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Residents In a Room
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VOICE OVER:

This is Residents in a Room, an official podcast of the American Society of Anesthesiologists, where we go behind the scenes to explore the world from the point of view of anesthesiology residents.

You can continue living as a resident for a couple more years just to save a little bit of money before you decide to make those big lifestyle changes.

As young physicians, we should be taking on a lot more risk. You've got a stable, career, stable job.

I think it's reasonable to see your well-paying job as your bond, as your safe investment.

DR. CHRISTOPHER MALGIERI (HOST):

All right. Good evening, everybody, and welcome to this edition of Residents in a Room. I'm Dr. Christopher Malgieri. I am the Vice-Chair of Education at Brown Anesthesiology, and I'm here today with a couple of current residents to talk about personal finances. And before they introduce themselves, I'm just going to throw out there that I, I consider myself an expert in anesthesia, but never such an expert in personal finance. So today we're going to facilitate a discussion with some residents. Talk about some things that maybe I wish I knew when I was a resident and some things that these guys would like to know, and we'll sort of go from there. So without further ado, let's go ahead, and let's start with Andrew.

DR. ANDREW WINEGARNER:

Yeah. Hey, I'm Andrew Winegarner, CA2 at Brown University, actually where Dr. Malgieri is at. Nice to meet everyone. Thanks for having me on.

DR. MALGIERI:

And we also are joined by John.

DR. JOHN LUCAJ:

Hey, I'm John Lucaj. I am a PGY4 CA3 resident at Wayne State University Detroit.

DR. MALGIERI:

Well, welcome John, and good to see you or hear you again, Andrew. So let's just start with the basics. So when you guys were invited to a, a podcast to discuss personal finances, what topics were you expecting to talk about? Let’s start with Andrew.

DR. WINEGARNER:

Yeah, sure. So, I think a lot of the basics, as far as, you know, starting early as far as thinking about what you're going to do for retirement, emergency funds, insurance, both disability and life insurance, budgeting, obviously, and just kind of having a general financial plan, so to speak and getting started as early as possible.

DR. MALGIERI:

All right, so, so John, what does, what does personal finance mean to you?

DR. LUCAJ:

You know, when I was invited to the podcast to discuss personal finances, I just imagined it would be everything about like saving money, spending money and everything in between. So that's kind of like how I imagined what it meant.

DR. MALGIERI:

Ok. So I, you know, just right off the bat, and I'm getting the impression that you guys are pretty comfortable with finances. So, am, am I picking that up correctly, Andrew? Or what's your, what's your comfort level with finance?

DR. WINEGARNER:

I feel pretty comfortable. It's pretty much all I do in my free time, to be honest. It's a kind of a hobby. I'm a hobbyist. I guess you could say.

DR. MALGIERI:

OK. John, are you? Are you a hobby money guy?

DR. LUCAJ:

I am not. I'm actually I'm the complete opposite spectrum. I know nothing about it, which is why I was kind of drawn towards this, cuz I thought it'd be really…

DR. MALGIERI:

All right, Andrew, the guru here of the group, it seems like. So where did you, where did you, where did you get your info? Where did you, where did you learn to become a finance guy? Were you, were you taught about it in medical school? Was, was it your thing before medicine?

DR. WINEGARNER:

I wasn't hugely interested or really cared before medicine or during med school, but I'd say sometime around third year, we had one guy who gave a quick talk and kind of opened our eyes to the magic of compounding interest and sort of put the seed in our heads like what, you know, financial freedom can get you as far as being able to work any kind of job you want to work within medicine and not having really finances play a factor anymore into it and sort of some really easy basic steps that you can take very early on to sort of set yourself up for that. So, I'd say it started with just one quick one hour lecture I had during med school and then from there just delving into the usual resources like White Coat Investor, Physician on FIRE. Then from there, getting into more, you know, esoteric stuff.

