Financial Literacy for MDs: Whose Responsibility?

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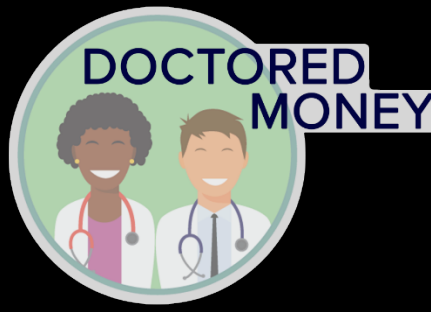


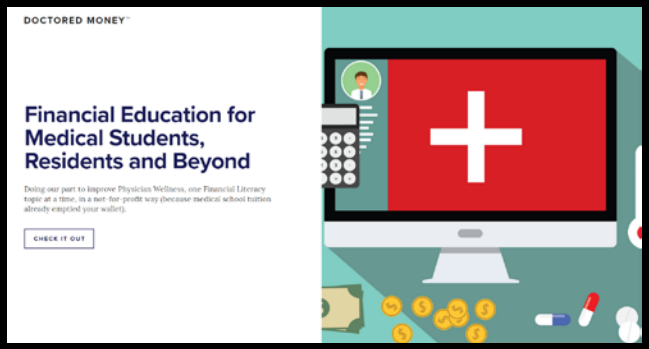
Disclaimer

We do not give financial advice.

This is financial education.

DOCTORED MONEY™

- A not-for-profit organization devoted to improving physician well-being and job satisfaction, through...
  - Lectures like these. We have given over 55 lectures to 4000 MDs over the past 3 years.
  - Website resources (DOCTOREDMONEY.ORG) and questions sent to us through the site
  - Advocacy: Towards an embedded financial curriculum



Note, a pdf copy of these slides are available online:

DOCTOREDMONEY.org/boston

Please fill out our 2-minute feedback survey.

Agenda

- How to conceptualize the dual role of a physician as:
  - A “healer” with an obligation to patients and society
  - A business/job/career, like any other
- Financial Literacy is a “wellness” and physician health and morale issue
- Lack of Financial Literacy is a drain of healthcare resources
- What’s the solution? Who is responsible?
- If time permits:
  - You have less to spend than you think you do, and, what is retirement?
  - Introduction to 5-6 basic but critical financial topics absolutely need to know now

What’s unique about MDs?

- MDs spend lots of time in school, get our first “real” job very late in life. Have no “real world” money experience, and it is financial “sink or swim” after residency/fellowship. We did not get any financial education during medical school.

- Many of us have a lot of debt, which makes our salaries an “illusion”, i.e. that money has already been spent. This leads to bad decisions because we think we make more than we really do.

- We have a compressed earning career (long training times)

- Investment advisors (who are usually just salespeople) know (assume) we have a high salary, and they know we know very little about money and investing. We choose poorly when hiring someone to help us with money. We pay way too much for advice, and the advice is usually non-optimal.

- MDs are trusting in general, and assume that financial professionals have the MD's best interests in mind. Usually not true.

- You HAVE to have a minimum amount of education in order to avoid being taken advantage of.

- You are self-employed. You invested time/money (with substantial personal sacrifice and much more to come) to develop a skill which will compensate you, financially and personally.

- Although making $$ is not why (most of us) went into medicine, the more dollars we get to keep of what we earn, the better we feel about our profession, the better our quality of life, and the more likely we'll continue to work hard for our patients.

- If you do not feel your job was worth the investment, your mood/morale will suffer. Your family will suffer. And your patients will suffer.

- By re-calibrating your expectations, and learning to make prudent financial decisions, you will maximize your "compensation", which will lead to increased career satisfaction, which is good for you, and good for society.

Medicine

Moral calling? Or Just a job?

Discussing finances is taboo.

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That’s unfortunate.

It leads to FTDs.
(Financially Transmitted ‘Disease’)

Discussing finances is taboo.

Notes to self:

(insert anecdote #1)
(share your salary)

Debt and financial insecurity (real or perceived) is harmful

Debt is associated with burnout, depression, and lower quality of life

- Collier VU, McCue JD, Markus A, Smith L. Stress in medical residency: status quo after a decade of reform? Annals of internal medicine. 2002;136(5):384-90.
- Kibbe MR, Troppmann C, Barnett CC, Jr., Nwomeh BC, Olutoye OO, Doria C, et al. Effect of educational debt on career and quality of life among academic surgeons. Annals of surgery. 2009;249(2):342-8.
- McNeeley MF, Perez FA, Chew FS. The Emotional Wellness of Radiology Trainees: Prevalence and Predictors of Burnout. Academic Radiology. 2013;20(5):647-55.

