



Planning for Success

Winning with Money as a Rheumatologist

FEBRUARY 2025

THE WHITE COAT INVESTOR

Important Caveats



- Money doesn't bring happiness
- We didn't go into medicine for the money

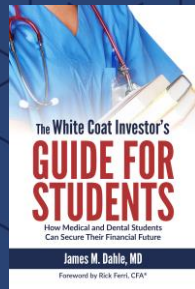
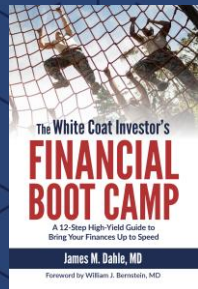
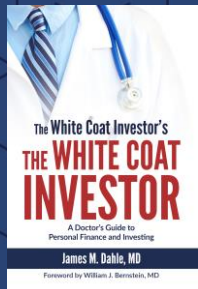


- Ignoring money can make your life miserable
- Forget the taboo



James Dahle

THE WHITE COAT INVESTOR



My Story

(Why you should listen to the rest of this talk)

- Ripped Off
 - Recruiters, realtors, lenders, insurance agents, financial advisors, appraiser
- 2011 The Blog
- 2012 Newsletter
- 2014 Original Book
- 2016 Forum
- 2017 Podcast
- 2018 Boot Camp Book
- 2018 CME Conference, Online Courses
- 2019 Subreddit, FB Group, Youtube Channel
- 2021 Guide for Students Book, Milestones Podcast
- 2022 Asset Protection Book
- 2023 Real Estate Course 2024: Resident Course

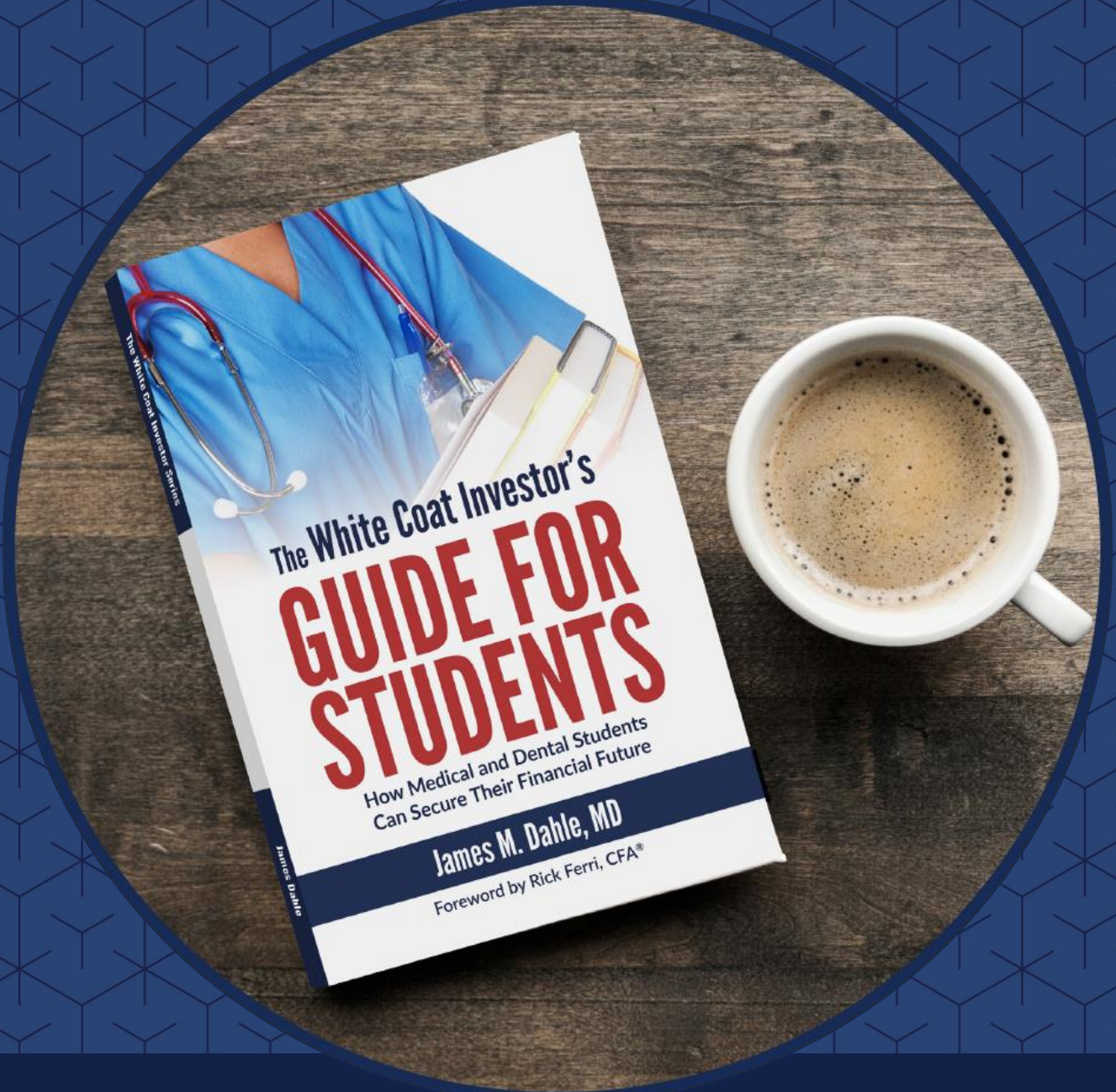
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- I am not a licensed accountant, attorney, or financial advisor
- This presentation is for entertainment and informational purposes only, and IS NOT accounting, legal, or financial advice.

What We'll Cover Today

1. Getting Your Mindset Right
2. Using a Financial Advisor
3. Student Loans Are Not a Household Pet
4. Protect Your Greatest Asset
5. Who Else Relies On Your Income?
6. How Much Can You Spend?
7. How to Invest Your Way Out of a Paper Bag
8. How Doctors Build Real Wealth