DR. MALGIERI:

Ok, so John, how about you? Did you have any formal lectures about this in medical school and where, where did you guys go to medical school?

DR. WINEGARNER:

So I went to, I'm from Kansas City. I went to University of Kansas for medical school.

DR. LUCAJ:

I went to, I'm from Michigan, but I went to Ross University. But in regards to, like, where

I got all of my information, I mean, a lot of the attendings that are at our institution, pretty much I've been asking them or even talked to some people in our billing department, sometimes the financial savvy faculty members who volunteer their time and expertise.

But pretty much, as Andrew mentioned, I've actually just gone to the White Coat Investor recently. Actually, just a couple of months ago, I just bought disability insurance for the first time, so that was kind of a huge step for me.

DR. MALGIERI:

Ok, well, I'll give my own personal plug. I, I went to Ohio State for medical school and we did not have any formal training, so to speak, on finances, but we did have a financial aid officer. His name was Sam (sic) I think he's out in Columbia now. So Sam, if you're listening to this, tip of the cap to you there, while we, we dovetail off into some finance topics. And Andrew, you mentioned someone, some wonderful person taught you the glory of compounding interest. Maybe before we start with that, we should talk about the seeping black death of despair that compounding interest could be in the form of student loans. So…

DR. WINEGARNER:

Yeah, so…

DR. MALGIERI:

So, so the average med student, the ASA gave me the statistic here, the average med student that's the matriculating right now has over $200,000 in student debt. I, I want to know, Andrew, we'll start with you. Where did student loans figure into your financial plan?

DR. WINEGARNER:

Yeah, definitely. So that's two hundred grand, 200k in debt, so you're starting pretty deep in the hole. You know, basically at 30 years old, you've lost 10 years of possible income before you get your first real paycheck. And that's compounding interest. So by the time you actually pay it off, it's going to be closer, you know, it's almost half a million dollars, but, if, you know, if you make the usual payments. So that's kind of the negatives of how compounding interest can really hurt you. But at the same token, if you start getting invested early, and the key is early as possible, with just getting in the market, whether it be stocks, real estate, whatever, it can work for you just as powerfully as it works against you, in that respect.

I would be lying if I said it didn't play a little bit of a role in sort of specialty choice and things like that as well. It's definitely something that I think most med students have to keep in the back of their heads with this humongous debt that they're kind of walking into with 10 years of missed income.

DR. MALGIERI:

This is a, an honest space, this podcast. John, how about you? Where do student loans play into your financial choices?

DR. LUCAJ:

Honestly, to be quite honest, I always imagined that once I got my job and joined the magical land of attendingdom, that eventually everything would just take care of itself. So, first, it was actually at the bottom of my priority list. But as I come closer and closer to graduation, it's getting much, much to the top of the list. So that's where it's at now. So, I think at this point I have started to gather more information about what it is that I need to learn and how to take care of all these things.

DR. MALGIERI:

It, it sounds like it was a, a priority for both of you. John, let’s start his one with you.

DR. LUCAJ:

Yes, sure.

DR. MALGIERI:

Why don't you tell me? What do you know about repayment options for your loan?

DR. LUCAJ:

To be quite honest, I don't know too much about the repayment options. I mean, I have the Income-Based Repayment right now for myself. I know there is the Pay As You Earn repayment plan, which allows you to pay back about 10 percent of your like discretionary income every year. I know there's the Graduated Repayment Plan, which starts off low, then gradually increases every year or two, if I'm not mistaken. I know a buddy of mine does this one, but otherwise not too much.

DR. MALGIERI:

Okay. John’s slow playing what he knows. It sounds like John knows way more than he lets on.

(CHATTER)

DR. WINEGARNER:

That's a pretty, pretty granular detail knowledge.

(CHATTER)

DR. MALGIERI:

This is the med you (sic) …airways and if he drops in, he's like also an ENT surgeon at the same time.

DR. LUCAJ:

Just on the (sic).

