

I Have an Attending Salary, Now What? Financial Wellness for Early Career Physicians

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Financial Disclosures/Conflicts of Interest

None to disclose

Before We Start...Disclaimers

I'm not a financial professional

I am a medical professional interested in personal finance

This talk is not meant to be an individual prescription for financial wellness

This is interactive and is meant to foster discussion.

This talk is meant to provide an overview of a few important topics that I think all physicians should think about



What We Are Going to Cover...

Financial Basics

- Budgeting
- Credit

Saving / investing

- Compounding
- Types of plans
- Fees

Insurance you need

- Disability
- Health
- ? Life

Student Loans

- Federal Loans
- Private Loans
- Tips for Management

Final Thoughts...

Budgeting and Credit

THE VANILLA OF FINANCIAL WELLNESS. NOT EXCITING, BUT YOU NEED IT FOR A LOT OF RECIPES...

How Do I Budget?

1. Figure out your income: good news, it's on your pay stub!
2. Figure out your expenses
3. Compare expenses to paycheck
 - Is it positive, is it negative?
 - Do you have around a 10% cushion for flex \$
 - What about savings?
4. Determine future goals and adjust

Reasonable(ish) Estimates

| Expenses | Single (% pretax) | Married (% pretax) | Parents (% pretax) |
|------------------------|-------------------|--------------------|--------------------|
| Housing/utilities | 20-23 | 23-25 | 22-25 |
| Taxes | 17-19 | 18-20 | 19-21 |
| Savings, investment | 8-9 | 8-10 | 7-8 |
| Food | 8-9 | 8-9 | 8-9 |
| Debt payments | 8-9 | 4-5 | 1-2 |
| Vacation/entertainment | 7-9 | 7-8 | 5 |
| Car/gas/transport | 7-8 | 6-7 | 4-5 |

Easiest Option

Set up two accounts

- One account for necessities: Housing, transportation, food, utilities, +/-loans, insurance payments
- One account for extras: Vacations, eating out/beer budget
- Set amount deposited to each account so you can see your extras budget for the month separate from your necessities

Easy-Intermediate Option

Mint: Links accounts to one site

- Banks
- Investments (including UPMC's retirement)
- Student loans
- Car worth (including depreciation over time)
- Credit cards

Automatically funnels expenses into appropriate budget area.

Intermediate Option



What is Credit?

Agreement between you and a company

- They have money
- You borrow money
- You pay back money +/- interest

How much you get and at what interest rate is determined by how risky of an investment you are

What Factors Affect Your Credit?

Medium to High effect

- Length of credit—a reason to not close your credit accounts
- Credit usage
- Payment history—don't miss those bills
- Collections—seriously don't miss those bills

Low effect

- Total accounts
- Credit inquiries
 - Note: If shopping for something big get your multiple quotes within two week window)

Two Ways to Keep An Eye on Credit

Annualcreditreport.com

(NOT freecreditreport.com)

Three reporting agencies

- Experian
- Transunion
- Equifax

Can get one free for each reporting agency.
Order one q4 months

Credit Karma

- Has neat tools to see how your credit would be affected by certain changes.

