Financial Considerations for the New Physician

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Atlanta Nephrology Associates
Outline

- Earning Potential
- Financial Basics
- Taxes
- Student Loans
- Insurance
- Investments
- Retirement
- Financial planning
Average salary: $243,000
30 year career = 30 x $243,000 = $7,290,000
How do you spend that money wisely?

Nephrology Earning Potential

Financial Basics

- Track your spending – e.g. mint.com
- Know and protect your credit score –
  annualcreditreport.com, creditsesame.com,
  creditkarma.com
Spending by Category
From January 2015 to January 2016

Show transactions that match any
Add a category, merchant, or tag

From:
All Accounts

During:
Last year

Select a comparison
Switch to bar view to see every category.
Shaun's Financial Overview

Your Credit Scores

Provided by TransUnion

Provided by Equifax

817 Excellent

802 Excellent

Updated Feb 29, 2016
Next Update in 7 days

See details that can impact your score. Check out your Credit Factors.
Taxes

- Payroll
- Federal
- State
- Property
- Sales
<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Income Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Up to $18,550</td>
</tr>
<tr>
<td>15%</td>
<td>$18,551 - $75,300</td>
</tr>
<tr>
<td>25%</td>
<td>$75,301 - $151,900</td>
</tr>
<tr>
<td>28%</td>
<td>$151,901 - $231,450</td>
</tr>
<tr>
<td>33%</td>
<td>$231,451 - $413,350</td>
</tr>
<tr>
<td>35%</td>
<td>$413,351 - $466,950</td>
</tr>
<tr>
<td>39.6%</td>
<td>Over $466,950</td>
</tr>
</tbody>
</table>
- Mortgage interest
- Property and State Taxes
- Charitable Donations

Itemized Deductions
These save you payroll, federal and state taxes

- 401(k)
- HSA
- FSA
- Health insurance
- Employer disability insurance

Pre-tax deductions
Average student loan debt for 2014 graduates – almost $180,000¹

Know your repayment options:

- Standard
- Extended
- Income Based Repayment (IBR)
- Pay as you earn (PAYE)

Student Loans

¹ Source: US News and World Report
Insurance

- Home
- Auto
- Umbrella
- Disability
- Life
- Wrap-around policy for auto, home, etc.
- Inexpensive (several hundred dollars per month)
- Sold in increments of $1,000,000

Umbrella Insurance
3 times more likely to become disabled than die during working years

Buy a policy that is specialty specific

Look into coverage now – big discounts for signing up before the end of fellowship

Short term much more expensive than long term per benefit paid

Tax treatment – employer vs private

Disability Insurance
Life Insurance

- **Term**
  - Less expensive
  - Number of years, fixed coverage

- **Whole**
  - More expensive
  - Savings vehicle attached
 Investments

- IRA
  - Roth
  - Non-Roth
- 401(k) or 403(b)
  - Roth
  - Non-Roth
- 529 and Coverdell – less important than retirement (you can borrow for your kids education but not for you retirement)
- Before investing, first create an emergency savings account with 3-6 months living expenses
Income limits
Contribution limits - $5,500 in 2015
Traditional = pay taxes at tomorrow’s rate
Roth = pay taxes at today’s rate
You determine investment vehicle
  CDs
  Stocks
  Mutual funds

IRAs
- Can be Roth
- Contribution Limits - $18,000 in 2015
- You determine investment vehicle

401(k) and 403 (b)
Education savings
Both are tax deferred
529 has much higher contribution limits
Coverdell can be used for primary/secondary school, 529 for college/graduate school only

529 and Coverdell
4% rule
- Safe to withdraw 4% of retirement savings per year
- i.e. you need 25x desired yearly income saved before retirement
- Power of compounding
# Portfolio Value

<table>
<thead>
<tr>
<th>Case</th>
<th>Time Period</th>
<th>Years</th>
<th>Amount Invested ($)</th>
<th>Value at the End of Time Period ($)</th>
<th>Value on Dec 31, 2012 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan 1973 to Dec 1992</td>
<td>20</td>
<td>240,000.00</td>
<td>1,056,464.73</td>
<td>4,537,403.69</td>
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<tr>
<td>2</td>
<td>Jan 1973 to Dec 2002</td>
<td>30</td>
<td>360,000.00</td>
<td>2,615,606.11</td>
<td>4,844,618.24</td>
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<tr>
<td>3</td>
<td>Jan 1973 to Dec 2012</td>
<td>40</td>
<td>480,000.00</td>
<td>5,006,834.68</td>
<td>5,006,834.68</td>
</tr>
<tr>
<td>4</td>
<td>Jan 1993 to Dec 2012</td>
<td>20</td>
<td>240,000.00</td>
<td>469,430.98</td>
<td>469,430.98</td>
</tr>
</tbody>
</table>

## The Power of Compounding

![Chart showing the growth of investments over time](chart.png)

- **Case 1**: Jan 1973 to Dec 1992 (20 years, $240,000) → Value at the End of Time Period: $1,056,464.73, Value on Dec 31, 2012: $4,537,403.69
- **Case 2**: Jan 1973 to Dec 2002 (30 years, $360,000) → Value at the End of Time Period: $2,615,606.11, Value on Dec 31, 2012: $4,844,618.24
- **Case 3**: Jan 1973 to Dec 2012 (40 years, $480,000) → Value at the End of Time Period: $5,006,834.68, Value on Dec 31, 2012: $5,006,834.68
- **Case 4**: Jan 1993 to Dec 2012 (20 years, $240,000) → Value at the End of Time Period: $469,430.98, Value on Dec 31, 2012: $469,430.98

Source: S&P Index Services, Barclays, Gerstein Fisher Research
Financial planning

- Consider involving a professional
- Compensation varies
  - % of your assets they manage
  - Commissions (e.g. investments or insurance)
  - Fee only
Questions?

Thank You