

Dollars & Sense

Three Things Every Young Medical Student and Physician Needs to Know (Continued)

Joel M. Schofer, MD MBA CPE FAAEM
Commander, Medical Corps, U.S. Navy



I gave this lecture at the 2017 Scientific Assembly, but there are many people who find it hard to attend the meeting, especially the target of the lecture, young medical students and physicians. In that vein, to recap last edition's article, here is the 1st thing every young medical student and physician needs to know:

1. You can't control the investment markets, so focus on the two things you can control – investment costs and your asset allocation.

Here are the 2nd and 3rd...

2. Your savings rate is the most important factor determining your eventual net worth, and it should be at least 20-30% of your gross income.

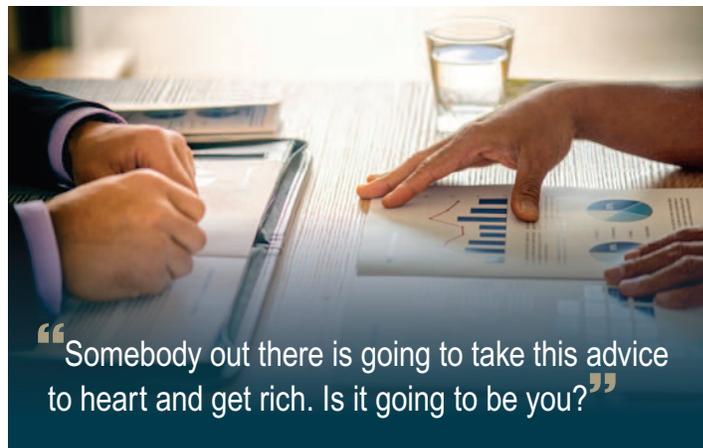
The most common recommendation you'll find or hear when it comes to saving for retirement is to save 15% of your gross or pre-tax income for retirement. There is nothing wrong with this recommendation, but built into it is the standard mentality of working until age 65 and then retiring. If you want the freedom to retire early, work as much or as little as you want, and achieve financial freedom/independence, then you will need to save much more than 15%. I've saved 30% over most of my adult life, and that's why I'm writing a personal finance column.

If you want to take a look at various saving rates and how they impact your financial life, you'll want to Google the blog post "The Shockingly Simple Math Behind Early Retirement" at MrMoneyMustache.com. There you will find a chart that shows you how many years you will have to work until you can retire based on your savings rate. If you go with the standard 15% savings rate, you'll have to work 43 years before you can retire. If you go with my 30% rate, you'll work 28 years. If you manage to save 50%, you can retire in 17 years! The more you save, the earlier you reach financial independence and can work as much or as little as you want.

The other standard advice you'll hear and read is that you'll spend approximately 80% of your pre-retirement income during retirement. For a physician with a typical high income, that can be a lot of money! You have to realize that 80% is probably high for a physician because after you retire you'll have greatly reduced expenses. This is because:

- You'll be in a lower tax bracket.
- You're no longer saving for retirement.
- You no longer need life or disability insurance.
- You've hopefully paid off your mortgage.
- Your kids are out of the house (if you had any).
- You have no more job-related expenses.
- You can give less to charity if you need to.

In the end, you can probably live off of 25-50% of your pre-retirement



“Somebody out there is going to take this advice to heart and get rich. Is it going to be you?”

income, not the standard 80%. This fact can multiply the effect of a higher than normal savings rate.

3. You are your own financial worst enemy.

Unfortunately for us, we engage in self-defeating behaviors all the time, including:

- Assuming too much debt.
- Living above our means in order to keep up with the doctor lifestyle.
- Purchasing too large and expensive a house.
- Purchasing too expensive a car.
- Not maxing out our tax-advantaged retirement account contributions.

Luckily there are some simple rules that, if followed, can keep young physicians and medical students out of trouble. First, realize that anytime you assume debt you are simply borrowing from your future self for current gain. Sometimes that is a good idea, like when you borrow to pay for medical school, but pausing before you assume debt to purchase something can help you out greatly. Getting down to brass tacks, no one really cares what medical school you went to, so you should probably go to the cheapest one you can get into. In addition, no one really cares how large your house is or what kind of car you drive. You think they care, but they really don't. Don't try to impress other people.

