# Financial Health for the Pathology Trainee

## Fiscal Prevention, Diagnosis, and Targeted Therapy for Young Physicians

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Pathology trainees know what "filiform" means, but what about "fiduciary?" They can describe in molecular and histologic detail what differentiates a sessile serrated adenoma from a tubular adenoma, but can they distinguish between a traditional IRA (individual retirement account) and a Roth IRA? Do they wonder if "529" is just another esoteric billing code?

Medical training is woefully bereft of financial education, and freshly minted pathologists—like all new physicians—are often left rudderless when it comes to navigating their personal finances.[1–4] Most trainees would rather spend time learning how to diagnose disease than translating the foreign language of finance. Meanwhile, the burden of student debt, modest resident salaries, and the societal pressures of "physician wealth" can lead to financial despair, depression, and burnout during training.[2,3] The lack of fiscal knowledge can also leave pathology graduates vulnerable to monetary missteps that can impact them for the rest of their lives: allocating investments inadequately and haphazardly, sitting on debt unnecessarily, and escalating spending carelessly. Fortunately, prudent moves early in one's career can prevent these problems and set up new-in-practice pathologists for a stable financial future.

Helping trainees learn to understand and navigate their finances is therefore important for fostering their overall well-being.[4–6] This past summer, the Accreditation Council for Graduate Medical Education launched new Common Program Requirements with an emphasis on physician wellness. Per the new requirements, "Psychological, emotional and physical well-being are critical to the development of the competent, caring and resilient physician. Self-care is an important component of professionalism; it is a skill that must be learned and nurtured in the context of other aspects of residency training." [5] As these requirements highlight, physician well-being isn't just important for doctors: it's important for patients. Financial health allows physicians to focus fully on patient care while they are at work, and protects against decisions motivated by monetary gain.[6–8] We hope that sharing some basic knowledge, skills, and resources necessary for financial stability will enhance physician wellness efforts for pathology trainees.

Note: The authors are *not* financial experts. The following discussion is for informational purposes only and significant financial decisions should always be made in conjunction with knowledgeable, trained, and certified as applicable financial (fiduciary) advisors, accountants, tax advisors, and attorneys.

### CURATE ADVISORS CAREFULLY

The first step in getting sound financial advice is listening to the right people. Long hours spent studying and in training have prevented most physicians from obtaining basic financial knowledge and management skills. This relative financial ignorance of physicians makes them easy prey for dubious dealers, and many fall victim to financial advisors whose primary motivation is their own gain.[1–3] It's important to understand that not all financial advisors are created equal: it is crucial to choose one who is labeled as a "fiduciary." Fiduciaries are legally and ethically bound to act in the client's best interest. The advisor should also carry the proper credentials, most often as a Certified Financial Planner (CFP). Fees should be transparent and reasonable, primarily based on time only. Advisors who sell products are salespeople, not fiduciaries. Hefty fees, commissions, kickbacks, expense ratios, and service transaction fees hinder financial growth. Don't leave cynicism at the advisor's door: cultivate a habit of evidence-based financial decision-making, questioning, and researching recommendations just as you would investigate a newly developed immunohistochemistry antibody or molecular test.

It is worth emphasizing that most physicians don't necessarily *need* a financial advisor. All of the basic financial goals covered herein can be accomplished without one. Getting help along the way with the right people may sometimes be valuable, but the best investment is the time and knowledge to empower oneself.

### LEARN ABOUT RETIREMENT VEHICLES

Onboarding for a first job can be overwhelming, but it's critical that retirement planning and funding are tackled before the first inaugural stack of slides. Inquire what types

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of retirement plans are offered by your employer. The most common plans are 401k, 403b, and 457b plans. Employers may offer any, all, or none of these plans. Generally these plans must be set to directly deposit funds from a paycheck. These plans currently have a maximum employee contribution per Internal Revenue Service (IRS) rules of $18 000 between the 401k and 403b and another $18 000 into a 457b. Employers may offer additional matching funds into 401k or 403b plans, also with contribution limits dictated by the IRS. All these plans are funded with pretax dollars, meaning contributions by the employee lower your taxable income for that year. These retirement plans are the most efficient way to combine reducing tax burden and saving for retirement.

Don't despair if an employer-sponsored plan isn't available, because employees can set up their own retirement account: an IRA. For employees younger than 50 years, IRAs can be funded with posttax dollars up to the current annual contribution limit of $5500.[9] An IRA can also be set up as an addition to employer-sponsored plans, allowing for up to $41,000 in annual retirement savings. All of these plans offer tax deferral of money earned within the account, which means that no taxes are paid until money is distributed (at age ≥59 ½ years to avoid IRS penalties for early withdrawal). There are 2 types of IRAs: traditional IRAs and Roth IRAs. Most pathologists-in-training are still eligible to invest up to $5500 annually in a Roth IRA. These posttax accounts are highly desirable because while taxes are paid on the contributions now, the capital gains are protected from taxes upon removal later in life (when the money has—hopefully—grown significantly!). During residency or early in a career, opening a Roth IRA and maximizing contributions annually is worth consideration. A financial advisor is not needed to do this; it's a simple task that can be accomplished between covering frozen sections during a night on call! Roth accounts can be opened with a reputable investing company online and funded with low-cost index funds or funds based on your targeted retirement age. Roth accounts also provide an excellent incubator for a first home down payment for trainees, as each individual can without penalty remove up to $10 000 from his/her Roth IRA for a first home purchase or medical expenses. These accounts are only available through conventional avenues for individuals earning less than $133 000 and families making less than $196 000, so most practicing physicians don't qualify (although "backdoor" Roth IRAs are legally available and used by many financially savvy doctors).[9]