Debt level influences specialty choice, and discourages careers in academics and primary care

- Phillips JP, Petterson SM, Bazemore AW, Phillips RL. A retrospective analysis of the relationship between medical student debt and primary care practice in the United States. Ann Fam Med. 2014 Nov-Dec;12(6):542-9.
- McDonald FS, West CP, Popkave C, Kolars JC. Educational Debt and Reported Career Plans among Internal Medicine Residents. Annals of internal medicine. 2008;149(6):416- 20.
- Rohlfing J, Navarro R, Maniya OZ, Hughes BD, Rogalsky DK. Medical student debt and major life choices other than specialty. 2014. 2014.
- Steiner JW, Pop RB, You J, Hoang SQ, Whitten CW, Barden C, et al. Anesthesiology Residents' Medical School Debt Influence on Moonlighting Activities, Work Environment Choice, and Debt Repayment Programs: A Nationwide Survey. Anesthesia & Analgesia. 2012;115(1):170-5.
- Grayson MS, Newton DA, Thompson LF. Payback time: the associations of debt and income with medical student career choice. Medical Education. 2012;46(10):983-91.

Burnout and stress is correlated negatively with patient safety

- Shanafelt T, Dyrbye L. Oncologist burnout: causes, consequences, and responses. Journal of clinical oncology : Official journal of the American Society of Clinical Oncology. 2012;30(11):1235-41.

- Shanafelt TD, Balch CM, Bechamps G, Russell T, Dyrbye L, Satele D, et al. Burnout and Medical Errors Among American Surgeons. Annals of surgery. 2010;251(6):995-1000

Is this a new problem in medicine?

Median cost of medical school, 2017 AAMC data

- Public, in state: $37,000 ($148,000)
- Private: $60,000 ($240,000)
- Public, out of state: $62,000 ($248,000)

- Now add:
  - Room + Board, Travel
  - USMLE fees
  - Residency interviews
  - Undergraduate debt!

Soaring Tuition, Stagnant Salaries

-- 2017 data, increases relative to 2002 --

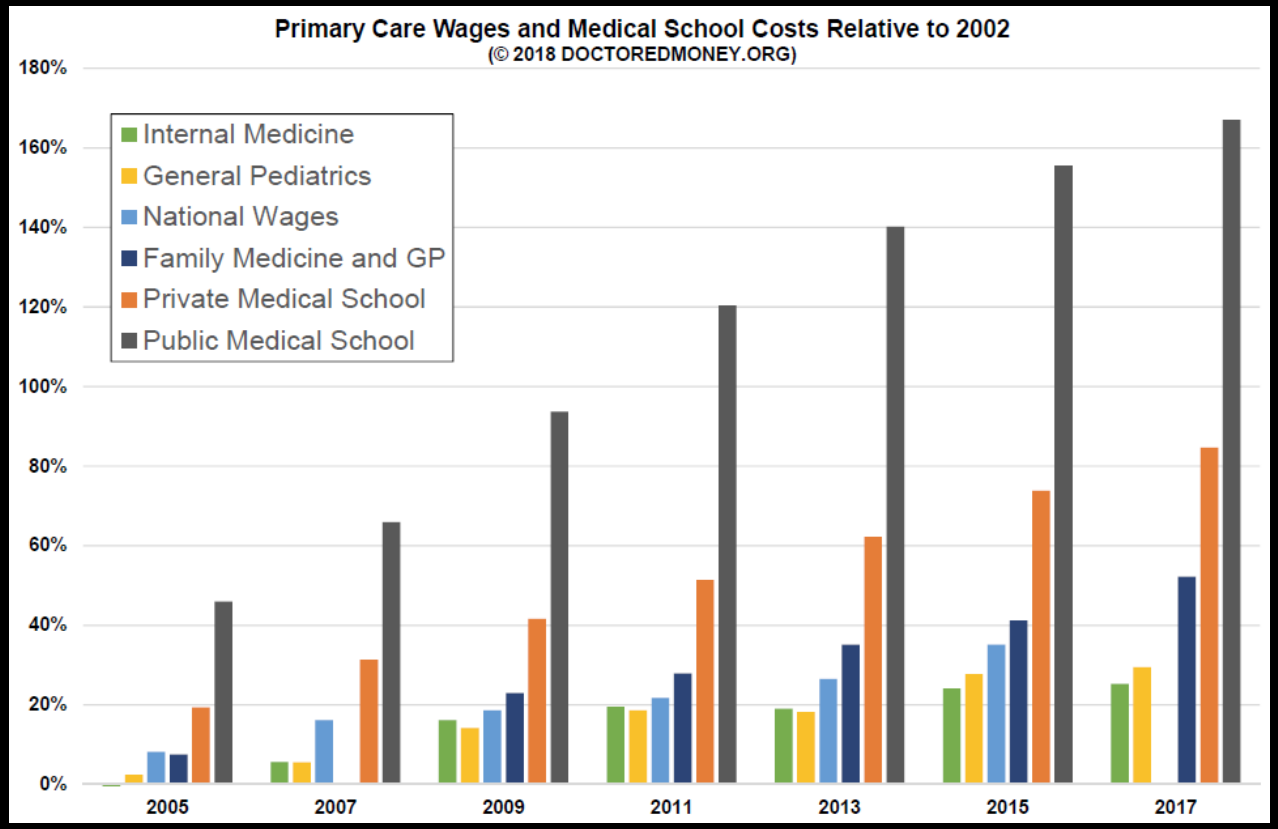
Public In-State Tuition: 170% (almost 3x)