If you have student debt, you need to get smart about ways to refinance it or get it forgiven with the Public Service Loan Forgiveness Program. Thanks to the Navy and your tax dollars, I never had student debt, so I'm not going to pretend to be the expert on it. If you have student debt, go to WhiteCoatInvestor.com and learn about options to refinance or get your loans forgiven.

When it comes to houses and cars, if you can't afford the house you are purchasing on a 15-year fixed mortgage then you are probably buying

Continued on next page

too expensive of a house. Rent until you can put down a larger down payment or look at less expensive houses.

When it comes to cars, you should realize that you can buy a very reasonable used car that is 5-10 years old, plenty nice, and very reliable for much less than a new car will cost. You should make it your goal to pay cash for cars. If you can't pay cash, then you should purchase a cheaper car. Low or no interest loans are tempting because people think they are getting "free money," but using "free money" to pay for a depreciating asset (one that declines in value) is not a smart financial move. Your goal should be only to borrow money for appreciating assets (ones that increase in value), like businesses or real estate.

Finally, make sure you maximize your tax advantaged retirement contributions every year. It is one of the few legal ways to hide money from the IRS, and the compound growth year after year is an opportunity you don't want to miss.

In summary, here are the three things every young physician or medical student needs to know:

1. You can't control the investment markets, so focus on the two things you can control – investment costs and your asset allocation.
2. Your savings rate is the most important factor determining your eventual net worth, and it should be at least 20-30% of your gross income.
3. You are your own financial worst enemy.

Somebody out there is going to take this advice to heart and get rich. Is it going to be you?

If you have ideas for future columns or have other resources you'd like to share, email me at jschofer@gmail.com.

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Department of the Navy, Department of Defense or the United States Government. ■

ABEM Updates

Reasoning for Answers to LLSA Test Questions Provided

Have you ever wondered what the reasoning was behind a particular LLSA test question? Now, you'll be able to find out. Over the next few years, ABEM will be introducing several elements to increase the learning dimension. In response to diplomate requests, ABEM will provide the reasoning behind the correct answers to LLSA test questions, beginning with the 2017 EM LLSA test. The rationale for each answer to subspecialty LLSAs will be available starting in 2018. Consistent with learning and cognition research, each rationale will be available after you pass the test. In addition, score reports for all available ABEM LLSAs now show you which questions you answered correctly or incorrectly.

Practice Pathways Closing

The practice pathway for **Anesthesiology Critical Care Medicine (ACCM)** will close in 2018 on the final date of the 2018 ACCM application cycle.

The practice pathway for **Emergency Medical Services (EMS)** will close in 2019 on the final date of the 2019 EMS application cycle.

If you have any questions about subspecialty certification, please contact ABEM at subspecialties@abem.org, or 517-332-4800, ext. 387. ■



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ABEM Convenes a ConCert Summit

AAEM and AAEM/RSA along with every major emergency medicine organization, participated in a summit meeting convened by the American Board of Emergency Medicine (ABEM) to discuss modifications and alternatives to the ABEM Continuous Certification (ConCert™) Examination. The meeting, held October 2-3 in Detroit, Michigan, reviewed the role of the ConCert™ Examination in maintaining a credential that would best serve the interests of both the public and emergency physicians. ABEM will continue to solicit input from stakeholder organizations and ABEM-certified physicians. ABEM anticipates announcing specific examination options and a timeline for implementation, in spring 2018.

Participating organizations included:

- American Academy of Emergency Medicine (AAEM)
- AAEM Resident and Student Association (RSA)
- American Board of Emergency Medicine (ABEM)
- American College of Emergency Physicians (ACEP)
- Association of Academic Chairs of Emergency Medicine (AACEM)
- Council of Emergency Medicine Residency Directors (CORD)
- Emergency Medicine Residents' Association (EMRA)
- Residency Review Committee—Emergency Medicine
- Society for Academic Emergency Medicine (SAEM). ■