Conventional wisdom is that 20% of annual earned income should go toward retirement. However, the maximum annual 401k/403b contribution of $18 000 and $5500 of IRA contribution falls far below the 20% threshold for most pathologists. Furthermore, the 20% target is best applied to individuals who have been working their entire adult lives, not those who have delayed saving through nearly a decade of training. Physicians who don't want to see a major dip in lifestyle upon retirement should probably be saving *more* than 20% of their annual income. Therefore it's prudent to set up additional investment accounts so that retirement savings are appropriately calibrated. First, however, it's best to tackle employer-sponsored plans and IRAs, particularly saving pretax dollars and tax deferral of earnings.

## MANAGE MEDICAL SCHOOL DEBT

Medical school debt can seem insurmountable. A lucky few graduate without any, but most pathologists enter the workforce owing at least $150 000, and plenty owe far more.[10] It is not uncommon for 2-physician couples to accrue more than half a million dollars in loans during their training years. The sheer magnitude of that debt is enough to make many pathologists want to retreat to the gross room and distract themselves with a protracted colonic lymph node search, or perhaps even tackle a few amputated limbs and unfixed placentas: anything to avoid facing financial reality! However, the cost of letting debt languish is significant. A federal loan of $180 000 can swell to a total repayment of approximately $328 000, depending on the interest rate, when tackled for 10 years post residency; the same amount balloons to $483 000 when chipped away at for 25 years.[11]

Sobered by these numbers, trainees may want to consider taking a "scorched Earth" approach to loans. In the transition to the first posttraining job in pathology, many will experience a significant uptick in income. Rather than immediately increasing standards of living to meet expanded earnings, consider maintaining the trainee lifestyle and siphoning off significant portions of the income toward debt. In households with 2 incomes, consider living off 1 income and using the other as debt repayment. It's easiest to make payments right out of training, when accustomed to living on less. Remember that most of the patients you care for are making their way through the world and supporting their families on the equivalent of a single resident's salary—the median household income in the United States was $55 000 in 2015[12]—therefore, there is no reason physicians shouldn't be able to comfortably live below their means and dig out of debt.

## BUILD COLLEGE SAVINGS

After making headway on student loans and retirement planning goals are in full force, those with children may consider financial planning to avoid passing along similar debt burdens. Many financially shrewd physicians and experts consider this the least pressing of the financial pressures, and suggest that taking care of one's own debt and retirement is the most important gift you can give your children.[1] However, once retirement savings and loans are under control, college savings accounts can provide a tax-sheltered space for additional income. The most popular of these accounts are 529 plans, so named after the section of the Internal Revenue Code where they are discussed. There are 2 types of 529s: prepaid plans (currently available in 10 states) and state-sponsored individual savings plans. There are benefits and drawbacks of each type of plan. These plans can be set up easily on the computer in a matter of minutes during a spare moment on call; a busy schedule should not deter securing college funding!

## HOPE FOR THE BEST, PLAN FOR THE WORST

Insurance is a critical variable in the financial health equation. Without it, all other savvy planning and hard work may be for naught. It is amazing how even pathologists, who are reminded daily about the vagary of luck and frailty of health, can be in denial about the need for personal insurance. Some of the most important insurance policies to have early in a career are life and disability. There are myriad options for both types of insurance, and this represents a

common area for predation on physicians. Treat shopping for insurance as you would a sentinel node frozen on a patient with lobular breast carcinoma: *assume* there's something sneaky out there!

Life insurance comes in 2 major subtypes: term life and whole life. Term life insurance plans cost a small amount (typically <$100/month for those opening policies in their early 30s) and provide a set payment upon death during a specified term. The role of a life insurance policy is to provide income otherwise generated while living for a surviving spouse and family members after death. After the term is complete, there is no payout at the end and the cumulative sunk cost was relatively modest. Whole life insurance plans, in contrast, combine a death payout with a purported investment. The premiums for these plans are much larger than for term life annually. The plans carry a cash value that can be accessed while living. Many argue that whole life plans (and, perhaps to a lesser extent, their cousin, variable life insurance) fall into the "too good to be true" category, and to approach them very cautiously.[13,14] The thrust of these arguments is 2-fold: first, combining insurance and investing results in a compromise on quality on both ends and second, the huge premium commitments associated with whole life can be burdensome (this second issue is ameliorated somewhat for variable life polices).