Private Tuition: 85% (almost 2x)

Peds/Medicine Salaries: 25-30%

National wages: 40%

Soaring Tuition, Stagnant Salaries



Taken from: https://www.doctoredmoney.org/blog/2018/6/19/medical-school-tuition-is-soaring-while-primary-care-salaries-are-stagnant

Sources:
American Association of Medical Colleges, Tuition and Student Fees [www.aamc.org/data/tuitionandstudentfees/];
Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment Statistics, [www.bls.gov/oes/]

Debt levels are rising more slowly than tuition. Why? Is that a good thing?

- Scholarships and grants have remined stable
- If debt does not increase in tandem with tuition, that implies:
  - More parent/family money being used?
  - Medicine as a second or delayed career?
- Is cost an increased barrier to entry for those from disadvantaged backgrounds?

Thought experiment:

- Pre-med students today who don't have family money will have 3-4 times the educational costs as MDs who graduated only 15 years ago. Salaries are essentially unchanged.
- Question: Would you have made similar career choices if you had $800,000 in debt instead of $200,000?
- Question: Are there any whom you would advise AGAINST attending medical school (or choosing a particular specialty/career path) due to costs?

- Loans accrue interest, and are paid back with after-tax money.
- For many MDs, it can take $600,000 in salary to pay off an initial loan balance of $200,000.
- What will $500,000 in loans cost?

Are these trends appreciated by:

Deans, Dept. Chairs, program directors, mentors?

Is it advisable to tell students to “follow your passion” with respect to specialty choice, without consideration of finances?

Poor financial literacy exacerbates the problem: Columbia University data (Haslam et al, in-preparation)

- 55% of students do not feel comfortable managing their finances
- 85% of students had no discussions with mentors about salaries in their chosen specialty
- A lack of time was cited as major barrier to learning
- “Mandatory” teaching was desired

Lack of financial literacy is not a problem only for “debtors”

- Financial literacy remains essential even for those who are debt free
- MDs do not suddenly understand financial basics upon becoming attendings

Consequences of non-optimal financial decisions due to inadequate education:

- Excess (unnecessary) fees paid on investments
- Increased lifetime taxes due to poor planning/understanding
- Disadvantages in salary negotiations
- Many hundreds of thousand (even millions!) of dollars lost to unnecessary financial advisor fees and commission
- Increased risk of being a victim of advisor or other financial fraud
- Poor debt management

- Particularly affected:
  - Academics
  - Primary care or lower-paying specialists
  - Those from disadvantaged backgrounds
  - Women

Where does our compensation come from?

- Our employers, who obtain funds from:
  - Patients
  - Government (Medicare/Medicaid/Etc)
  - Government (e.g. research grants)
  - Government (Residency/GME funds)
  - Charities / Donations
  - Industry

The lack of financial education for healthcare professionals leads to a net loss or drain of resources out of the US healthcare system.

Neither you nor your patients benefit.

What is being done on an intuitional level?

- AAMC “FIRST”
- Individual financial aid offices
- Anything else?

