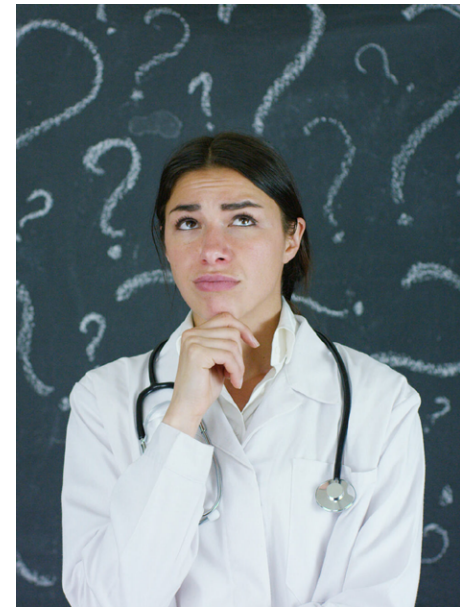


Navigating Financial Success During Medical Residency: Your Ultimate Guide to Financial Wellness as a Medical Resident



In the demanding world of medical residency, where long hours, high stress levels, and limited financial resources prevail, there exists a pressing need for comprehensive financial education. Throughout my extensive experience working closely with physicians, spanning from their residency years to well into their established practices, I have witnessed firsthand the overwhelming challenges that medical residents face. The arduous nature of residency leaves little time for self-education on financial matters, exacerbating the stress associated with managing personal finances effectively. Recognizing these critical factors, this research paper aims to provide valuable insights obtained through in-depth interviews conducted with seasoned OB/GYN attending physicians across various locations in the country. By sharing the experiences and wisdom of these healthcare professionals, this paper serves as a guide map, offering practical knowledge and actionable advice that can empower medical residents to navigate the intricate realm of personal finance amidst the demanding residency environment.



BUDGETING

- prioritize necessities**
- manage debt**
- build emergency savings**
- work towards long-term financial objectives**

Creating a monthly budget is crucial, especially as medical residents begin receiving their first paychecks. It may be the first time in their adult lives that they experience a regular income stream. Given that residency salaries are generally modest relative to the cost of living in many communities, establishing a budget becomes even more important. The limited income during residency can make it challenging to achieve a normal standard of living, which requires careful financial planning and budgeting.

Residency can be a stressful period, and some individuals may be tempted to make impulse purchases or “splash” spending to find moments of happiness amidst the demanding workload. However, it’s essential to recognize that such impulsive purchases, if they exceed the monthly budget, can lead to unnecessary debt and additional stress. While these purchases may provide fleeting joy in the moment, the long-term consequences can significantly impact financial stability.

By setting up a monthly budget and sticking to it, medical residents can effectively allocate their limited income to essential expenses and financial goals. Budgeting provides a sense of control over finances, allowing residents to prioritize necessities, manage debt, build emergency savings, and work towards long-term financial objectives. It is crucial to maintain discipline and make informed decisions when it comes to spending, ensuring that the budget remains balanced and aligns with individual financial circumstances and goals.

EMPLOYER BENEFITS

- health insurance
- life insurance
- dental insurance
- vision insurance
- retirement savings

Signing up for new benefits for the first time can indeed be overwhelming and cause concern. It is crucial to approach this process seriously, as the choices made can have a significant impact on various aspects of life moving forward. Key benefits to pay attention to typically include health insurance, life insurance, dental insurance, vision insurance, and retirement savings.

Having the right health insurance coverage is vital, as the wrong election can lead to higher costs when faced with a medical event. An example shared by a female OB-GYN highlights the importance of health insurance selection during residency. Her decision resulted in a \$5,000 bill for her pregnancy and related care, whereas another available option would have covered all costs with no out-of-pocket expenses. This emphasizes the need to carefully consider health insurance options and choose coverage that aligns with individual healthcare needs.

Another critical benefit to prioritize is retirement savings. Employer-sponsored retirement accounts may be available, and some employers even offer matching contributions. These matches are essentially free money, and failing to take advantage of them means losing out on valuable contributions. It is essential to read the details of retirement plans and understand the available options. If the language or details are unclear, seeking advice from a professional can provide valuable insights and ensure informed decision-making.

By approaching benefit enrollment with care and attention, medical residents can make choices that align with their specific needs and maximize the benefits available to them, promoting financial security and peace of mind.

STUDENT LOANS

- opportunity to have loans forgiven after ten years of qualifying payments while working in public service
- begin income-based repayments during residency to initiate the ten-year clock for loan forgiveness eligibility

One of the critical aspects of managing finances during medical residency is addressing student loans. The Public Service Loan Forgiveness (PSLF) program offers a valuable opportunity for medical residents to have their loans forgiven after ten years of qualifying payments while working in public service. It is crucial to begin income-based repayments during residency to initiate the ten-year clock for loan forgiveness eligibility.

Income-based repayment plans are particularly beneficial for medical residents as they offer low and affordable monthly payments based on their income. This ensures that residents can allocate a portion of their earnings towards loan repayment while still maintaining a manageable budget. By incorporating these payments into their monthly expenses, medical residents can gradually adjust and adapt to the financial responsibility, making it a seamless part of their routine.

