

FELLOWS' FINANCIAL FITNESS FORUM: PART TWO

More advice for fellows on disciplined self-finance.

BY JAYANTH SRIDHAR, MD



We are pleased to present the second part of our conversation on financial preparation for young retina specialists. Part one of this conversation—which also featured James Vander, MD; Chirag Shah, MD, MPH; and Ryan Isom, MD—appeared in the November/December issue in 2015.

—Jayanth Sridhar, MD



TAXES

What tips do you have regarding taxes?

James Vander, MD: Don't pay them! By that I

mean use every legal means possible to reduce them. You will pay a great deal of taxes. It is the price of success.

Chirag Shah, MD, MPH: Taxes are unavoidable, and the more you pay, usually, the more you have earned. As your wealth and investment savvy grow, you may earn a higher percentage of your income from dividends. Dividends are currently taxed at 20%, which represents a way to make more money with less tax burden.

Ryan Isom, MD: Save in tax-deferred accounts, especially as an attending, to reduce your taxable income.

Are there deductions that physicians-in-training or newly minted attendings should be aware of?

Dr. Isom: Most residents do not have enough itemized deductions to overcome the standard deduction, but consider keeping track of meals while on call, expenses for interviewing for a job or residency interview travel, the portion of cell phone time used for work purposes, books, lenses, dry cleaning, etc. Those expenses add up over time.

Dr. Vander: The costs of education items (eg, meetings,

travel, job search) are obvious deductions. Find out if the practice or university can cover your car, computer, or journal subscriptions.

Dr. Shah: Definitely work with your accountant to ensure that you are paying your taxes appropriately and deducting such things as your mortgage interest and work-related expenses.

DISABILITY/LIFE INSURANCE

When should I purchase disability insurance?

Dr. Vander: Purchase disability insurance now, and get as much as you can afford.

Dr. Shah: I recommend getting disability insurance in residency or fellowship. You will qualify for as much coverage as your salary allows (to a limit), so you should be able to increase your coverage as your salary increases through training and the early years of your practice.

Dr. Isom: I would buy disability insurance as soon as you are financially able. The earlier you get coverage, the cheaper that coverage is. However, disability insurance is still very expensive for most medical students, residents, and fellows.



AT A GLANCE

- Identify advantageous tax options as a young physician to achieve long-term savings.
- Understand the nuances of long-term disability and life insurance to find a policy that fits your needs and those of your family.
- Resist the urge to purchase real estate directly out of fellowship. Instead, wait to make sure you and your family have set down roots in a particular region.

“ As a young fellow or attending, particularly if you have a family and a mortgage, it is worth considering inexpensive term life insurance.

—Chirag Shah, MD, MPH

What type of disability insurance should I consider purchasing?

Dr. Shah: Definitely get “own occupation” disability insurance, which will protect you if you are unable to practice retina (eg, due to a broken hand) but can work in another occupation. Also consider getting a residual disability rider, which protects you if you are unable to perform one or more aspects of your job, such as surgery, but can perform other aspects, such as medical retina.

Dr. Vander: Opt for “own occupation.” Historically, this meant vitreoretinal surgery, so that inability to operate meant disabled. More recent policies have been less rigidly defined, so that practicing medicine in any fashion would mean not disabled. Check the details carefully. Also, is income earned in other capacities offset? If one is still busy in the office and making almost as much there as in surgery, then what is the level of income used to determine the level of disability and therefore the benefits?

From whom should I purchase insurance?

Dr. Vander: Evaluate each company's claims process carefully. Reputations and online resources will point to the companies that historically fight claims vigorously versus those that readily pay benefits when a reasonable claim is filed.

Dr. Isom: Guardian is generally regarded as the best company, although there are several agents who do not work for a specific company and who can help you determine which would be the best for your own situation.

Do I need to consider life insurance this early in my career?

Dr. Vander: This depends primarily on family circumstances. Life insurance is cheap compared with disability.