University of Arkansas for Medical Sciences

- Business of Medicine course in medical school
  - Official “for-credit” MS-4 elective
  - Jason Mizell, MD is course master
    - “concerned citizen”

University of Arkansas for Medical Sciences

- Submitted publication (JS Mizell, PI)
  - 95% of students made a behavioral change
  - 46% created a budget
  - 20% started a retirement plan
  - 18% changed spending habits
  - 3% created a will or trust

Johns Hopkins

- Personal Finance and investing basics course
  - Sponsored by Office of Faculty Development
- Specialty-Specific Financial Literacy Courses
  - Financed with tuition remission

Both taught by Yuval Bar-Or, PhD
(Hopkins Business School)

New York Presbyterian Hospital (Columbia and Cornell Universities)

- Brief financial lecture to all incoming housestaff (residents and fellows) at orientation
  - 2nd consecutive year
  - Seen by 4000 housestaff to date (second largest GME program in the country)
  - Provided by Doctored Money

I’m sure there are other examples, but…

- In most cases any education, if available at all is via:
  - Ad-hoc lectures
  - Well-meaning but untrained MDs talking to their residents
  - Residencies who invite financial advisors or insurance salespeople (who is doing the vetting?)

Our proposal and goal

- To help establish a unified, embedded financial curriculum throughout medical education
- Topics and resources should be curated to minimize bias and conflicts-of-interest

Pause here for question and comments.

(Topic change is coming)

Six high-yield financial concepts

#1 Minimize your fees

- Your personal return (total $$$) = investment return – fees

Quarterly Investment Update

MASSACHUSETTS EYE AND EAR INFIRMARY 403(B) PLAN

TIAA

			Total Returns		Average Annual Total Returns				Total Annual Operating Expenses (%/Per $1000)	
Equities - Mutual Fund	Morningstar Category	Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ Since Inception	Gross	Net
American Funds Washington Mutual Investors Fund Class R-6 (RWMGX)[7,8]	Large Value	05/01/09	2.69%	1.33%	14.05%	11.93%	12.30%	14.95%	0.29% $2.90	0.29% $2.90
Benchmark: S&P 500 TR USD			3.43%	2.65%	14.37%	11.93%	13.42%	15.54%		
Cambiar Small Cap Institutional Class (CAMZX)[7,9,10]	Small Blend	10/31/08	3.90%	3.74%	12.15%	2.97%	6.70%	12.95%	1.10% $11.00	1.05% $10.50
Benchmark: Russell 2000 Value TR USD			8.30%	5.44%	13.10%	11.22%	11.18%	12.25%		
DFA International Small Company Portfolio Institutional Class (DFISX)[7,9,11]	Foreign Small/Mid Blend	09/30/96	-1.96%	-2.33%	9.30%	9.25%	10.39%	6.27%	0.53% $5.30	0.53% $5.30
Benchmark: MSCI World Ex USA Small Cap NR USD			-0.94%	-1.44%	11.87%	9.45%	10.28%	6.09%		
Oakmark International Fund Investor Class (OAKIX)[7,10,11]	Foreign Large Blend	09/30/92	-5.04%	-7.67%	3.13%	5.69%	6.83%	8.36%	1.00% $10.00	0.95% $9.50
Benchmark: MSCI World ex USA NR USD			-0.75%	-2.77%	7.04%	4.87%	6.23%	2.63%		

https://qiu.tiaa.markitondemand.com/download/qiu?plan=405807

- This is just math
  - You can’t control your investment return (this is unknown)
  - You CAN control your fees
  - All investments have a fee
  - Learn where to find the fee for all investments you are considering

- Best way to minimize most fees?
  - Invest in low-fee mutual funds
  - Avoid advisor fees whenever possible

#2 Only “term” life insurance

- The only life insurance you should own is “term life insurance”
  - Avoid any/all permanent life insurance, such as whole life, universal life, indexed life.
  - Are you the very rare person who can benefit from the (rare) “ok” permanent policy? Maybe, but doubtful. Don’t take an advisor’s word for it. Do your own learning.

Insurance, continued

- Do not mix insurance and investing during your “accumulation” phase.
- An “annuity” is another type of insurance/ investment hybrid. These are expensive, and you almost certainly don’t need one while saving for retirement.
- One exception, possibly, is the TIAA “Traditional Annuity”. It’s ok in some cases.