#1 Getting Your Mindset Right



Income Is Not Wealth

Average Annual Earnings, by Specialty

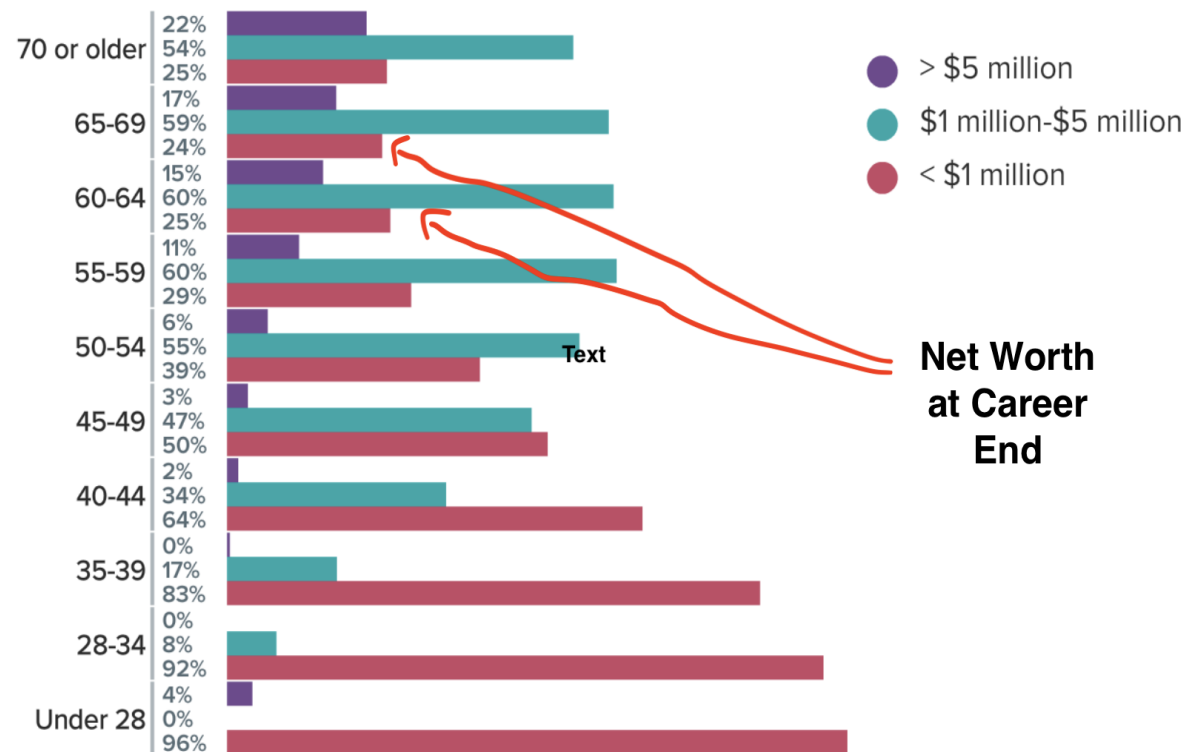


¹ Includes Orthopedics and Orthopedic Surgery

² Includes Hematology and Oncology



Net Worth by Age



How Much Do Rheumatologists Make?

- Medscape: \$286,000 (\$281,000 last year)
- Doximity \$306,000 (\$300,000 last year)
- Physicians Thrive \$299,000 (\$258,000 last year)
- AAMC (Academic) \$239,000 (two years old)
- MGMA (Thank you Kyle Claussen of Resolve)
<https://www.whitecoatinvestor.com/resolve>
 - MGMA Starting Salary: \$234,481
 - MGMA Total Compensation after Year 1: \$286,834
 - Resolve's rData (verified contract data):
 - Highest Offer: \$532,500
 - Lowest Offer: \$144,000
-

How Much Do Rheumatologists Make?

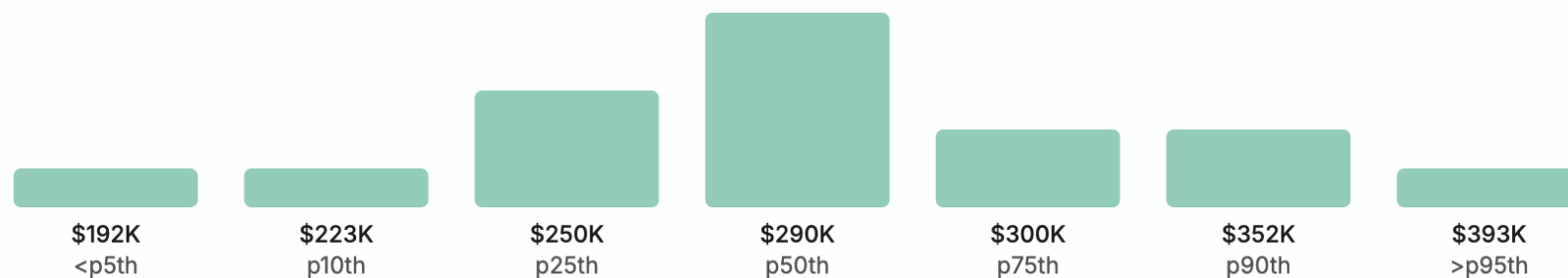
- Marit

Full-Time Rheumatologist Salary

\$283,402

Avg Total Comp

15 Salaries. Updated Feb 19, 2025



Inside the Averages

💰	Base	\$264,666
	Bonuses	\$18,070 (46% received bonuses)
	Other income	\$666 (6% received other income)
🕒	Workload	~42.1 hrs/week
🌴	PTO	~4.9 weeks

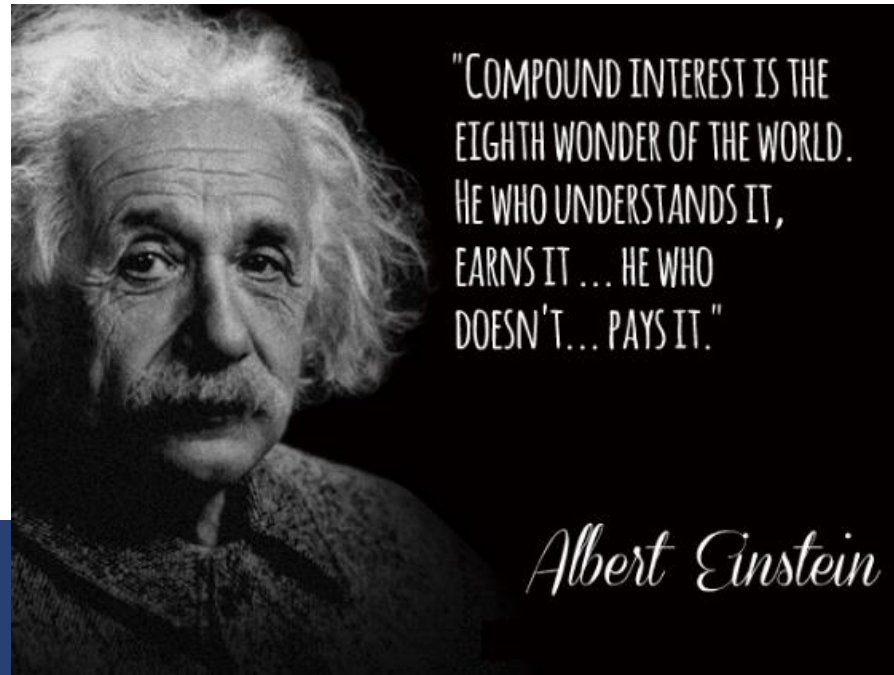
Income is Not Wealth

- Net Worth = Everything You Own Minus Everything You Owe
- $\$300,000 * 30 \text{ years} = \9 Million
- How much will you have left when it is all done?
- Investing 20% ($\$300,000 * 20\% = \$60,000$) per year and earning 8% per year for 30 years =

$\$6.8 \text{ Million}$

Income is Not Wealth

- Add in house, cars, stuff etc and
- At the end of your career, you can still have everything you ever earned.
- Plus, you can spend 80% of what you earn as you go along.