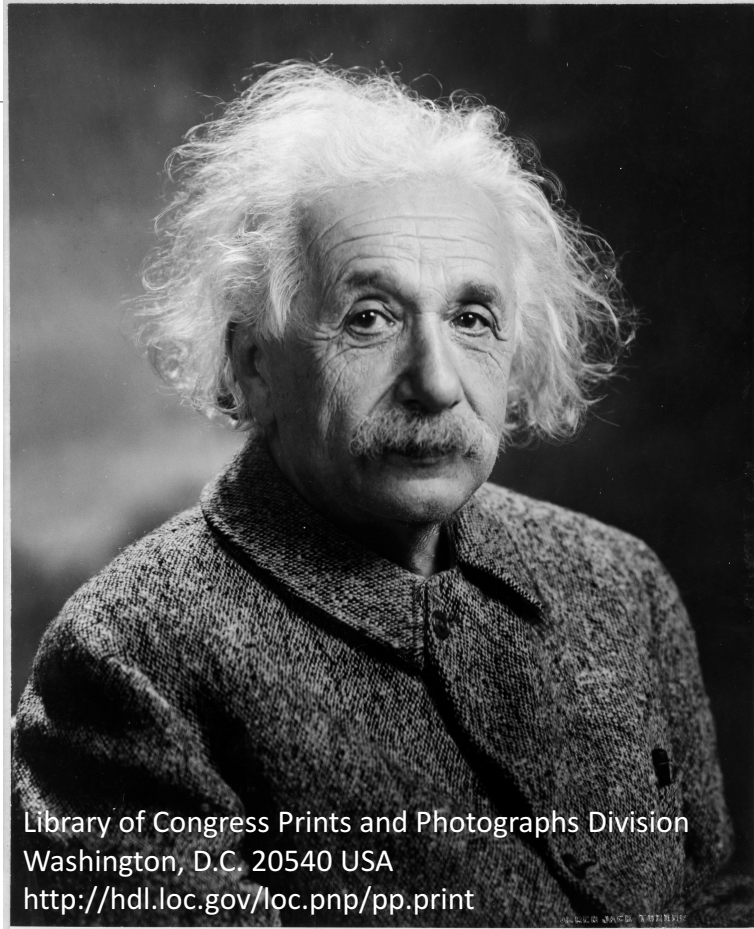
Back to Topics



Retirement Planning

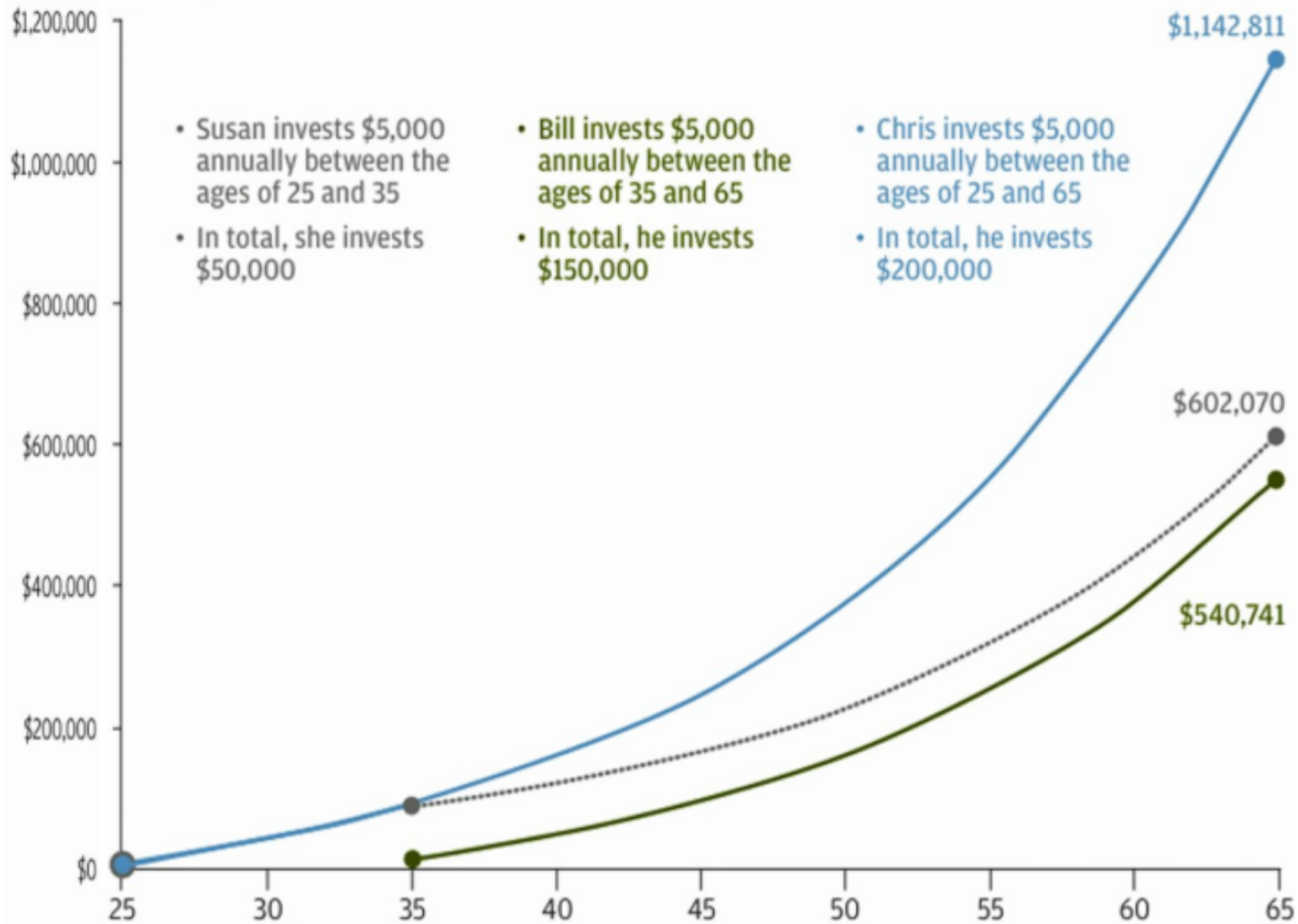
GIVE YOURSELF OPTIONS LATER IN LIFE

A solid orange horizontal bar at the bottom of the slide.



“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.”

Growth of savings accounts



Types of Retirement Accounts

Employer sponsored (Qualified plan): 401(k) or 403(b)

- Tax deferred
- **Your employer matches some of your contributions = Free Money**

Individual Retirement Account

- Tax deferred
- Types:
 - Roth IRA
 - Traditional IRA

Non-retirement investments

- (Won't be talking about these today)

Individual Retirement Accounts

You can fund these IN ADDITION to an Employer Sponsored Plan

Roth IRA

Income limited

Taxes

- Post tax contribution
- Withdrawal tax free at retirement including earnings

Traditional IRA

Any income level

Taxes

- Pre or post tax contribution depending on eligibility
- Withdrawal taxed at retirement income level

**Retirement
Plan**

Savings Plan

- 50% match on up to 4% of deferral of salary. ← **\$1,091.16**
- Can contribute immediately at date of hire.
- Eligible for match beginning the January 1 or July 1 after age 21 & paid 1,000 hours
- 3-year vesting period for matching contribution.
- Pre-tax employee contribution limit for 2016 is **\$18,000 or \$24,000** if age 50 or older by **12/31/16**. This amount must be aggregated if more than one employer.
- **After-tax contributions permitted; if faculty is considered Highly Compensated Employee (HCE) may be limited to 6% after-tax contributions in 2016.**
- For 2016, Participants will be eligible to receive matching contributions under the Plan until the IRS limit of \$265,000 worth of pension eligible earnings has been reached.
- Information regarding investment options, including Target Retirement Funds, to invest your contributions and UPMC's matching contributions are available via My Hub/My Retirement. Information about the funds and their past performance is available on the Your Benefits Resources Web site accessible via My HUB

Vesting Period



Amount of time before employer sponsored benefits (such as retirement contributions) become yours

HOWEVER:

Most plans are opt in

- **An employee (YOU!) must specify that they want to participate**

How to Pick A Fund

Beginners

Easiest: Pick retirement year, select fund with designated year (e.g Vanguard 2050)

Easy: Funds labeled “index” are designed to follow the market

You can always change later

Advanced

Research offered funds

Basic Morningstar ratings are available online for most offered funds through UPMC

Create mix based on interests

You can always change later



The source for UPMC human resources & financial data.