DR. MALGIERI:

Andrew, what, what do you know about repayment options?

DR. WINEGARNER:

I don't have a whole lot to add to that. I just did the Repaye, R-E-P-A-Y-E kind of income based during residency, and I'm not planning on doing the loan forgiveness, so I'll probably refinance with, I think First Republic is one of the good ones and there's a couple of other recommended on White Coat Investors that can get rates pretty low.

DR. MALGIERI:

You, you say the F word here on the podcast, so hopefully that doesn't get censored. But what, what, what does forgiveness media? What do you know about forgiveness? What are the options for that?

DR. WINEGARNER:

So I don't, I'm a little hazy on the specifics, since I realized pretty much straight away I probably wouldn't qualify for that. I think it's 10 years of working either academia, non-profit academia, or some sort of non-profit organization after, you basically made payments for 10 years, whatever you have left, basically, it's forgiven. I don't remember if it's exactly 10 years or not. It has to be a certain number of payments, which works out to be roughly 10 years.

So, I mean, if you're going to be in fellowship for 100 years, like if you're a neurosurgeon or pediatrician who's just a glutton for punishment, that makes a lot more sense. Because when you're in fellowship and residency counts towards this, and if you just take an academic job or something, that'll usually count towards it as well.

DR. MALGIERI:

Yeah. John, what do you know about the Public Service Loan Forgiveness Program?

DR. LUCAJ:

Yeah, pretty much, probably less than what Andrew knows. I think it, the 10 years sounds very familiar to me. That's the last thing I remember about somebody mentioning it or what I read about. It's like you keep making these payments over 10 years and magically it goes away. But as you mentioned, it's a lot of work that you have to put into in order for you to qualify for it. So I haven't really look too much into it.

DR. MALGIERI:

All right. So, you know, when, when I decided to host this podcast, looking at my notes here, the big rule I wrote for myself was facilitate don't lecture. I, I, I was here to facilitate a discussion amongst you guys, John and Gordon Gekko over there, with Andrew. I think I would have to break my rule a little bit here to talk about the Public Service Loan Forgiveness because this is just an obscene, obscene program that can really benefit a lot of anesthesiologists, especially young anesthesiologists.

Andrew, you are correct. This is a program that will forgive your loans as a tax-free gift from the federal government after 120 of payments. The payments need to be on time and they need to be in the correct payment plan. So those, those payment plans are all the ones that you just described earlier in this show. Pay As You Earn, Income-Based Repayments, I think even Graduated qualifies to, but don't quote me on that, but for certain IBR and pay as you earn, both qualify as long as you are on that payment plan and you're working for a 501c3, non-profit or for the government, you qualify.

I myself, qualified for it. I know friends who have qualified for it now, and it is a life changing maneuver to get yourself out of debt. And also, when, when you're working for an academic hospital, as a resident for a couple of hundred bucks or a few hundred bucks, depending on what your loans are, you get a qualifying payment. So, by the time you come out of fellowship, as, as Andrew pointed out, you're already halfway done. So, if you find a job at a 501c3 for a little while, you're suddenly out of debt. So, for those who have gigantic amounts of debt, definitely consider this before you go refinancing. And Andrew, has, has this come into your mind, too? Did you know that before you decided to refinance?

DR. WINEGARNER:

Yes, so I haven’t refinanced yet. I was going to refinance after residency when, because right now, obviously my resident salary is pretty pithy, so the Income-Based Repayment is not too terrible. But as soon as you get that attending salary, it's going to jump up. So that would be the time I'd refinance. But yeah, I definitely had considered that, but didn't want to bank on that and then ended up changing later down the road.

DR. MALGIERI:

All right. Well, John, how about yourself? Did you consider refinancing or have you considered using Public Service?

DR. LUCAJ:

I have not, actually. I never even, I didn't, I entertain the idea of refinancing, but I wasn't really sure whether or not I should have. A lot of people have told me in the past year it might have been a good decision, but I don't really know too much details about how, or if, it would benefit me.