Dr. Shah: Life insurance is a complicated topic consisting of many different flavors. As a young fellow or attending, particularly if you have a family and a mortgage, it is worth considering inexpensive term life insurance. This would help cover school expenses, your house, and basic living expenses for your family in the event of your untimely death. After you have grown a sizable principal balance with assets and a passive income flow, it is debatable whether you need to retain your life insurance.

Dr. Isom: You need life insurance if someone is depending on your income, such as a spouse or children. Always get a term life policy rather than a variable or whole life policy early in your career. There are few instances in which the more expensive whole life insurance is better than the cheaper term life. Your plan should be to eventually self-insure: to have enough assets saved so that you or your dependents would be financially secure if you were to die or become disabled. At that point you can cancel your life or disability insurance. For this reason, I would possibly consider a graduated premium disability insurance policy in which the premiums are smaller at the start of the policy. This type is more expensive over 30 years but might be less expensive overall if you are able to become financially secure through aggressive saving over 10 years.

REAL ESTATE

When should I make my first real estate purchase?

Dr. Isom: We all know that about 50% of doctors leave their first job within 2 years. Renting is usually wise for the first 1 to 2 years.

Dr. Vander: Real estate is a relatively illiquid asset and not an ideal investment unless one is savvy. Ask anyone who bought a house when they started a job in 2006 and who then wanted to leave town in 2009. In general, be sure that you will be staying in the community before putting down roots and a down payment.

Dr. Shah: Keep in mind that, regrettably, the likelihood of your leaving your first job is about 50%. Thus, make sure your job is the right fit before purchasing a home. It can be a financial nightmare to leave a job, sell a house you barely lived in, search for a new job, and relocate, particularly early in your career.

How do noncompete clauses in contracts factor in?

Dr. Shah: Given that many contracts have noncompete clauses, you should expect that if you leave your job you will likely have to leave your region. Although it is nice owning your own house, it may be wiser to rent for a while until you are sure about your job, and also so you can save money for your down payment.

FINAL THOUGHTS

Any final advice for the young retina surgeon?

Dr. Isom: When you are done with training, increase your standard of living somewhat, but continue to live like a resident for a few years. Tackle the debt. Develop a high savings habit of 20% to 30%. Save and pay cash for a car. Buy a house that is twice your annual salary and get a 15-year mortgage that is less than 25% to 30% of your salary.

Dr. Vander: If you work hard and apply the concepts outlined in this article, it is likely that a comfortable financial future lies before you. Do not forget the importance of nonfinancial considerations when making career and life choices. A few more dollars at retirement time are not likely to make a big difference as you look back and reflect on your career. Make sure you like your work, where you work, and with whom you work.

Dr. Shah: You are embarking on a career that will bring you tremendous personal satisfaction as you save people from blinding disease. You will also be rewarded financially. Even if you are sloppy with your finances, you will still likely have a comfortable lifestyle. With appropriate planning and discipline, you have the potential to be financially independent at a young age, if you wish. Now, while you are working hard as a fellow, with a modest salary and significant debt, think about how you wish to forge your financial path during your career. Remember, your most valuable asset is time. ■

Section Editor Bryan Kun Hong, MD

- second-year retina fellow at Wills Eye Hospital in Philadelphia, Pa.
- bhong@midatlanticretina.com

Section Editor M. Ali Khan, MD

- second-year retina fellow at Wills Eye Hospital in Philadelphia, Pa.
- akhan@midatlanticretina.com

Section Editor Jayanth Sridhar, MD

- second-year retina fellow at Wills Eye Hospital in Philadelphia, Pa.
- jsridhar@midatlanticretina.com

Ryan Isom, MD

- associate at Retina and Vitreous Surgeons of Utah in Salt Lake City, Utah

Chirag Shah, MD, MPH

- vitreoretinal surgeon at Ophthalmic Consultants of Boston in Boston, Mass.

James Vander, MD

- president of Mid Atlantic Retina; clinical professor of ophthalmology at Thomas Jefferson University in Philadelphia, Pa.