#3 You aren't saving enough for retirement

- You have to save more than you realize
  - You likely need to save **at least** 20% of your salary to have any meaningful "retirement"
  - In order to know if you are saving enough, you need to define "retirement"
  - If an attending MD, you must max out your 401k+457b+ (backdoor) Roth IRA: 18.5k+18.5k+5.5k = 42.5k
  - You'll need a minimum of 25x to 30x your desired retirement spending if you want to retire at 65 (and live 30 years)
  - E.g. If you are used to living on $200,000 per year, you need $5,000,000 to retire at age 60-65. That's in TODAY's dollars.
  - Learn to love Social Security (we do)

Retirement savings, continued

- Retirement is not the day you stop working
  - Retirement is the day you could stop working if you wanted to
  - You have the power to move this date earlier
  - Even if you choose to keep working, knowing you COULD stop at any time is a wonderful, powerful feeling
  - This is what you are “buying” when you put away for retirement

#4 The financial industry is not on your side

- You should be highly skeptical of financial advisors and other financial professionals
  - They only make money by taking it from you. What is their value? Does it exceed their cost?

Homework:

Read “If You Can...” by Bill Bernstein

It’s free at DOCTOREDMONEY.org

You can read it in 20 minutes.

- “Act as if every broker, insurance salesman, mutual fund salesperson, and financial advisor you encounter is a hardened criminal, and stick to low-cost index funds, and you’ll do just fine.”

- “Most investment advisors can’t invest their way out of a paper bag.”

- Sadly, it’s true. ☹

- Exceptions exist. <u>But how do you know/find the exceptions?!</u>

Financial professionals, continued

- Most financial advisors work on commission or as a percentage of your assets “AUM” (or both).
- Commission-based advisors represent a conflict-of-interest to be avoided
- AUM advisors are expensive
- Advisors typically “sell” you investment management, which is relatively easy, at high rates
- “Financial planning”, however, is harder and most advisors don’t really offer it

#5 Retirement investing is ***easy***

- By simply choosing a “Target Date” mutual fund for all of your investments, you will likely do better than 90% of all investors in the US.
- These are now universally available, and are a series of mutual funds with a range of future dates
- Pick the fund with a date at which you’ll turn 60ish, for each of your investment accounts (401k, Roth IRA, etc)
- That’s it. You’ll never need to do anything else if you don’t feel like it.
- This advice is mostly appropriate for those still early in their careers

Unfortunately, your TIAA 403(b) plan has expensive "Target Date" (Lifecycle) funds.

Multi Asset - Mutual Fund	Total Annual Operating Expenses (%/Per $1000) Gross	Net
TIAA-CREF Lifecycle 2010 Fund (Premier) (TCTPX)[1,10,20,21,22,23,24]	0.65% $6.50	0.53% $5.30
Benchmark: Lifecycle 2010 Fund Composite Index		
Benchmark: S&P Target Date 2010 Index		
TIAA-CREF Lifecycle 2015 Fund (Premier) (TCFPX)[1,10,20,22,23,24,25]	0.66% $6.60	0.54% $5.40
Benchmark: Lifecycle 2015 Fund Composite Index		
Benchmark: S&P Target Date 2015 Index		
TIAA-CREF Lifecycle 2020 Fund (Premier) (TCWPX)[1,4,10,20,23,24,26]	0.66% $6.60	0.55% $5.50
Benchmark: Lifecycle 2020 Fund Composite Index		
Benchmark: S&P Target Date 2020 Index		
TIAA-CREF Lifecycle 2025 Fund (Premier) (TCQPX)[1,4,10,20,23,24,27]	0.67% $6.70	0.56% $5.60
Benchmark: Lifecycle 2025 Fund Composite Index		
Benchmark: S&P Target Date 2025 Index		

https://qiu.tiaa.markitondemand.com/download/qiu?plan=405807

Retirement investing, continued

- You can make incremental improvements to a Target Date fund by moving to a “3-fund portfolio”
- A 3-fund portfolio consists of 1) US-based mutual fund, 2) International mutual fund, 3) Bond mutual fund
- Improvements are due to 1) slightly lower fees, 2) more efficient tax placement
- For example, some firms’ “Target Date” options are fairly pricey compared to DIY
- You probably don’t need to consider moving to a 3-fund portfolio until you are maxing out your 403b/457b+Roth IRA, and/or have $200,000+ invested.

Unfortunately, your TIAA 403(b) plan has expensive “Target Date” (Lifecycle) funds.

