 |
|  | Millionaire target age: | <input type="text" value="65"/> | 1 | 34 | 67 | 100 |
|  | Amount currently invested: | <input type="text" value="\$0"/> | \$0 | \$10k | \$100k | \$1m |
|  | Savings per month: | <input type="text" value="\$375"/> | \$0 | \$1k | \$5k | \$10k |
|  | Expected Rate of return: | <input type="text" value="7%"/> | 0% | 4% | 8% | 12% |
|  | Expected inflation rate: | <input type="text" value="2.9%"/> | 0% | 4% | 8% | 12% |

Total at age 65 is \$1,156,834  [-]

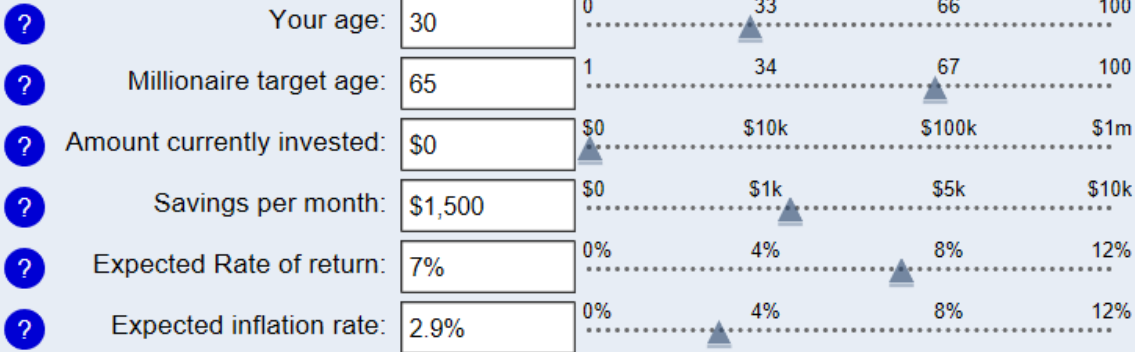


CALCULATE

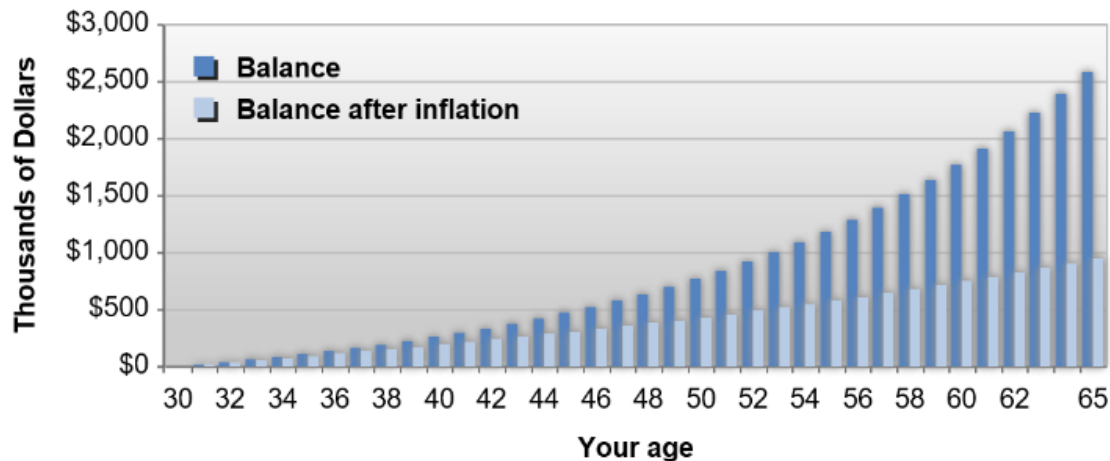
VIEW REPORT

Current plan could make you a millionaire at age 53!

Millionaire savings plan:



Total at age 65 is \$2,581,635



Just a few more things...