"COMPOUND INTEREST IS THE
EIGHTH WONDER OF THE WORLD.
HE WHO UNDERSTANDS IT,
EARNS IT ... HE WHO
DOESN'T... PAYS IT."

Albert Einstein

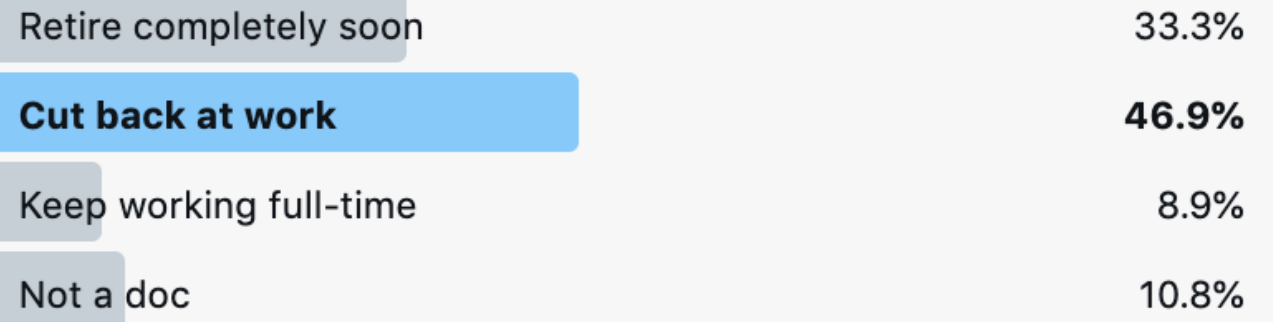
Calling vs Vocation



White Coat Investor @WCInvestor · Mar 18



Please retweet for maximum exposure. Practicing physicians and dentists: If you had \$20 Million in the bank would you



1,376 votes · Final results



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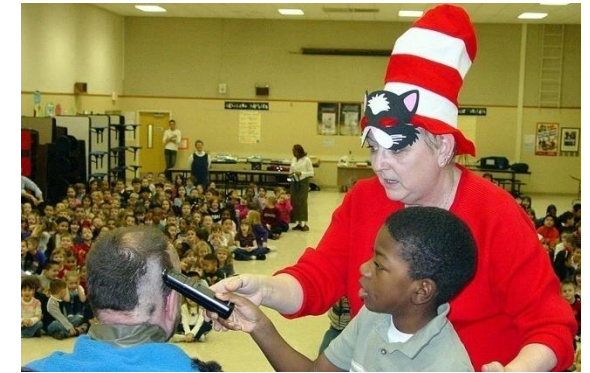
#2

Using a Financial Advisor



How Stockbrokers differ from Kindergarten Teachers

- Remember that personal statement
- "You are engaged in a life-and-death struggle with the financial services industry. ... If you act on the assumption that every broker, insurance salesman ... and financial advisor you encounter is a hardened criminal, you will do just fine."- William Bernstein, MD

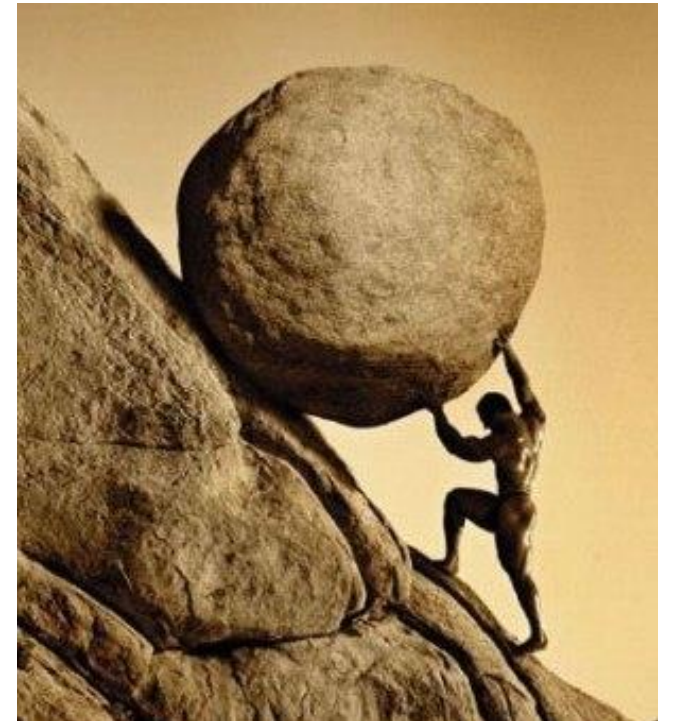


Finding a Good Advisor

- 1) Commitment to profession
 - CFA, CFP, ChFC, CPA/PFS
- 2) More experience than you
- 3) No commissions (Fee-only)
- 4) Fiduciary Duty
- 5) Knowledge of investing literature
- 6) Experience with physician-specific issues
 - Taxes
 - Student loan issues
 - Retirement account issues

