


Managing Finances as an Early Career Urologist

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FINANCIAL BURDENS THAT WERE NOT PRESENT IN RESIDENCY/FELLOWSHIP

- Student loan repayment
 - Disability insurance
 - Life insurance
 - Higher tax burdens
 - Retirement investing
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STUDENT LOAN REPAYMENT

- Try to get aggressive with repayment
- Avg student loan including undergraduate is \$241,000
- Avg interest rate is 4.3%
- Avg monthly payment for 10-year payoff is \$2,480
- Remember, the interest on student loans is not tax deductible like many of your other loans (ie. Mortgage, business loans)

DISABILITY INSURANCE

- Make sure you update your policy to account for higher income
- Make sure you have on own-occ (own occupation) policy
- Be weary of long benefit periods and short elimination periods
 - Benefit period to 65yo is typically more than adequate
 - Elimination period of 180 days is OK as long as you have built up your “emergency fund”
 - Longer benefit periods (ex: age 70) and shorter elimination periods (ex: 90 days) lead to large commissions for the insurance agent
- Rule: 2-6% of your policy’s monthly income benefit
 - Ex: 4% of a \$5,000/month benefit policy would = \$200/month premiums

LIFE INSURANCE

- Term Life Insurance policies are typically all you should need
- Make sure you need life insurance before you purchase a policy
 - If you're single, you may not need life insurance
- They're cheap
 - A healthy 35yo can get a \$2 million, 30-year term policy for around \$150/month
- Don't let a salesperson "sell" you a whole life policy
- Your first insurance policy should not be a permanent life product

TAXES

- You're now paying more taxes before your money every hits your bank account
- Don't budget based on your salary, budget based on your net income after your tax liability
- Avg resident salary is \$63,000
 - Assuming 2 dependents and standard deductions
 - Affective tax rate is 0.2% (\$150)
- New urologist's salary of \$250,000
 - Same assumptions, affective tax rate is 15.2% (\$38,000)
- New urology partner salary of \$550,000
 - Same assumptions, affective tax rate is 24.6% (\$135,000)

- Bottom line....As a resident you're used to budgeting based on your salary. This will need to change once your income increases.

INVESTING

- Max out your 401k first
 - \$19,500 (2021)
 - \$58,000 (total allowed contribution with employer match for 2021)
 - Consider making your \$19,500 a Roth contribution every year instead of a traditional 401k contribution
- Max out the “backdoor Roth IRA contribution”
 - \$6,000 (2021)
- Before you start investing in taxable “non-qualified” accounts, try to eliminate bad debt first
 - Credit cards
 - Home mortgage above \$750,000 (mortgage interest up to \$750,000 is tax deductible)
 - Student loan debt does not count against your credit, but the interest isn’t tax deductible either
 - Pay off loans with “non - tax deductible interest” first.
 - Example:
 - Mortgage 3.75% (affective rate of 1.9% after tax deduction)
 - Student loan 3.25% (no tax deduction)
 - Practice buy-in loan 5.0% (affective rate of 2.5% after tax deduction)

TOP – DOWN BUDGETING

- Mortgage and Escrow
- Student loans
- Cars
- Utilities and food
- Private school, daycare, or babysitting
- Funding your backdoor Roth IRA (\$6,000)
- Funding your emergency fund and travel fund
- Private insurance (term life and disability)
- Funding other non-qualified investments (investment accounts, rental property, real estate, ASC or hospital etc)
- WHAT'S MISSING???
- Discretionary spending, insurance, property taxes, hobbies, activities for the kids, events and gifts etc

- MAIN TAKE AWAY – What seems like a lot of money with a higher salary, quickly gets eaten up. However, if you are disciplined with your “Top – Down Budget”, then you know you’re on track for your retirement goals and this allows for guilt free spending with the bottom portion of the budget.

TOP 7 FINANCIAL ERRORS DOCTORS MAKE (WHITE COAT INVESTOR)

- 1) Poor Debt Management
 - Student loans, car loans, credit card loans, vacation loans, poorly designed mortgages
- 2) Inadequate Savings Rate
 - Don't live within your means, you must live below your means to invest, pay down debt, and build net worth
 - The general rule of saving 10% is OK for people that have 40 years to save for retirement, but this is not enough for doctors
 - Doctors only have 30 years to save, so this needs to be at least 15% if retiring at age 65
 - Want to retire early? Then it needs to be 20-25%
- 3) Inappropriate Tax Management
 - First max out your 401k and backdoor Roth IRA before making other investments
- 4) Personal and Professional Divorce
 - "one house, one spouse". Physicians as a whole have a 24% divorce rate
- 5) The Wrong Insurance
 - Insurance you probably need: \$1-\$3 million Term Life, \$7,500-\$15,000/month own occ disability, \$1-\$3 million umbrella, \$1-\$3 million malpractice
 - Insurance you probably don't need: cash value life insurance (whole/variable/universal life), group disability, low deductible on homeowner's and car insurance

TOP 7 FINANCIAL ERRORS DOCTORS MAKE (WHITE COAT INVESTOR)

- 6) Expensive Investing

- Many doctors pay 1-2% a year in investing advice. Either spend some time and learn about investing and find a reasonable priced advisor
- If investing \$50,000/yr, for 30 years, at a 5% return after inflation, paying 2% in advisor fees equals \$1 million.

- 7) Loaning Money

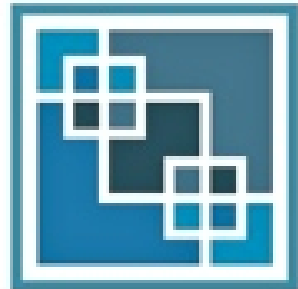
- You're "the rich doctor" now, so friends and family may come calling.

RESOURCES (LINKS WILL BE EMAILED)

- The White Coat Investor
 - Whitecoatinvestor.com
- Wealth Keel LLC, financial advisors
 - Wealthkeel.com
- Resources from the AMA
 - <https://www.ama-assn.org/residents-students/resident-student-finance/5-financial-planning-tips-every-young-physician-should>
 - <https://www.ama-assn.org/practice-management/career-development/5-ways-partner-physician-friendly-financial-advisor>
 - <https://www.ama-assn.org/residents-students/resident-student-finance/top-personal-finance-tips-experienced-physicians>
 - <https://www.ama-assn.org/practice-management/career-development/do-you-have-6-traits-financially-prepared-physician>
 - <https://www.ama-assn.org/practice-management/career-development/how-kick-your-financial-plan-high-gear>
- Non-AMA Resource
 - <https://www.kevinmd.com/blog/2020/12/why-do-physicians-fail-to-focus-on-their-personal-finances.html>

WHAT'S ON YOUR MIND?

- Partnership Buy-in
- Real Estate Buy-in
- Ancillary Investments (ASC's, Hospitals, Lithotripsy, Equipment Leasing)
- Asset Protection



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