Protecting yourself through insurance

- Protect yourself and loved ones
 - Disability insurance
 - More likely to use than life insurance
 - Life insurance
 - Term policy
 - 7-10x annual salary
 - Cover mortgage and possible student loans
 - Malpractice
 - Health
 - Umbrella
 - Tail insurance



Student loans

- Traditional
 - Standard 10 year
 - Graduated 10 year
- Public Student Loan Forgiveness
 - Non profit for 10 years
- Income Driven
 - Can tie all to PSLF

Future Proof MD Compares

| IDR Plan | Payment Amount | Repayment Period | Interest Benefit | Forgiveness without PSLF | Forgiveness with PSLF |
|---------------|--|---|--|--|--|
| REPAYE | 10% of discretionary income | 20 years if only undergraduate loans 25 years if any graduate loans | If your monthly payment doesn't cover the full amount of interest that accrues, the government pays The full amount of the difference on your subsidized loans for the first three years, and half of the difference after the first three years, and Half of the difference on your unsubsidized loans during all periods | After 20 or 25 years if you have graduate loans. Forgiven amount is considered taxable income. | After 120 qualifying payments, Forgiven amount is not taxable. |
| PAYE | 10% of discretionary income, but never more than the 10-year Standard Repayment Plan amount | 20 years | If your monthly payment doesn't cover the full amount of interest that accrues on your subsidized loans, the government pays the difference for the first three years | After 20 years. Forgiven amount is considered taxable income. | After 120 qualifying payments, Forgiven amount is not taxable. |
| IBR | 10% of your discretionary income* if you're a <i>new borrower</i> on or after July 1, 2014 15% of your discretionary income* if you're not a <i>new borrower</i> on or after July 1, 2014 *Never more than the 10-year Standard Repayment Plan amount. | 20 years if new borrower on or after July 1, 2014 25 years if borrower before July 1, 2014 | If your monthly payment doesn't cover the full amount of interest that accrues on your subsidized loans, the government pays the difference for the first three years | After 20 or 25 years. Forgiven amount is considered taxable income. | After 120 qualifying payments, Forgiven amount is not taxable. |
| ICR | The lesser of either: 20% of your discretionary income or What you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income. | 25 years | No interest benefit | After 25 years. Forgiven amount is considered taxable income. | After 120 qualifying payments, Forgiven amount is not taxable. |

Future Proof MD Compares

| Income* | Payment under PAYE | Payment under IBR | Payment under REPAYE |
|--------------|--------------------|-------------------|----------------------|
| \$50,000.00 | \$269.54 | \$404.31 | \$269.54 |
| \$100,000.00 | \$686.21 | \$1,029.31 | \$686.21 |
| \$150,000.00 | \$1,102.88 | \$1,654.31 | \$1,102.88 |
| \$200,000.00 | \$1,519.54 | \$1,726.00 | \$1,519.54 |
| \$250,000.00 | \$1,726.00 | \$1,726.00 | \$1,936.21 |
| \$300,000.00 | \$1,726.00 | \$1,726.00 | \$2,352.88 |
| \$350,000.00 | \$1,726.00 | \$1,726.00 | \$2,769.54 |
| \$400,000.00 | \$1,726.00 | \$1,726.00 | \$3,186.21 |

**Assumed single filing status and student debt of \$150,000.*

Where to look for help

- Online
 - The White Coat Investor
 - Physician on Fire
 - Future Proof MD
 - Rock Star finance
 - Student loan hero
 - Youcandealwiththis.com
- Financial advisers
 - Look for a fiduciary

Where to look for help

- Podcasts
 - The White Coat Investor
 - Stacking Benjamins
 - The Freedom Formula for Physicians Podcast
- Books
 - The White Coat Investor
 - Dave Ramsey's Total Money Makeover
 - The Millionaire next door
 - The Freedom Formula for Physicians

Last thoughts

- You are the person that should care most about your money
- Taking control of your finances and building wealth is simple – but it isn't easy
- The sooner you are debt free the sooner you have increased freedom
 - Switch your job
 - Quit your job
 - Get your new boat with cash



- Student Loan refinancing – information and links to save \$\$\$:
 - <https://whitecoatinvestor.com/student-loan-refinancing/>

- Information and calculators for student loans:
 - <http://www.youcandealwithit.com/borrowers/calculators-and-resources/estimator/index.shtml>
 - <https://studentaid.ed.gov/sa/repay-loans/understand/plans>
 - <http://drwisemoney.com/2016/03/31/pslf-why-repaye-may-not-be-the-best-plan/>
 - <https://www.whitecoatinvestor.com/student-loan-advice/>

- Information on retirement
 - [http:// www.bankrate.com/calculators/savings/save-million-calculator.aspx](http://www.bankrate.com/calculators/savings/save-million-calculator.aspx)
 - <http://www.mrmoneymustache.com/2012/01/13/the-shockingly-simple-math-behind-early-retirement/>

- Budgeting
 - <https://www.youneedabudget.com/>
 - <https://www.everydollar.com/>
 - <https://www.mint.com/>

Questions?

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