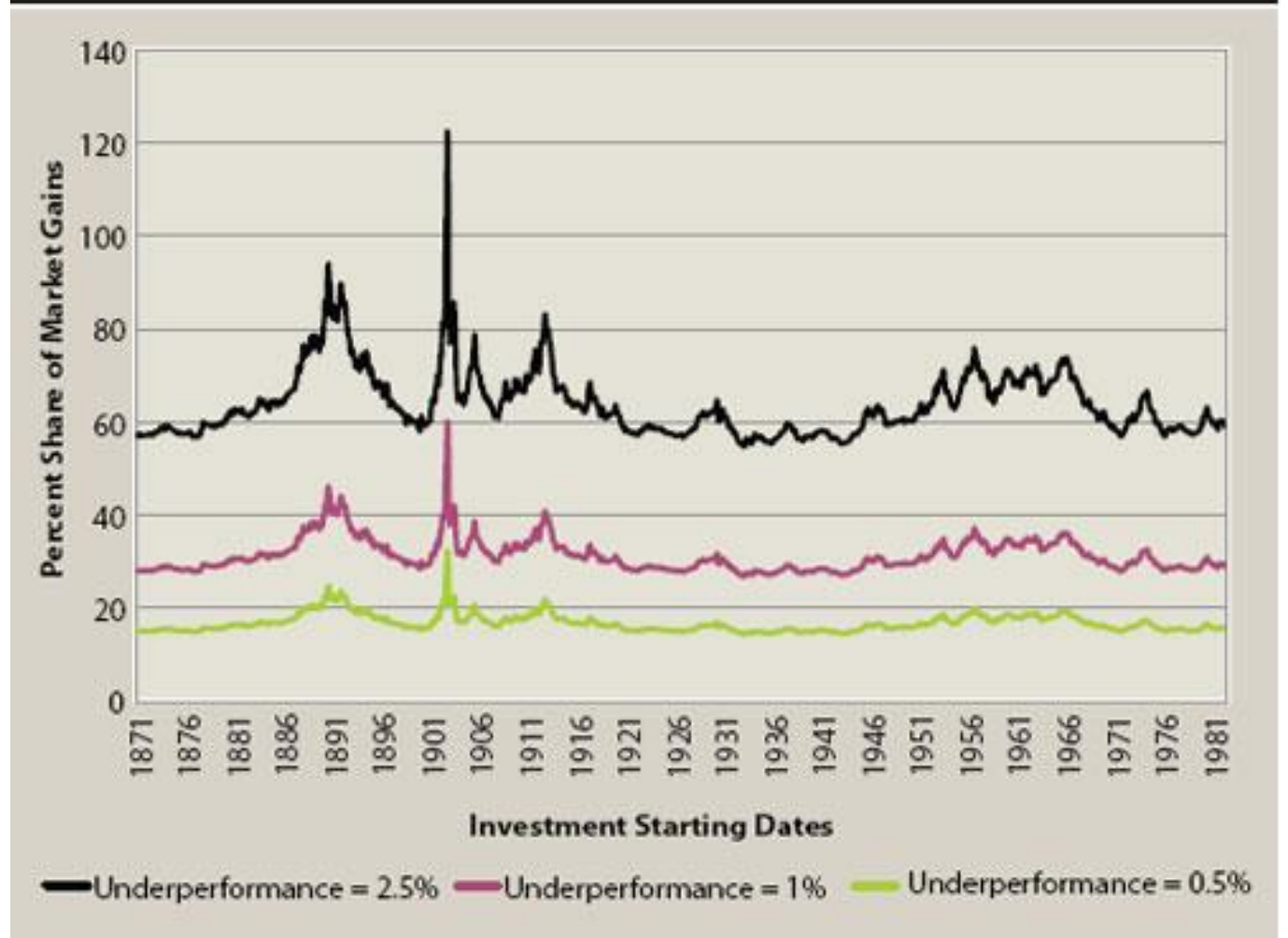
The Cost of Financial Advice

- If you pay just 2% of your portfolio each year in fees, commissions, and expenses, how much less would you end up with?
 - 30 years, 8% pre-fee returns, saving \$60K a year.
 - \$6.8M vs \$4.7M
 - Is that advisor really worth over \$2M to you?
 - 7 years of your gross salary?
 - \$80K/year in retirement?



The Tyranny of Compounding Fees

Figure 3: Financial Services Industry Share of Market Gains over 30-Year Periods



Financial Advisory Models

- **1) Commissions**
 - Loaded mutual funds
 - Commissions on insurance-based investing products
 - (3-8% load, high expenses, bad products)
- **2) Asset Under Management Fee**
 - 0.15%-2% -- \$1500-20,000 on a \$1M portfolio
- **3) Annual retainer or Subscription**
 - (\$1000-5000) or set fee for plan (\$500-2000)
 - \$5-15,000 per year
- **4) Hourly rate**
 - Typically \$200-400/hour

#3 Student Loans Are Not a Pet



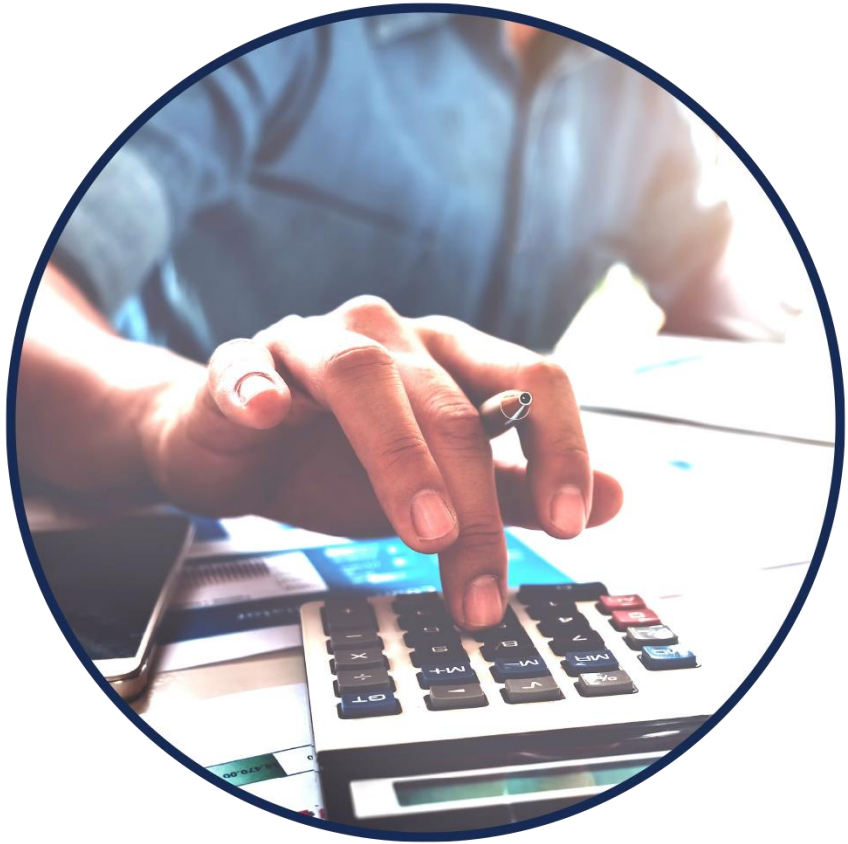
Most Doctors Have Student Loans

- 73% of MD grads have student loans
- Average is \$205,000
- For DOs, average is \$240,000
- For dentists, average is \$304,000
- Lots of doctors owe \$400,000+

Federal Student Loans

- Most common form of borrowing for college
- Fixed Interest rates 3% to 9% (8-9% for med studs in 2024-2025)
- Direct Stafford Unsubsidized Loans, Direct Stafford Subsidized Loans, Direct Plus Graduate Loans
- Federal protections
 - Repayment plans
 - Forbearance/Deferment
 - Death and disability
 - Loan forgiveness
- Direct Federal Consolidation (Key after graduation)