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[My Lin](#)

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- [View/update payroll information](#)
- [View pay statement](#)
- [Bank accounts](#)
- [Residency Certification Form](#)

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- [View benefits information](#)
- [Benefits enrollment](#)
- [MyHealth OnLine \(Medical/Dental/FSA\)](#)
- [My retirement](#)
- [My voluntary ben](#)
- [Medical Plan Calcula](#)

My Profile

- [View/update personal](#)
- [View job information](#)
- [View performance r](#)
- [Disaster preparedn](#)
- [COI](#)
- [Emergency Notificati](#)

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- [View pay statement](#)

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- [Report a Leave](#)
- [Report a Disability or Work Relate](#)

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- [Total compensation statement](#)
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Click on "My Retirement"

Welcome, Alexandra L
By using this site, you ackn

Hover over "Savings and Retirement" and click "Change Contributions"



to your

 **1** **2** **3**

Will You Be Ready to Retire?



It can be hard to figure out how much you'll need and what you can do to get ready to retire.

Fees

Administrative Fees

Charge to administer plan

Generally, a flat monthly or yearly rate (UPMC 0.11% yearly)

CAN CHANGE IF YOU TERMINATE EMPLOYMENT (UPMC \$7.50 quarterly)

Asset-based fees

% charge to fund

UPMC Min ~ 0.02-0.10%

UPMC Max ~0.87-0.92%

| Age | X Salary | X Salary (Adjusted) |
|-----|-------------------|--|
| 25 | 0 (no money yet!) | 0 (no money yet!) |
| 30 | 0.5 x | 0.5x Residency/fellowship salary |
| 35 | 1 x | 1 x Weighted average of resident/attending salary |
| 40 | 2 x | 2 x attending salary |
| 45 | 3 x | 3 x |
| 50 | 4 x | 4 x |
| 55 | 5 x | 5 x |
| 60 | 6 x | 6 x |
| 67 | 8 x | 8 x |

Adapted from Fidelity Age-Based Guidelines

To Look at It a Different Way...

BUILDING A MILLION-DOLLAR RETIREMENT ACCOUNT

Daily or monthly investments suggested to build \$1,000,000 by age 65.

| STARTING AGE | DAILY SAVINGS | MONTHLY SAVINGS | YEARLY SAVINGS |
|--------------|---------------|-----------------|----------------|
| 20 | \$2.00 | \$61 | \$730 |
| 25 | \$3.57 | \$109 | \$1,304 |
| 30 | \$6.35 | \$193 | \$2,317 |
| 35 | \$11.35 | \$345 | \$4,144 |
| 40 | \$20.55 | \$625 | \$7,500 |
| 45 | \$38.02 | \$1,157 | \$13,879 |
| 50 | \$73.49 | \$2,235 | \$26,824 |
| 55 | \$156.12 | \$4,749 | \$56,984 |

SOURCE: David Bach, "Smart Couples Finish Rich"

BUSINESS INSIDER

Step By Step

1. Participate in employer sponsored plan as soon as possible **(OPT IN!)**
 - Automatic (paycheck) withdrawal
2. Maximize match in 401/403(b) plan
3. Start Roth (depending on income) or traditional IRA and fully fund if possible (\$5500 per year limit)
4. Increase contribution in employer sponsored plan so total savings is 10-15% of income (including match)
 - Start low (\$100-200/month)
 - Goal: \$20,000-\$25,000 as an attending
5. Minimize fees

Back to Topics



Insurance

YOU KNOW...JUST IN CASE...

Types of Insurance

Required by Law

- Auto
- Home-owners

Must Haves

- Disability
- Health

Possibly Important

- Renters
- Life

Insurance for where you live

Renters

- Not required, but RECOMMENDED
 - Your stuff
 - Liability
 - Depends on value of your stuff
-
- **Often less than \$200 for the year for \$50,000 worth of coverage

Homeowners

- Required
- Covers: Home and your stuff
- Liability
- Depends on your home/stuff value

Life Insurance

Covers:

- Death benefit (you die, they pay)

Costs:

- TERM costs vary – shop around

Worth it?

- YES if you have dependents
- FYI, private students loans are NOT discharged if you die

Disability Insurance

Covers:

- Monthly benefit if you cannot work
 - Tax free if you buy an individual plan
- Generally, you can buy 60% of you salary IN ADDITION to any employer coverage

Cost:

- Cheaper when you are young

Worth it?