DR. MALGIERI:

I, I won't belabor this and get to the minute details of who benefits or who doesn't benefit. All I would do is strongly encourage you two and anyone listening to this podcast to sit down and look at the numbers and make sure that you're not punting on a program that can change your life. This is not a pie in the sky. It's not, it's not a mirage. It exists, it's real. And some anesthesiologists are getting hundreds of thousands of dollars of, of loans forgiven without too much of a lifestyle change by, by going through this. So I definitely look into it and talk about it.

But let's pivot away from less negative topics and talk more about what's with growth and about finance in the, in the aspect of building your, your net worth. So obviously, your net, your income, as Andrew alluded to, jumps considerably from residency to attending life. And I, I guess I'm just wondering what you guys think about this transition, and how you anticipate your budget changing as you move forward? And let's start with Andrew.

DR. WINEGARNER:

Yeah. So that's kind of the biggest fear that pretty much anywhere you go finance blogs, especially for physician (sic), you don't, you know, go out and buy a Ferrari with your first paycheck and you know, you want to try to live like a resident, at least for a few years. And that's going to set you up for decades to come because obviously, again, going back to compounding interest, the early years are the most important.
And since we're already starting 10 years late, if we can be pretty frugal, invest pretty aggressively during those first years instead of, you know, buying a big house, big car, and that's going to pay absolute dividends down the road.

DR. MALGIERI:

John, what do you think? How, how is, how do you anticipate things changing as your income jumps next year or in two years?

DR. LUCAJ:

I, I think this transition is going to be frightening, to be honest. You know, I always learned to be frugal growing up, and I just kind of continued through high school, college, medical school and residency. I probably will still continue doing it and, you know, going from like scanning, looking at the most inexpensive options when you're shopping. And then just all of a sudden the new attending the lifestyle, making that big paycheck. I think I'll be OK that I can order the extra guac at Chipotle now without feeling too bad. But I mean, it's, I think I agree with Andrew that you can continue living as a resident for a couple more years just to save a little bit of money before you decide to make those big lifestyle changes.

DR. WINEGARNER:

Yeah, I think I tell a lot of my co-residents like the biggest lifestyle change I foresee, for me, in becoming an attending is just having less hesitation buying fancy cheeses.

DR. MALGIERI:

That cheese is so good, man. Hey, Andrew, let's, let's pivot back to you talking about investment. So, you know, I have to admit, when I got out of residency, I had a grand total of zero dollars and zero cents in the, in the investment count to speak of. And if you ask me to go invest or, you know, $1,000 and you can keep it if you invest it right now, I'd be out $1,000 because I had no idea how to invest anything. So, for everyone out there who was like me and had absolutely nothing in investment accounts, what do you do? How does one invest in? What does it even mean to invest?

DR. WINEGARNER:

Yeah. So I think this comes down to personal preference, more active versus passive. Studies show overwhelmingly just passive, setting it and forgetting it tends to perform better than more actively managed portfolios. So I'd say without fail, without exception. There's literally no exception any resident should immediately open a Roth IRA with either Vanguard, Fidelity, whoever. And if their program, not very many, but if their program does have some sort of 401k option where they match into it, that's, I would certainly say that's a good idea, but most don't. So the best is just to open your own, you know, it's a low cost group like, again, Fidelity or Vanguard, and then just buy index funds. You can contribute up to six grand a year for your Roth IRA. That's money out of your bank account, so it's money you've already been taxed on. And once you invest it, it's going to grow untaxed. Because when it's inside the Roth IRA, that shields it from taxes and when you take it out when you retire, it's also not taxed.