Federal Repayment Plans



- Standard – Fixed payment over 10 years
- Graduated – Payments start at a low amount and grow every 2 years at a rate to payoff loans in 10 years
- Extended – Fixed payment over 25 years
- Extended Graduated – Payments start at a low amount and grow every 2 years at a rate to payoff loans in 25 years
- Income-Driven Repayment
 - Income Contingent Repayment (ICR) (going away)
 - Income Based Repayment (IBR)
 - Pay As You Earn (PAYE) (going away)
 - Saving On A Valuable Education (SAVE)
- If you have federal loans, you need to become or hire an expert in these programs

Income Driven Repayment Programs

- Payments have nothing to do with interest rate
- Payments have (almost) nothing to do with debt burden
- They are based solely on income and number of people in your family



The Income Driven Repayment Programs

Income \$60,000 per year

# People	Poverty Line	150% of Poverty Line	225% of Poverty Line	60k - 150% of Poverty	60k - 225% of Poverty	ICR	New IBR	Old IBR	PAYE	SAVE
1	\$15,060	\$22,590	\$33,885	\$37,410	\$26,115	749	312	468	312	218
2	\$20,440	\$30,660	\$45,990	\$29,340	\$14,010	659	245	367	245	117
3	\$25,820	\$38,730	\$58,095	\$21,270	\$1,905	570	177	266	177	16
4	\$31,200	\$46,800	\$70,200	\$13,200	\$0	480	110	165	110	0
5	\$36,580	\$54,870	\$82,305	\$5,130	\$0	390	43	64	43	0
6	\$41,960	\$62,940	\$94,410	\$0	\$0	301	0	0	0	0
7	\$47,340	\$71,010	\$106,515	\$0	\$0	211	0	0	0	0
8	\$52,720	\$79,080	\$118,620	\$0	\$0	121	0	0	0	0

Loan Forgiveness Programs



- Public Service Loan Forgiveness
- IDR Loan Forgiveness
- Loan Repayment Assistance Programs
- US Military Student Loan Forgiveness Options
- National Institute of Health (NIH) Loan Repayment Program
- National Health Services Corp (NHSC) Loan Repayment Program

Public Service Loan Forgiveness (PSLF)

- Program enacted in 2007
- 750,000 borrowers have had loans forgiven (as of Dec 2023)
- Four Requirements
 - Qualifying repayment plan - ICR, IBR, PAYE, and SAVE payments count
 - 120 monthly payments while
 - Full-time employment or part-time employment at multiple employers
 - Work for a 501(c)3 or non-profit)
- Employment Certification Form
- Tax-free forgiveness
- Most residencies and fellowships are 501(c)3s as are most academic positions are 501(c)3s
- Many doctors working at non-profit hospitals are not employees of 501(c)3s (TX and CA exception)
- VA, military, CHCs, public health etc



Public Service Loan Forgiveness (PSLF)



- PSLF usually best option if you qualify
- PSLF Side Fund (to hedge against legislative, executive, and career risk)

PSLF Case Study

Year	Income	Monthly Payments		Annual Payments	
		SAVE	Standard 10 YR	SAVE	Standard 10 YR
1	-	-	3,331	-	39,967
2	32,500	-	3,331	-	39,967
3	65,000	259	3,331	3,112	39,967
4	65,000	259	3,331	3,112	39,967
5	65,000	259	3,331	3,112	39,967
6	182,500	1,238	3,331	14,862	39,967
7	300,000	2,218	3,331	26,612	39,967
8	300,000	2,218	3,331	26,612	39,967
9	300,000	2,218	3,331	26,612	39,967
10	300,000	2,218	3,331	26,612	39,967

TOTAL PAYMENTS	130,642	399,674
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- Single Emergency Medicine doctor, residency for 3 years
- Resident income \$65,000
- Attending income \$300,000
- Student loan balance \$300,000
- Standard 10 year @ 6% interest rate.
- PSLF can vastly decrease the loan cost.

Private Student Loans

- Not as commonly used as federal loans to finance education
- More commonly used after graduation when looking to private refinance
- Not eligible for flexible repayment or forgiveness provisions
- Less likely to be discharged in death and disability
- Not discharged in bankruptcy
- Variable and fixed interest rates
- Interest rates 0% - 14% (high 4% range lately)

