



# Financial Planning for Physicians

Harvard Medical School

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# Introductions

- 8th year speaking at Harvard
- Focus: Residency to retirement
- Doctors all around the united states
- Specialty: financial literacy for new professionals



# Session Goals

- What should you be thinking about prior to graduation?
- Understand the financial issues pertinent to a medical student/resident
- Prioritize the issues
- Create an action plan
- Offer a personalized consultation



# Benefits

Get you started

Create strong  
habits now to  
last a lifetime



Prepare you for the  
1<sup>st</sup> of 3 Financial  
Hotspots

Start to plot the  
course of your  
financial life

# The Financial Pyramid



# Budgeting Basics

What comes in  
- What goes out  

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The Difference!



# Create a Budget

1. Identify your goals (write them down)
2. Estimate income ([paycheckcity.com](http://paycheckcity.com))
3. Understand your liabilities and expenses
4. Earnings - expenses = discretionary income
5. Prepare multiple “trial budgets”
6. Review how decisions impact the result



# Budgeting Basics

## Fixed Monthly Expenses

	Current
Mortgage payment or rent	
Automobile note	
Credit cards	
Life insurance	
Disability insurance	
Renter's Insurance	
Homeowner's insurance	
Automobile insurance	

## Discretionary Monthly Expenses

Other/Public transportation	
Personal care	
Automobile gas	
Entertainment/dining	
Recreation/travel	
Gym membership/Association dues	
Hobbies	
Gifts / Donations	
Miscellaneous	

## Variable Monthly Expenses

	Current
Electricity	
Gas	
Telephone	
Water	
Cable TV	
Internet	
Food	
Licensing/Testing	
Clothing	
Laundry	
Child care	
Annual Miscellaneous	



# Example

\$55K of income (after taxes, benefits etc.) = \$3,300

IBR payment (\$375)

Rent – 1 bedroom apartment (\$1,200)

Utilities, groceries, auto gas, cable, cell (\$750)

Entertainment, travel, clothes (\$250)

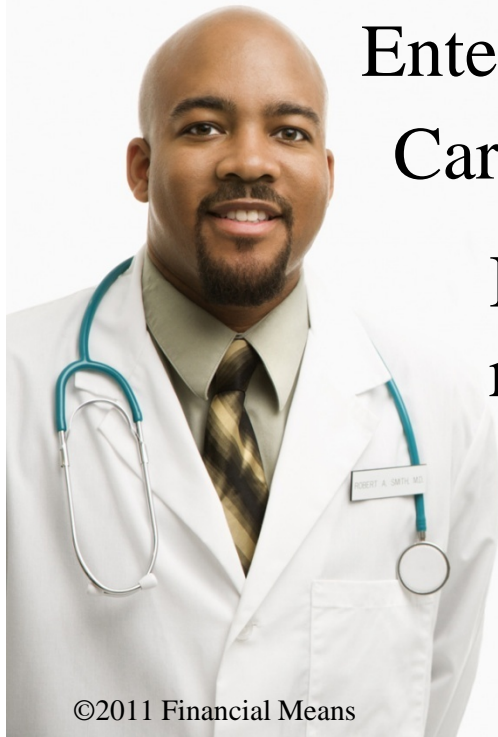
Car payment @\$10K/5%/5 yrs (\$189)

Basic Insurances (auto,  
renters, disability, life) (\$300)

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Discretionary Income = \$236



## Example #2 – Importance of trial budgeting

\$55K of income (after taxes, benefits etc.) = \$3,300

IBR payment (\$375)

Rent – 2 bedroom apartment w/ roommate (\$800)

Utilities, groceries, auto gas, cable, cell (\$650)

Entertainment, travel, clothes (\$200)

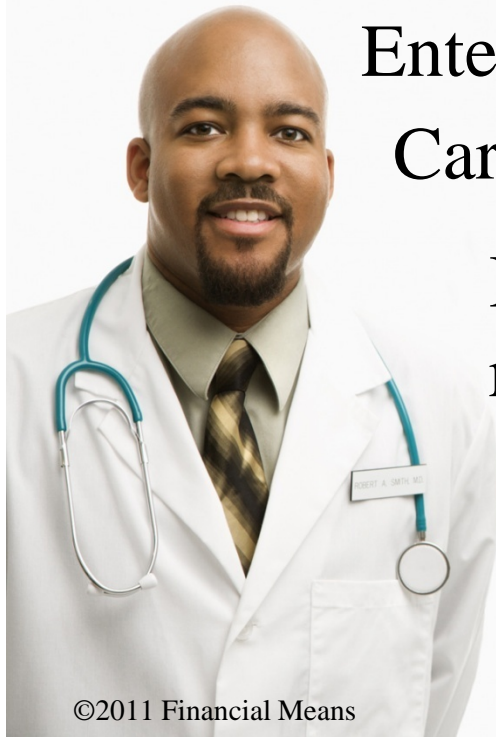
Car payment @\$10K/5%/5 yrs (\$189)

Basic Insurances (auto,  
renters, disability, life) (\$300)

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Discretionary Income = \$786