- Fees in your 403 range from 0.04% (essentially free!) to 1.05% (criminal!)
- Lifecycle/Target Date fee: about 0.55%. Too high. Although OK if just starting out (e.g. balance less than 100,000)
- These are likely the only funds you should choose from:
  - Vanguard Total Bond Market (0.05%)
  - Vanguard Total International Stock Index (0.11%)
  - Vanguard “Institutional” Index (SP500 analog; 0.04%)
  - TIAA-CREF Small Blend (0.06%)
- There is just no great reason to pay expenses of 0.3% or higher. If you need/want asset classes with higher fees, purchase them more cheaply in your other accounts (Roth IRAs, taxable accounts, etc)

#6 Public Service Loan Forgiveness

- 50% of residents are hoping for or expecting PSLF
- It is no longer good advice to tell young MDs to “aggressively pay off your debt!”
- Instead, that money should go towards tax-deductible retirement investing, if one has any possibility for future forgiveness (which is 80% of residents with loans).

We can use help!

Convinced? Interested? Get involved.

-- Research collaborations

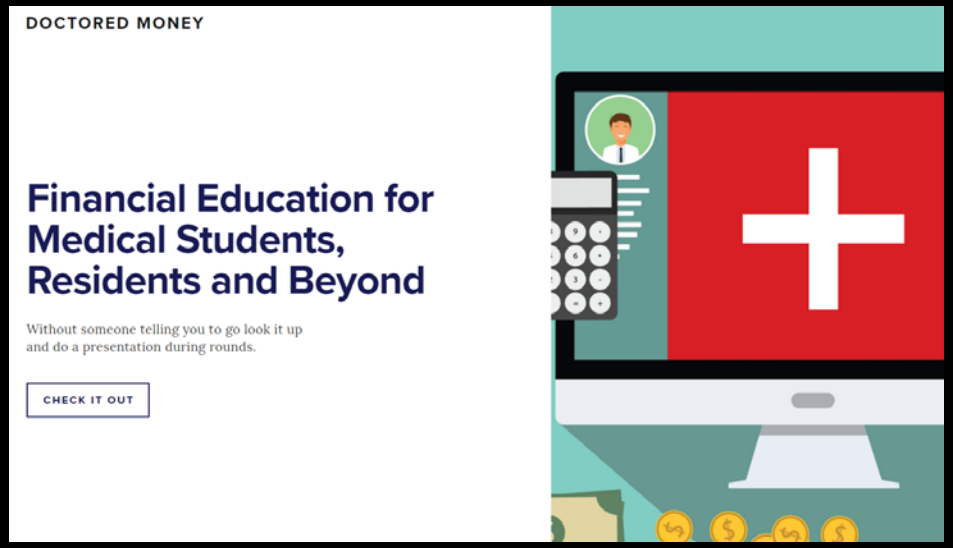
-- Financial lectures

-- MENTORSHIP!!

-- Advocacy in the medical school, hospital, GME, professional organizations, national meetings, etc.

Remember, go to: DOCTOREDMONEY.ORG/boston

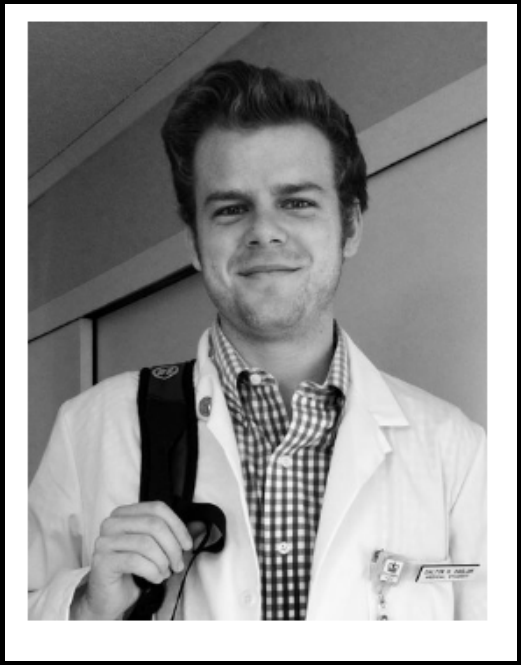
Please share our site and help us with our mission to empower young MDs!



I must acknowledge…

Dalton Haslam, MD

Doctored Money Co-Founder and tireless advocate for financial literacy education



Sofia Warner, MD MBA

Doctored Money contributor and frequent participant in brainstorming sessions

Thank you!

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