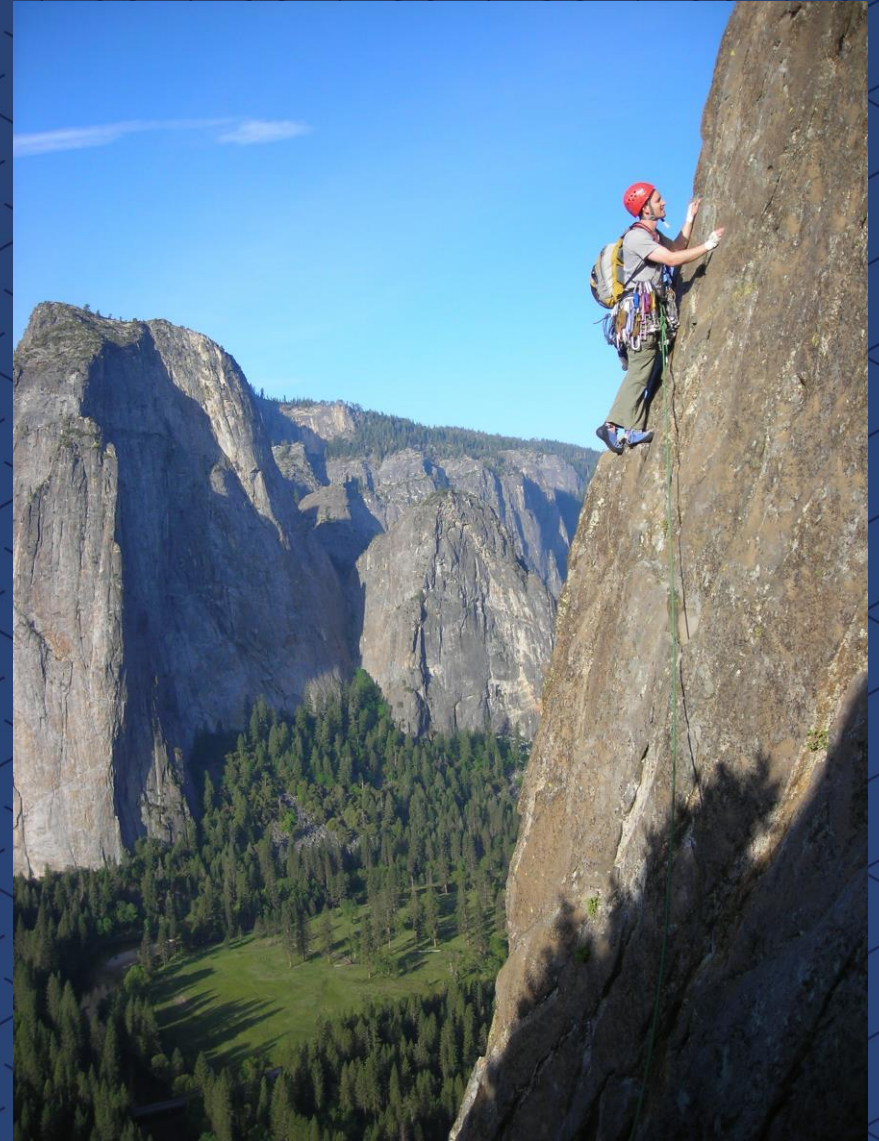
Private Refinancing

- Some resident refinancing programs allow for \$0-100/month payments
- Excellent option for private loans
- Not advisable for your federal loans while in school (or in training)
 - Wait until SAVE subsidy gone to refinance
- Once loans are refinanced you don't qualify for federal programs such as income-driven repayment programs or PSLF

Student Loans in the News

- REPAYE already gone
- SAVE is almost surely gone but tied up in court
- PAYE seems likely to follow
- New IBR will likely be the plan for most
- PSLF and IBR will take an act of Congress to eliminate
- Latest PSLF Risk = Eliminating non-profit status of hospitals
 - Wait until something actually happens
 - University employees likely to still qualify
 - Mad rush for VA jobs?
 - Use PSLF side fund/refinance

#4 Protect Your Greatest Asset



How To Buy Disability Insurance

- Independent Agent- Guardian, Standard, Principal, Mass Mutual, Ameritas
- Specialty-specific, Individual (not group) policy as a resident
- Buy more upon residency graduation
- You get what you pay for, but ask for discounts
- The definition of “disability” is all-important

Disability Insurance

- Sticker shock – 2-6% of income covered
 - \$5000 per month benefit costs \$100-250/month
- Pay annually (5% discount)
- Buy it together with others for a discount
- Women should get a gender-neutral policy
- Disability insurance is complicated- use the agent
- Consider GSI if you're not healthy

Riders

- Residual Disability
- Cost of Living
- Future Purchase Option
- Non-cancelable vs guaranteed renewable
- Catastrophic disability
- Retirement

#5 Who Else Relies On Your Income?



How To Buy Life Insurance

- 1) Decide how much to buy (\$1-\$3 Million)
- 2) Decide how long until you won't need it (20-30 years)
- 3) Go to an online site to get quotes and print them out (healthy 30 yo F = \$550 per year per million)
- 4) Take to agent. Tell him you don't want whole life insurance. Fill out application. Have exam. Sign paperwork.
- 5) Move on with life.

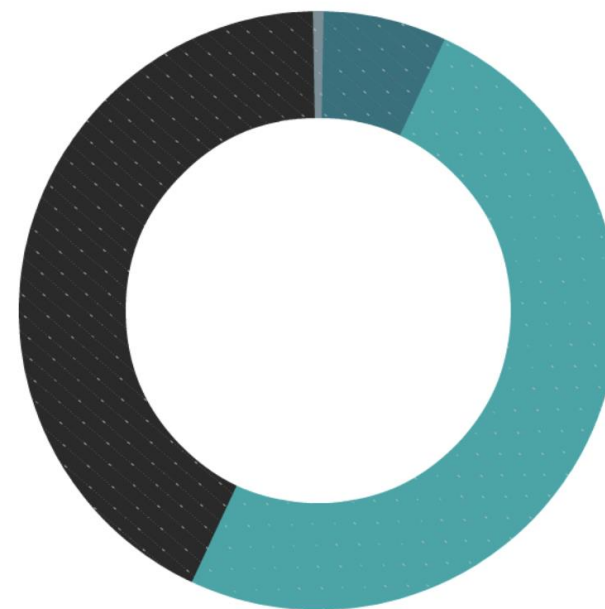
#6 How Much Can You Spend?



How Much Can You Spend in General?

Are You a Spender or a Saver?

- Living below your means is key to building wealth
- Half of doctors spend everything they earn
- 7% of doctors spend more than they earn



- 7% ● I live above my means
- 50% ● I live at my means
- 43% ● I live below my means
- 1% ● Other

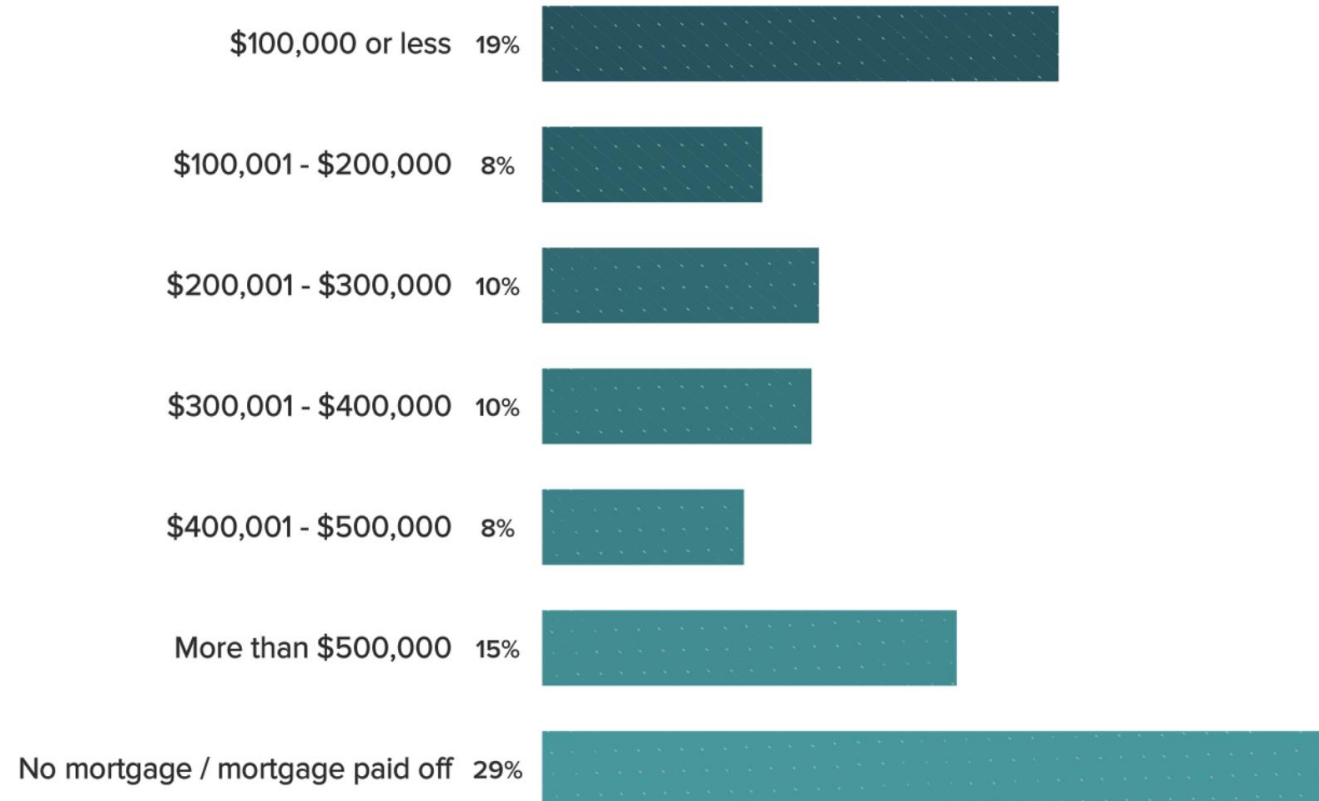
How Much Can You Spend in General?