# Track Your Budget



Software

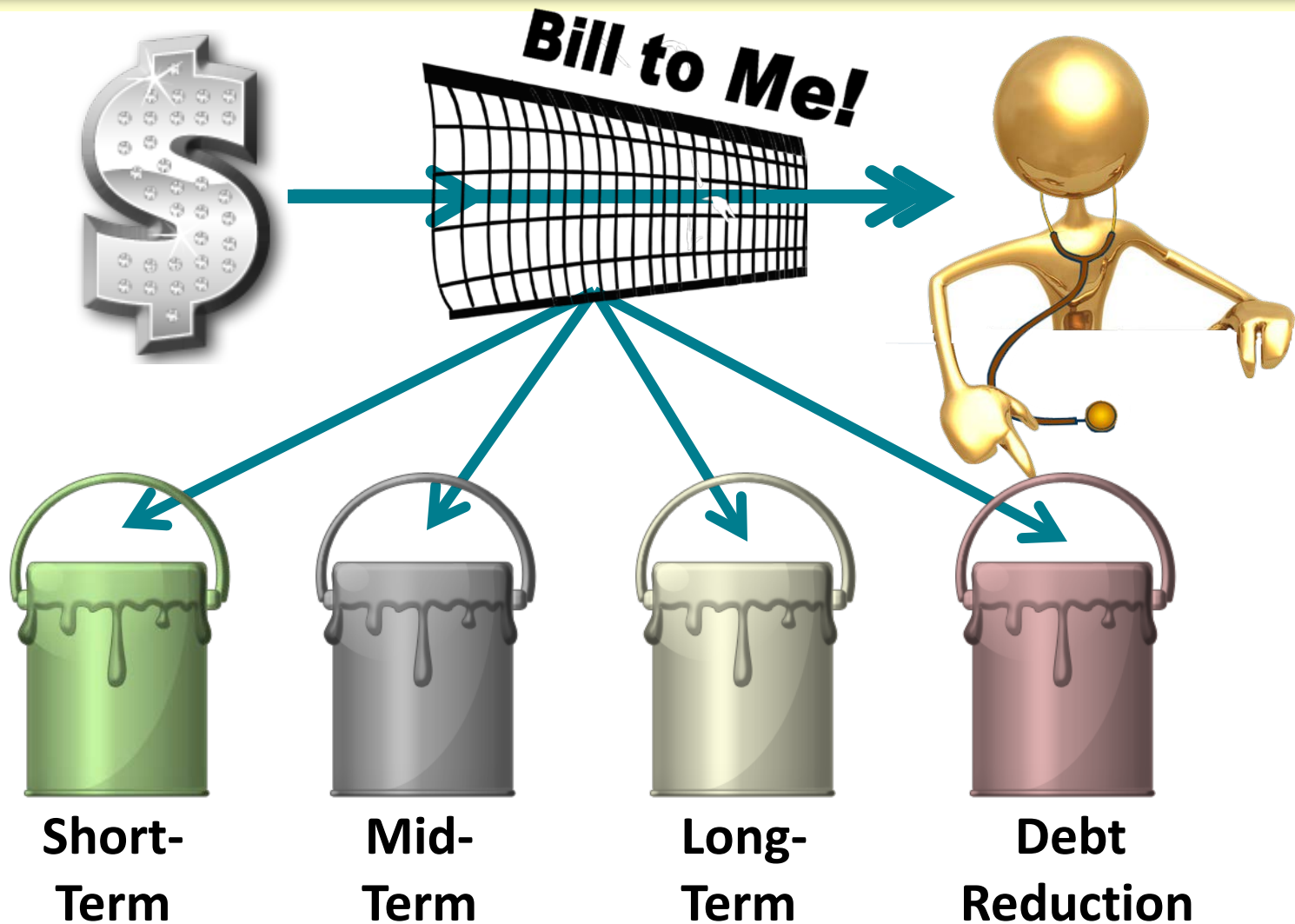


Pen & Paper



Internet

# Pay Yourself First





# Protect Your Credit

- Open your mail
- Know your debt
- Occasionally review ALL 3 scores and reports:
  - Equifax
  - Transunion
  - Experian
- Be organized



# Debt







# Debt

- Everyone has a different situation and philosophy
- Pay off debt without sacrificing savings
- The rule of 72 and compounding interest
- Be organized
- Create a debt consolidation spreadsheet
- Review re-payment options, everyone is different

**\*The rule of 72 is based on a hypothetical example that is not guaranteed. It does not represent any specific investment and there is no assurance that your funds would double.**

# Why Disability Insurance

- Provides an income to an individual who is sick or hurt and cannot work
- Critical protection for
  - Professionals
  - Owners of small business
  - Executives
- Discounted coverage available before leaving Harvard



# Purchase Individual Insurance Before Graduation

- Protect your post residency salary now
- Hospital provided “Group” coverage is not adequate
- “True own occ” vs. “modified own occ” definition based on specialty
- Insures your ability to work in “Your Occupation”




# Importance of Individual Insurance vs. Group Coverage



- You own it - Non-cancellable and Guaranteed renewable
- Portable – goes with you wherever you go
- No premium increase or changes to policy
- Ability to increase coverage
- Tax free benefit paid in addition to group coverage



# Risk Management

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- ✓ Life insurance
  - ✓ Renters insurance
  - ✓ Health insurance provided by employer
  - ✓ Malpractice covered by employer
  - ✓ Property and casualty (Auto, Home, etc.)

# Typical Retirement Options

## IRA

### Individual Retirement Account

- \$ Mutual Funds typical investment vehicle
- \$ Tax benefits **going in** and while growing
- \$ Age requirements

## Roth IRA

- \$ Type of IRA
- \$ Tax benefits while growing and coming out
- \$ Phased out as income increases (good for during residency)

## 401K

### Employer-Sponsored Retirement

- \$ Contribute to own account
- \$ Tax benefits **going in** and while growing
- \$ Age requirements
- \$ Higher contribution limits

## 403B

- \$ Functions like 401K
- \$ For educational institutions and some non-profit employees



# What Do I Do Now?

- Create an action plan and get started
  - Review check list in your folder
  - Take the next few months to “step back”
  - Making decisions in the  
in the context of a plan is  
always best
  - Monitor and review



# QUESTIONS?

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# THANK YOU!!!