- YES. It will never be this cheap again

Medical Insurance

Good news. You have this!



Medical Insurance Terms

Premium

- Cost of the plan – generally monthly

Deductible

- A set amount that an individual/family must pay out of pocket before plan covers 100%
- Doing a *healthy step* program can lower the deductible

Co-payment

- A dollar amount you must pay a provider for service
- May be zero for preventative care, but greater for more specialized or unscheduled care

UPMC Advantage Gold Example

| | Joe | | Sam | | Sam's son | |
|-------------------------|-------------------|------------------|--------------------|-------------------|-------------------|------------------|
| Claims | \$3050 | \$3050 | \$25050 | \$25050 | \$5000 | \$5000 |
| Deductible PAYMENT | \$1350 | \$350 | \$1350 | \$350 | \$1350 | \$350 |
| Co-insurance % | 10% | 10% | 10% | 10% | 10% | 10% |
| Co-insurance PAYMENT | \$170 | \$270 | \$2370 | \$2470 | \$365 | \$465 |
| OOP Max | \$1750 | \$1750 | \$1750 | \$1750 | \$1750 | \$1750 |
| Total payment | \$1350 + \$170 | \$350 + \$270 | \$1350 + \$1750 | \$350 + \$1750 | \$1350 + \$365 | \$350 + \$465 |
| | \$1520 | \$720 | \$1750 | \$1750 | \$1715 | \$815 |

Back to Topics...



Loans



IT DOESN'T HAVE TO BE THAT DEPRESSING...

Federal Loans

When to pay:

- Now if you can, defer if you can't and you qualify

Factors involved:

- Career plans
- Other loans with higher rates
- Family finances

Discharged if borrower dies:

- Yes

Private Student Loans

When to pay: Now, ASAP

Factors involved:

- Higher than federal rates for most borrowers
- About 20% with great credit might have qualified for rate on par with federal loans

Discharge if borrower dies:

- Sometimes, sometimes not

Tips for Management

Keep your own records

- Servicer changes (I have had 4 since loans disbursed)
- Plan for any loan forgiveness
- Paperwork needed for deferment

Know your loan terms

- Pay on highest interest loan first
- If you have terms that allow for interest free deferral during training, take it

Know Your Terms

| Type of Loan | Amount | Rate | Deferment/Grace Terms | When I started paying |
|----------------------------|-------------|--------|---|-----------------------|
| Federal Subsidized | \$33,813.51 | 6.125% | 6 months post graduation | November 2009 |
| Federal Unsubsidized | \$76,287.43 | 6.125% | 6 months post graduation | November 2009 |
| Institutional (Vanderbilt) | \$58,600.00 | 5% | Interest free deferment while in training | July 2015 |

Tips for Management: Pay on Time, Pay What You Can

| Monthly Payment | Extra principle payment? | Payment End Date | Total Interest Paid |
|-----------------|--------------------------|------------------|---------------------|
| \$621.00 | No | July 2025 | \$16089.27 |
| \$650 | No | January 2025 | \$15033.90 |
| \$650 | \$1000 July 2015 | October 2024 | \$14636.72 |

Back to Topics



Parting Thoughts

WHEW ALMOST DONE...

Take Home Points

- Know the data: know your loan terms, know your take home pay etc
- If you aren't where you want to be, make small steps
- Use resources (see next slide) as well as each other
 - UPMC/CHP: Talk to your benefits coordinator if you have questions
 - LifeSolutions: Has online information as well as opportunity to meet in person

Resources

[YNAB.com](https://ynab.com)

[Mint.com](https://mint.com)

[Annualcreditreport.com](https://annualcreditreport.com)

[Creditkarma.com](https://creditkarma.com)

[Whitecoatinvestor.com](https://whitecoatinvestor.com)

<https://www.khanacademy.org/economics-finance-domain/core-finance>

<https://www.emra.org/resources/life-as-an-ep/personal-finance-tips/preparing-for-life-after-residency--a-financial-planning-primer/>