- 20-30% of gross income will go toward taxes
- You will need to save 20% of gross income for retirement
- So you can never really spend more than 50-60% of gross
- If you have student loans or other savings goals (college?) the number will be even lower
- So don't tie up 25-30% of income in a mortgage!

Housing Guidelines

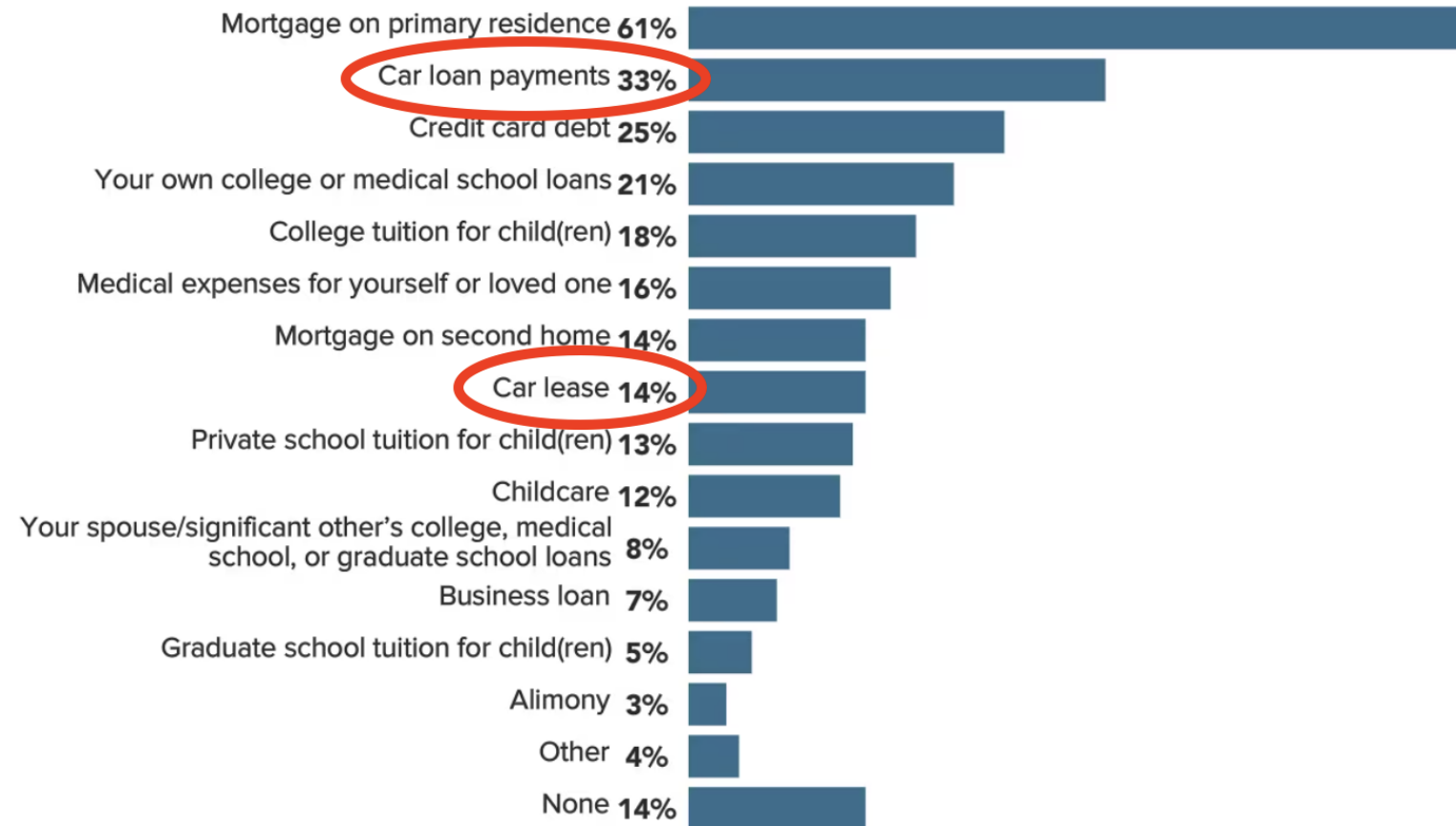
- Buying too much house early in your career can severely handicap your ability to build wealth
- Don't buy until your personal and professional situation is stable
- Keep mortgage < 2X gross income
- HCOLA exception?
 - 3-4X, not 10X

How Large Is Your Mortgage?



You Are Not What You Drive

Expenses or Debts That Physicians Are Paying Down



Tell Me You're Bad With Money Without Telling Me You're Bad With Money

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- Personal Finance 101
 - Don't ever carry a balance on a credit card
- Personal Finance 202
 - Don't buy cars on credit
- Personal Finance 303
 - Look at the price when you buy, not the payment

You Are Not What You Drive

- Needs
 - \$2,000-3,000 Basic transportation
 - \$5,000-10,000 Reliable transportation
- Wants
 - \$15,000 Nice used car
 - \$25,000 Nearly new car
 - \$35,000 New car
 - >\$40,000 Luxury car, van, SUV etc
- Don't go into debt for wants
 - Save it up in 1-6 months

#7 How to Invest Your Way Out of a Paper Bag



The Case For Mutual Funds

- Pool your money with other investors to buy stocks, bonds, and real estate
- Benefits
 - Professional management
 - Diversification
 - Economies of scale
 - Daily liquidity
- Two types: Active and Passive

No One Has a Crystal Ball

- You need a plan likely to succeed no matter what happens in the future
- Nobody knows nothing –stop wasting time and money on activities that don't add value
- CXO Advisory group evaluated stock market predictions
 - 6,582 stock market predictions
 - 1998 to 2012
 - 68 gurus
 - 47.4% accurate

Mutual Fund Managers Don't Have A Crystal Ball

- On Persistence in Mutual Fund Performance, Carhart, 1997
 - Analyzed 1892 funds from 61-93
 - Average actively managed fund underperformed by 1.8%.