The authors won't attempt to guide personal decisions about life insurance here, but suffice it to say: take a long hard look at these plans with someone who *isn't* trying to sell anything. Treat it as if investigating a new instrument for the lab: don't just talk to the company reps, talk to independent people who understand the technology and potential pitfalls! A final point about life insurance: it's a common misconception that medical school debt evaporates on death; sadly, this is only true for federal loans, not private loans. So be sufficiently insured to absorb any residual debt with which family may be saddled.

Disability coverage by employers is variable. However, the need to replace income from a disability is a much more common scenario than income replacement after death. There are both short-term and long-term disability policies and not all policies are created equal. While the discussion of the nuances with disability insurance is well beyond the scope of this article, the need to insure against disability, particularly long term, cannot be understated. A good long-term disability plan is extremely expensive for physicians (typically >$500/month for those opening policies in their early 30s, with great variability depending upon gender, risky hobbies, health status, etc), but most financially savvy doctors agree that it's a must.[15] For the purposes of training or newly practicing pathologists, the most important takeaway is to know that (1) disability insurance is needed, (2) policies are generally cheapest if secured during residency/young age, (3) women should, if possible, get insured before they have their first child (as premiums spike after pregnancy).

## BUCKLE DOWN AND BUDGET

Pathologists know that the numbers generated in the lab guide most medical decisions, yet like most other doctors, we may not be particularly good at letting numbers inform our financial decision-making. To maximize saving, understanding where the spending occurs is key. It's the same work a medical director does when assessing the lab's budget! The first step is to generate a spreadsheet detailing expenses every month. The spreadsheet can be divided into major categories such as housing (eg, mortgage, rent), transportation (car payments and repairs, gas, train/subway/cab fares, bike cost and repairs), utilities and services (water, electricity, phones, garbage, internet, television), food (groceries, restaurants, lunches, takeout), personal (eg, gym memberships, hairstyling, clothing), medical (copays and other fees), insurance (auto, life, disability), vacation fund, and fun money/extras. Creating such a spreadsheet and tallying expenditures forces one to consider the value of purchases and allows identification of areas where trimming might be prudent. This is not meant to eliminate "unnecessary" purchases, rather to encourage reflection about the true value of expenses so that extra money can be most enjoyed. Psychological research has shown, for example, that the appreciation of material possessions quickly wanes after their acquisition, whereas experiences have sustained value that far outlasts the length of the experience, generating both anticipatory happiness and positive feelings on remembrance.[16,17] These are all great reasons to allot more funds into that "vacation" column on the budget spreadsheet! Allocating money for experiential expenses can help medical trainees cultivate gratitude, which is a known buffer against burnout.[17,18] Residents who budget and develop healthy spending habits early can also help stave off the insidious spending expansions that happen when income bumps up. This brings us to the Joneses…

## IGNORE THE JONESES

Few things are more ruinous to financial health than the Joneses: that proverbial family next door who inadvertently goads one into envious overspending. One of the best things to do for financial (and mental!) health is to forget about the Joneses. Physicians are surrounded by colleagues who buy million-dollar homes before the ink has dried on their first contracts. These new doctors feel entitled to living the "physician lifestyle" because they've invested so much in their training and feel that after years of deprivation they've earned it. It is critical to remember that an opulent lifestyle isn't why most of us went into medicine, nor is it necessarily attainable for most physicians anymore. Most Generation X and Millennial trainees left medical school with far deeper debt—and a lower potential revenue ceiling—than their predecessors, so what worked for the Boomers won't necessarily work for incoming pathologists.

The drive to keep up can be even more intense when the Joneses aren't themselves physicians, but are instead employed in more modestly paying fields. It's easy to assume that as doctors we ought to have a home with as much square footage as a friend who is a high-school science teacher, right? Remember, that teacher probably carries far less educational debt and has been saving modestly but consistently for the last 5 to 10 years. Physicians have a lot of catching up to do!

The other thing to bear in mind about the Joneses is that they may be making *terrible* financial decisions. Those poor decisions are easy to make in a culture that prioritizes material goods and that confuses "can get a loan for" with "can afford." One of the gifts of medicine is that we are reminded daily of what really matters in life; when pressured to buy into the consumerist culture, tap into that perspective and focus on the joys and privileges already available. Rather than buying frivolous or unneeded items, think about benefits of *not* spending that money, or of

spending it more deliberately on items or experiences more likely to generate durable happiness.[16,17] Financial reflection can be an incredibly freeing exercise, particularly for the first years post training when building financial stability. This practice also helps foster gratitude, a key element of physician burnout prevention.[17,18]

In summary, solid financial knowledge is fundamental for short- and long-term physician wellness. This requires a deliberate approach and sometimes prioritizing frugality over immediate gratification, particularly during residency training and in the early career years that follow. Think about your monetary future in the long term, and do the work now to ensure the desired outcome. As the saying goes when clinicians are eager for a diagnosis before a workup has been completed: "do you want the *right* diagnosis, or the *fast* diagnosis?" Pathologists understand the value of thinking things through carefully and getting it right at work: let this skill serve us well in finances, too.

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