Initiating income-based repayments early on during residency serves two essential purposes. First, it allows residents to take advantage of the PSLF program's ten-year requirement, putting them on track for loan forgiveness at the completion of their residency and subsequent years of service. Second, it helps residents develop a disciplined approach to budgeting and managing their finances, which will prove invaluable as they transition into higher income brackets and face more substantial financial obligations in the future.

DISABILITY INSURANCE

Take advantage of:

- youth
- good health
- lower rates

Securing disability insurance during medical residency is a crucial step for residents, and now is the ideal time to explore this option. There are several compelling reasons why acquiring disability insurance during residency is highly advantageous. Firstly, by purchasing disability insurance at this stage, interns can take advantage of their youth. Age plays a significant role in determining the cost of insurance and purchasing it while young allows individuals to lock in lower premiums for the duration of their coverage.

Secondly, during intern year of residency, individuals are generally in good health. This presents an opportune time to secure disability insurance as it is more likely to be accessible and affordable when one's health is at its peak. Waiting until later in life, when health conditions may arise, can lead to higher premiums or even the possibility of being denied coverage.

Another essential factor to consider is that the cost of disability insurance tends to increase annually. On average, insurance premiums rise by 4-6% each year. By obtaining disability insurance during residency, medical students can lock in lower rates, potentially saving a significant amount of money over the course of their careers.

It is crucial to work with an insurance expert who specializes in serving the physician community and understands the intricacies of designing appropriate policies. When researching disability insurance, ensure that essential policy definitions, such as Own Occupation coverage, are included. This definition protects individuals in their specific medical specialty, ensuring that if they are unable to perform the duties of their chosen occupation due to a disability, they will still be eligible to receive benefits. Taking the time to find a reputable insurance expert and carefully review policy details can prevent potential disappointment when filing a claim in the future.

INVESTING IN YOUR FUTURE

- recognize the power of compounding interest
- essential vs. avoidable debt
- invest early to leverage tax-free growth in a ROTH IRA account
- build nonretirement savings

Compounding interest, as famously described by Albert Einstein, holds incredible power when understood and harnessed. It emphasizes the importance of financial knowledge and the impact it can have on one's financial well-being. During residency, accumulating debt may be unavoidable, but it's crucial to recognize that not all debt is created equal or necessary. By distinguishing between essential and avoidable debt, medical residents can make informed decisions that minimize the burden of debt and its long-term consequences.

In addition to managing debt, investing small amounts early on can yield significant benefits in the future. Even saving as little as \$100 per month into a Roth IRA throughout all years of residency can accumulate into a substantial tax-free nest egg at retirement. It is important to note that Roth IRA accounts are typically not available to attending physicians due to income limitations imposed by the IRS. Recognizing this advantage during residency and fellowship years allows medical residents to leverage the unique opportunity for tax-free growth and financial security in the future.

Beyond retirement savings, building nonretirement savings is crucial during residency and the transition period to becoming an attending physician. Unexpected costs and financial challenges are bound to arise throughout this period, and having a well-funded emergency fund can provide a safety net during times of uncertainty. By saving diligently today, medical residents can prepare themselves for any future unexpected expenses, allowing for greater financial stability and peace of mind.

SUMMARY

- ❑ **create monthly budget and stick to it**
- ❑ **understand and maximize employer benefits**
- ❑ **address student loans**
- ❑ **secure disability insurance**
- ❑ **recognize the power of compounding interest**

In conclusion, managing finances during medical residency is a critical aspect of setting up residents for long-term financial success. This paper has provided a roadmap for residents to navigate various financial areas and make informed decisions.

Budgeting is crucial during residency as it helps residents allocate their limited income to essential expenses and financial goals. By creating a monthly budget and sticking to it, residents can prioritize necessities, manage debt, build emergency savings, and work towards long-term financial objectives. Maintaining discipline and making informed spending decisions are key to achieving financial stability.

Understanding and maximizing employer benefits is another important aspect. Choosing the right health insurance coverage and considering options like retirement savings can have a significant impact on financial security. Taking advantage of employer matching contributions and seeking professional advice when needed can help residents make informed benefit enrollment decisions.

Addressing student loans is a critical step in managing finances during residency. Initiating income-based repayments early on not only puts residents on track for loan forgiveness through programs like Public Service Loan Forgiveness but also helps develop good financial habits for the future.

Securing disability insurance during residency is highly advantageous. Purchasing it early allows residents to lock in lower premiums and take advantage of good health. Working with insurance experts who specialize in serving the physician community and carefully reviewing policy details, including important definitions like Own Occupation coverage, ensures adequate protection in case of disability.

Recognizing the power of compounding interest, residents can make informed decisions about debt and investing. Distinguishing between essential and avoidable debt minimizes the burden of debt, while investing even small amounts early on, such as in a Roth IRA, can yield significant benefits in the future. Building nonretirement savings through diligent saving helps create a safety net for unexpected expenses.

By following this roadmap and being proactive in managing their finances, medical residents can set themselves up for financial security and peace of mind, not only during residency but also in their future careers as attending physicians.



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