The Index Fund Advantage

- Allan Roth Study (How a Second Grader Beats Wall Street)
- The probability an actively managed portfolio will beat index/passive funds

	1 Year	5 Years	10 Years	25 Years
One Fund	42%	30%	23%	12%
Five Funds	32%	18%	11%	3%
Ten Funds	25%	9%	6%	1%

What Do The Experts Say?

- "Of the 355 equity funds in 1970, fully 233 of those funds have gone out of business. Only 24 outpaced the market by more than 1% a year. These are terrible odds." **Jack Bogle**



What Do The Experts Say?

- "A low-cost index fund is the most sensible equity investment for the great majority of investors. My mentor, Ben Graham, took this position many years ago, and everything I have seen since convinces me of its truth." **Warren Buffet**



What Do The Experts Say?

- "After a lifetime of picking stocks, I have to admit that Bogle's arguments in favor of the index fund have me thinking of joining him rather than trying to beat him." **Jim Cramer**



What Do The Experts Say?

- "The statistical evidence proving that stock index funds outperform between 80% and 90% of actively managed equity funds is so overwhelming that it takes enormously expensive advertising campaigns to obscure the truth from investors." **Peter Lynch**



Pick a Reasonable Investing Plan

- Broadly diversified between asset classes
 - Stocks, bonds, real estate etc
- Broadly diversified within asset classes
 - Index funds hold thousands of securities
- Low cost
 - 2-20 basis points per year
- Appropriate amount of risk
- Fixed asset allocation
- Rebalance periodically

A Few Words on Investments

- "Good" investments:
 - Low cost stock index funds
 - Low cost bond index funds
 - Well-managed real estate
 - Small businesses you control
- "Bad" investments:
 - Individual stocks
 - Actively managed mutual funds
 - Whole life insurance
 - Speculative instruments (Beanie Babies, Bitcoin)

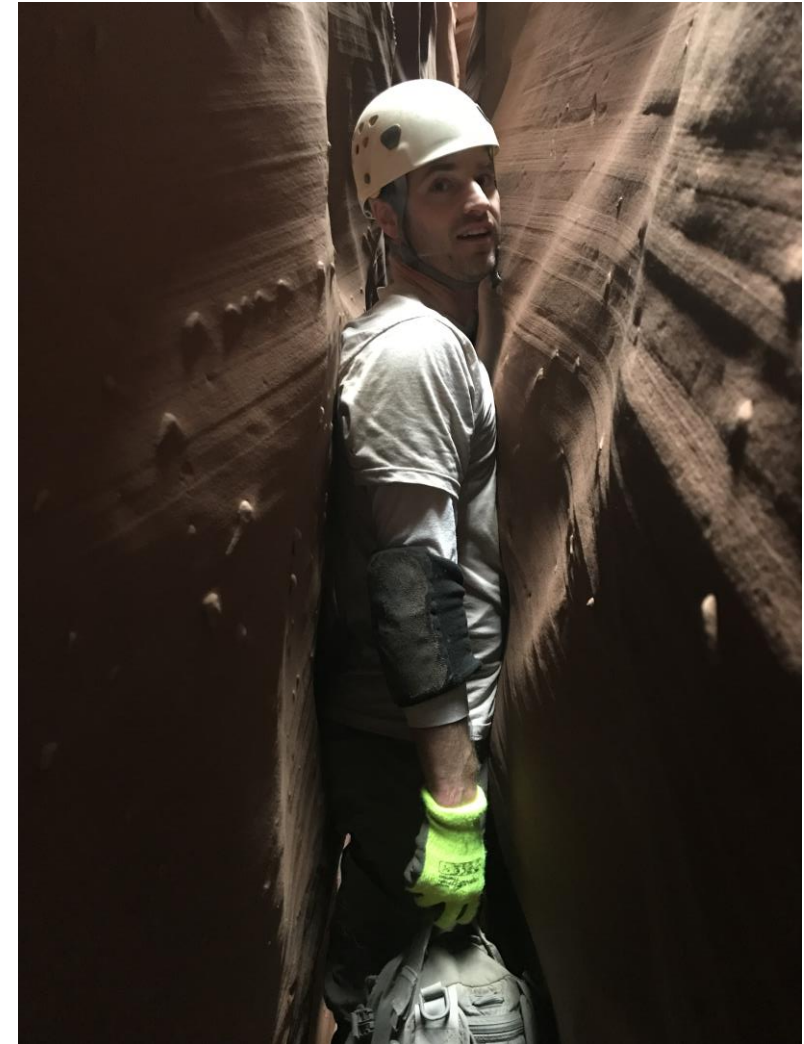


#8 How Doctors Build Real Wealth



The Secret To Wealth

- Make a lot of money (Career longevity)
- Don't spend a lot of money
- Make your money work as hard as you do
- Don't lose your money
 - Creditors
 - Taxes
 - Death, disability
 - Speculative investments
- You've already won the game (the rest is easy)
- Convert your high income into a high net worth



The Secret to Physician Financial Independence

LIVE LIKE A
RESIDENT!

Living Like A Resident

- Live like a resident while in training
- Have a written financial plan for your first year out
- Continue to live like a resident for a few more years
- Carve out a massive chunk of your income with which to build wealth
 - Pay off loans
 - Save up down payment
 - Max out retirement accounts
- Then enjoy the good life after 2-5 years

Living Like A Resident

- Attending salary of \$300K
- Fellow salary of \$60K
- \$300K Gross
- \$225K Net
- \$90K to live (50% raise!)
- Leaves \$135K to build wealth
- \$200K in loans can be gone in < 2 years

Have a Written Plan

- Fellows with a written plan for their first 12 paychecks are highly likely to succeed
- Set Goals
- Define how much you will put toward each major category
 - Student loans
 - Retirement
 - Housing
 - Short term goals
- Track net worth (what you own minus what you owe)

What We Learned

1. Wealth is not income but income, used properly, creates wealth
2. Get good advice at a fair price or learn to do it yourself
3. Pay off your student loans within 2-5 years of residency graduation
4. Buy disability insurance to protect your greatest asset
5. Buy simple term life insurance if anyone else depends on your income
6. Never spend more than 50% of gross, do not become house poor, pay cash
7. Use a sensible portfolio of index mutual funds as long term investments
8. Live like a resident to become the wealthy doctor your family thinks you are

Questions

- Email me at editor@whitecoatinvestor.com
- Website: <https://www.whitecoatinvestor.com>
- Check out the podcast and Youtube Channel
- WCI Forum, FB Group, Subreddit, The FEW