So as residents we’re in the lowest income bracket as far as taxes go, we’ll ever be for the rest of our lives right now. So any time we can kind of make a play where we're getting taxed now as opposed to later when we'll pull it out and we'll be in a much higher bracket, that's pretty overpowered move as far as investing goes, because the biggest expense as a doctor is not going to be your house car kids anything, it's going to be taxes, like by far and away. Nothing else comes close. So anything you can kind of do to shield your income from getting overly taxed is going to pay massive dividends. So again, Roth IRA would be without fail. Everyone should open one of those. Figure out some way budgeting or something to make sure you max that out, six grand a year, it’s the max that you can put into it. And for I'd say, most people just do a big passive index fund like the S&P 500 or just a total stock market index.

Since we're young, presumably if you're a resident, definitely, I would say aggressive because you have a lot less to lose. So, I'd say 100% equities just go all stocks. You don't need bonds when you're in your 20’s or low 30’s. As you get older, you start to pivot more towards conservative things like bonds when you're trying to preserve wealth as opposed to build wealth.

DR. MALGIERI:

All right. I'm going to go on a limb, John, and guess that Andrew has some Roth IRA funds and has dipped his toes index funds. Yeah, right, right. But John, and it's OK if you don't feel comfortable answering. Where has investment played in your finances as a resident and how have you prioritized it against the things that you might need, you know, like feeding yourself or having a car or, you know, paying your rent?

DR. LUCAJ:

When it comes to investment, I have like, less than zero experience in this area. I can't say I've ever invested before, as much, I mean, I do wish I had some more experience and want to, but I feel like just paying the rent, and the car bill and just, you know, feeding myself is more important. I always just imagine that it's just I'm already spending so much time doing all this physician work and doing resident life that I wish I could allocate that time to, to knowing more about investment.

DR. MALGIERI:

So time is a big thing then, right? We, we spend a lot of time at work and what little time we don't spend at work we're studying. And of course, if we have families, we want to make sure we're dedicating enough time to our families. Andrew, I'm curious and, and we're talking real talk here. Someone who doesn't love finances, you know, like me and John, what how much time would you say would take out of a given day to just take care of an index fund? Or to do this, Roth IRA business?

DR. WINEGARNER:

Should take approximately zero minutes a day. Honestly, it just takes like maybe 30 minutes, once a year. So, it's again, that's the idea with the passive indexing, you just open a Roth IRA with Vanguard throw in your money at the beginning of the year and then just ignore it until next January, and you just repeat the exact same thing. I don't, I'm a little bit more active than that, but as far as I feel like for most people, it really shouldn't be any business more than 10/20 minutes a year.

DR. MALGIERI:

So would you recommend keeping anything out of the market for maybe an emergency? And if so, how much money do you keep on hand for an emergency?

DR. WINEGARNER:

Yeah. Oh yeah. A 100% emergency fund should be priority one. There's like a flowchart of things you kind of want to have as a resident. So emergency fund, I guess that would be different for everyone, depending on if you've got a family. If you have another partner who's earning, but, you know, definitely want some money set aside for a rainy day in case something happens to a car, some health crisis.

Then you're going to want life insurance, especially. Maybe not if you're single, but if you've got a partner or family again, because if something happens to you then that's it, you know. It's a whole year of income now gone that your partner is not going to have.

And then you're going to want disability insurance as well to again protect against downside specifically for your specialty. You don't just want occupation disability insurance, because if you break both of your hands as an anesthesiologist and you just have occupational disability insurance, they'll say, well, you can still be a doctor, but you're not going to be able to be an anesthesiologist.

And then, of course, investing. And that would probably come after you've kind of made sure you've taken care of all those other things. And then you, in terms of investing, you want tax sheltered accounts like your Roth IRA or an HSA with health insurance, which is a arguably, even more important than a Roth IRA. And then, after all, that's taken care of, then you could start getting into a little bit more exciting, esoteric stuff like just trading stocks on Robinhood or whatever people are doing.

