

Finances for Early Career

Arjun B. Sood, MD
Vitreoretinal Surgery and Uveitis
Retina Associates of Western NY, P.C.

1

Outline:

- General Personal Finance Principles
- General Personal Finance steps
 - Protect against financial catastrophe
 - Estate Planning
 - Emergency fund
 - Student Loans & Debt management
 - Retirement

2


Personal Finance Principles

- As a physician, you have a tried and true pathway to wealth and financial independence
- Resist the urge to inflate spending too quickly with new attending salary
- Do NOT deprive yourself. Physician burnout is real. Delaying gratification will add to that.

3

Personal Finance Principles

- Pay yourself first – set aside salary towards retirement and other savings
- Learn about basic personal finances (even if you have a financial advisor)



4

Personal Finance Steps

5

Protect against financial catastrophe

- What's my plan to support myself (and family) if I can't earn money due to disability?
 - Disability Insurance
- What's my plan to support loved ones if I pass away?
 - Life Insurance
- Asset Protection
 - Umbrella Policy
 - Health, Auto, Homeowners/Rental, Malpractice

6

Disability Insurance

- “Own occupation” – if you’re unable to perform the occupation for which you’re trained, you are considered disabled
- Individually-owned (Priority)
 - Non-cancellable with guaranteed, fixed premiums
 - Policies are portable – can take them even if you depart your employer
 - Benefits are non-taxable since premiums are paid with after-tax dollars
 - Policy Riders – cost of living adjustment (COLA), future increase option (FIO), Student Loan Protection
- Employer – offered by some employers. Benefits are often taxable

7

Life Insurance

- Individually-owned
 - Term Insurance (Priority)
 - Permanent Insurance (Variable, Universal, Whole Life)
- How much Term Insurance do I need?
 - 3 Million coverage for 30 years
 - Can “ladder” your policies
 - 1 million for 10 years
 - 1 million for 20 year
 - 1 million for 30 years

8

Asset Protection

- You are a physician, and you will always have a target on your back
- Health, Auto, Homeowners, Malpractice
- Umbrella Policy (extra personal liability to cover home and auto)

9

Estate Planning – Why?


- Provides a plan for how you want your finances, health and property managed when you are unable due to illness, disability or death.
- Provides a guardianship plan for minor children



10

Basic Estate Plan:

- Financial power of attorney
- Healthcare Proxy
- Living will (advanced directive) – covers preferences for end-of-life care
- Will – provides instructions to transfer assets, appoint guardianship for minor children, and name an executor to oversee the estate of the deceased.



11

Emergency Fund

- Why?
 - Unexpected expenses: medical emergency, car/home repair
 - Loss of job/period of unemployment
- How?
 - Create a budget
 - Set aside 3-6 months of your expenses
 - High-yield savings account is a good for money you need to keep liquid

12

Debt management

Prioritizing Paying Off Debt for Physicians

Low Interest Rates	Middle Interest Rates	High Interest Rates
Below 4% interest	4% to 7% interest	7%+ interest
Will likely have a better ROI investing instead of paying off	Balance ROI potential with personal goals*	Will likely ROI better to pay off early*

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13

Debt management

- Eliminate High Interest Debt (credit card, car loan)
- Home ownership (plan for it) – if new to the area, better off doing a lease prior to buying.
- Wait to buy the “doctor” home
- “Lifestyle Creep” – while you can afford a newer car, luxury items etc. it is wise not to increase spending in proportion to income

14

Student Loans:

- 2023-2024: Average debt medical school graduates \$264K

Year	Average Debt	Adjusted for Inflation
1978	\$13.5K	\$64.5K
1988	\$38.5K	\$102K
1998	\$85.2K	\$163.9K
2008	\$154.6K	\$220.7K
2019	\$199.2K	\$243.5K

Source: AAMC

15

Student Loans

- Standard repayment plan for federal loans is a fixed monthly payment plan that lasts up to 10 years
- Public Student Loan Forgiveness: Program that forgives debt issued by Federal Gov't after 120 payments
 - To be eligible, physicians must be employed by a non-profit, tax exempt 501(c)3 (i.e., university hospitals & community hospitals, VA, military)
 - The borrower must be enrolled in an income driven repayment plan

16

Not eligible for PSLF

- Refinance your government education loans to private student loans (SoFi, Laurel Road etc.)
- Once you go private, you can't go back to federal loans and take advantage of associated programs (PSLF)

17



18

Retirement – Employer Sponsored

- Tax advantaged accounts
 - 401K – for private, for-profit institutions
 - 403B – for non-profit, schools, hospitals, etc.
 - 457B – for government entities
- Many employers offer a “match” – should at least make minimum contributions to qualify for match
- Roth vs Traditional (some plans offer both)
 - Traditional – contributions funded with pre-tax dollars → grow tax-deferred → pay taxes when you withdraw
 - Roth – contributions funded with post-tax dollars → grow tax-deferred → tax-free withdrawal

19

Health Savings Account (HSA)

- HSA
 - “Triple Tax Advantage”
 - pre-tax dollars
 - tax-free growth
 - not taxed when used for qualifying healthcare expenses

20

Other Considerations:

- 529 – state sponsored plan designed to save for and invest in educational expenses (children)
- Cash Balance Plan – offered by some private practices
- Taxable accounts for excess savings

21

Should you DIY or hire a Financial Advisor?

- Financial Advisor fees can vary:
 - Pay set annual fee
 - Pay hourly rates
 - Fee based on Assets Under Management (usually breakpoints)
 - 0-2 Million has 0.85% fee
 - 2-5 million 0.75% fee
 - 5+ million 0.5% fee

22

Resources

- White Coat Investor
 - <https://www.whitecoatinvestor.com/>
 - Book and Online Course
- Physician Side Gigs
 - <https://www.physiciansidegigs.com/>



23

Questions / Thank you!

- arjunbsood@gmail.com

24