DR. MALGIERI:

OK, that, that sounds like some, next, next level stuff. John, I remember at the beginning of this podcast, you mentioned that you just dabbled into disability insurance. Tell us, tell us a little more about that. So what did you buy and what prompted you to buy it?

DR. LUCAJ:

I, one of my attendings, actually prompted me to buy it, and I went through White Coat Investor and I talked to somebody on the forum that directed me towards Vanguard's. Then I spoke to one of the agents. And it was kind of a couple conversations, emails like a two-hour long phone call. And then, voila, I had disability insurance, and currently I, I pay roughly, I think I have the minimum, to be quite honest. I forgot how much I pay, so I don't know off the top my head.

DR. MALGIERI:

But it's a bit more than life insurance. I can tell you that much.

DR. LUCAJ:

Yeah.

DR. MALGIERI:

So Andrew, are there any other kinds of insurance? I think you'll, you'll see as you get closer to graduation, there's no shortage of people trying to sell you insurance. What do you, it sounds like, so, yay or nay? Do you need disability insurance?

DR. WINEGARNER:

Yeah, I'd say 100%, because again, if something happens to you, then you've just lost an entire, you know, 30, 40 years of income's just gone. You have no leg to stand on.

DR. MALGIERI:

So, disability insurance, yes. Is, is there a difference? Because you know, you'll see most job, most jobs offer you long term disability within your job package. Do, would you expect that you need to buy more than that? Or is that going to cover everything you need?

DR. WINEGARNER:

I guess it would depend. Again, for physicians, you definitely want specialty specific insurance that not just covers you for doctor disability, but also for your actual specialty as an anesthesiologist, because again, the insurance companies will just come right back and say, well, you can still be a doctor, even if you've lost function of both of your hands. But you can't be an anesthesiologist anymore, so it's not going to cover your anesth, it's not going to kick in at all, because they'll say you can still be a physician. So that's, I think a lot of people get burned by not making sure that they really go the extra mile with that.

DR. MALGIERI:

Right. And I should also point out too, the, the tax implications. As, as Andrew said, you're going to be paying a lot of taxes when you're a, an attending anesthesiologist and you owe taxes on long term disability that you collect if it was paid for by your employer. If you own the policy and you're paying the premium with post- or after-tax dollars, then you can collect on your long term disability without owing taxes on it. And that's a, that's a big difference.

I want to pivot away a little bit about personal finances with respect to investment and talk a little more about your employment opportunities afterwards. Andrew, have you given thought to whether you'd want to work in a private practice situation or a larger non-profit academic institution?

DR. WINEGARNER:

I think me personally, I like research a lot, so less, finance is less of a factor in that decision. But because I think I would prefer more of an academic situation.

DR. MALGIERI:

So John, how do you feel? Are, are you looking to work in a private place where you might own a piece, a piece of the company? Or would you also rather be in a big academic place?

DR. LUCAJ:

Owning a piece of the company sounds so tempting and enticing, but I'm doing fellowship next year and in critical care, and one of the things that I'd like to do is I really do like academics. As Andrew mentioned, I kind of like being a part of it, so I'm not too sure. I think it might be premature for me to make that decision right now. Or I don't know if you might know. Do you think I should make that, what would you suggest?

DR. MALGIERI:

You know, every, obviously everyone has their own financial goals, but the one thing I can say is that the trend seems to be more and more graduates are being employed, or they work for either a large conglomerate. They don't actually own the practice, which they practice. So, I mean, not to drift too far off topic. Any thoughts, Andrew, on why do you think that's happening as time marches on?

DR. WINEGARNER:

Yeah, I mean, it's, it's kind of a systemic thing in medicine, but certainly anesthesia. I would say, what, 10, 20 years ago is when it really kicked off. So all the private practice groups, very profitable venture funds, private equity groups realize this physician business can be pretty profitable, so they offer to buyouts to smaller private practices and sort of conglomerate them to larger ones. And so more and more, kind of, one man, few man shows, just smaller gigs have been kind of being absorbed into these bigger private equity groups, which then have to flip the practices if they want to sell it for a profit. So, then they start trimming the practice, whether it be in staff, longer hours, things like that, because they've got to make it more profitable. They flip it to the next group and they've got to trim the fat even more. So that seems to certainly been a trend for a lot of the private practices, especially in the bigger urban centers and more, like you said, more hosp, direct hospital employment or academia. It seems like it's just, as far as anesthesia goes, and in medicine in general, just more and more rare to find like a truly private practice group that's not beholden to, you know, private equity investors kind of making decisions as far as how you run the show.

DR. MALGIERI:

So John, did, did you get any formal education about business ownership or business, small business management when you were in school?

DR. LUCAJ:

Not at all. Not at all. And I, I wish I did.

DR. MALGIERI:

You know, and I deal, Andrew will tell you, I deal with medical students a lot, and I, I frequently ask them, hey, what's, what's one thing we could be doing better at Brown, where we are? And I got to say, if I listen to the top 10 complaints about dearth in education curriculum, number one, is usually something about business. Something, I wish they taught me more about business. And, you know, me personally, I think I have mixed feelings about that. Whether or not it's a med school's place to be teaching that, or whether, you know, we're already stuck for time and trying to fit in medicine into a lot of the, the hours of curriculum, should we really be spending more time on business?

And John, I'd, I'd be interested to hear your thoughts as a, you know, more recently removed from medical school than me. What do you think? Do you think something should be done about it? Do you think it's worth spending time on business and business management?

DR. LUCAJ:

I think so. I mean, I, as mentioned before, I do think that this is a problem. I mean, it's not a surprise that sometimes, as you mentioned before, like, we're busy with important issues of life, death and health, and the chief goal and residency is to learn to be a great physician. You're working tons of hours helping patients and their families, making these life changing decisions. And I used to think about these boring but necessary tasks such as budgeting, you know, meeting with your advisors, calling your financial planners, often they fall to the wayside, but they are part of your life. And I think that they will determine sometimes down the road how happy you become. So, I think it should, we should allocate some time toward, towards it.

DR. MALGIERI:

Andrew, what do you think? Do you think, do you think it’s a med school’s place to be teaching doctors to be businessman or businesswomen?

DR. WINEGARNER:

I think that'd be kind of a tall order. I think they should definitely probably do a better job of introducing some concepts of like, hey, career wise, not all of you are going to be staying in this university setting. There's this whole other world out there. But I don't think, I mean, I imagine most of the people teaching in med school aren't going to really have the acumen or the experience to really be able to teach it in the first place. If I, physicians approach it with enough humility, I'm sure they can learn it, you know, on their own once they're out of practice. I think the problem happens a lot of times with everything as we finished med school and we think, oh, I'm a doctor, I can, business should be easy and we get in a little over our heads and kind of get into trouble with that. But as long as you promote, you know, approach with the same tenacity, I think most people should be fine.

DR. MALGIERI:

All right. Well, let's, let’s make things a little more personal here as we kind of talk about nuts and bolts of what to do with money. I'm curious what you two guys do with money. You know, you're not interns anymore. You've been making money for a few years, at least. As your income has grown, how was your budget changed? Andrew, I’ll, I'll start with you and, and not just your income at work going from PGY1 to PGY2, but also as you, it sounds like you've been a, a, active, at least with investment. As your portfolio has grown and you've become a little more comfortable, what, what have you been doing with money? How is your budget grown and changed?

DR. WINEGARNER:

So I like whiskey, so I've been buying a little bit more and more expensive whiskeys. And like I said, cheese. I'm waiting till I'm an attending before I start getting nice cheeses. But I've tried to get like the investing portfolio to a point where the money you're making from your investments, whether it's in dividends, interest, APRs, things like that, you just funnel back into the investment, so that starts to kind of take care of itself. I love traveling, but if, turning credit cards, signing up for travel, credit cards and new and every couple of months and getting those bonus miles. I can't remember the last time I paid for a flight, me or my wife, so I think there's a lot of really easy ways to get around a lot of things and be able to do, you know, traditionally, expensive hobbies for basically free, like traveling. So as far as budgeting, I guess that really hasn't changed too much. It's all just gone right back into the market.

DR. MALGIERI:

Do you have kids?

DR. WINEGARNER:

Don't have kids. That's, yes, that's definitely afforded me a lot more wiggle room as far as putting money back into the market.

DR. MALGIERI:

Right? All right, and John, how about you? You, it sounds like Andrew is married. John, are you married? Do you have kids?

DR. LUCAJ:

No. Just a girlfriend.

DR. MALGIERI:

Just a girlfriend. Ok. All right. So it sounds like your budget might be a little more simple. How, how, how are things going for you?

DR. LUCAJ:

It is. A little simpler. I don't have a house. I just own a car. But I love to travel. Instead of whiskey when I travel, I spend a lot of my money on like sports equipments and snowboards and skateboards so, that I probably won't grow out of.

DR. MALGIERI:

Ok, so what I'm hearing from both of you guys is as your budgets grown, you've allocated more money to things that make life fun, whether it's whiskey or sports equipment or girlfriends, in John's case. As your money's grown, you're having more fun with it. Am, am I hearing that correctly or, or are you balancing that with more investments?

DR. WINEGARNER:

That's a fair assessment.

DR. LUCAJ:

Yeah. At least I wouldn't disagree with you. Yes. Yes, just more fun.

DR. MALGIERI:

So, all right, well, let's take it a step further then. So as you make the transition to attendingdom, John, you mentioned this earlier. What do you plan on doing with the when your income really starts to jump? What's, what’s your goal?

DR. LUCAJ:

I think investments at this point would probably be extremely important for me. But as Andrew mentioned earlier, I think it's OK for you to live a couple of years off your resident salary. You've been doing it for so long. A couple of years won't hurt you. House, car, spending money to take care of all of your, your debts, I think those are probably the priorities on my list at that point.

DR. MALGIERI:

Ok, Andrew, what about you? When you get your, your first big paycheck, what are you going to do with it?

DR. WINEGARNER:

Probably buy some really nice cheeses. Keep going back to that. I think just honestly ramping up my current investment strategies. I don't plan on living like a spartan, you know, impoverished life or anything when I'm quote unquote living like a resident. So I definitely don't wait till I'm retired before and start enjoying money. But I think if I stick to my general plan, that's going to afford, you know, financial freedom, which then really kind of opens you up to do whatever you want, where finances don't really become an issue anymore as far as where you want to work, when you want to work, things like that.

DR. MALGIERI:

Ok, so John, you know, as your income jumps, you're, you’re kind of like me, in a sense where you’ve finished training, I didn't have any, I didn't have any investments, and my biggest pitfall for investments when I was finishing training was I had a wife and I had a baby and I lived in Boston, which is a very expensive city. I could, you know, just barely afford to pay the rent. That was, that was my roadblock to investing. And the second most important in that roadblock was I didn't know anything about investing and I had I started to buy books just to kind of learn what an index fund was or how I go about buying stuff. But I, I didn't know anything and I, I didn't have anything. John, I am interested to hear what your roadblocks have been to investing?

DR. LUCAJ:

I think right now, I think it's the time and the knowledge. I am very ignorant in this topic. I think that's kind of where I need to do. I think as you mentioned, you bought a book. I think that's the first thing that I'm going to start to do is eventually probably in a couple of months by a couple of books, kind of like learn what people have been doing. Talk to more attendings who have the time to actually sit down, at least the, the older ones who can offer some of their wisdom regarding it.

DR. MALGIERI:

So I bought two books. I bought the Millionaire Next Door, which is a super easy read, and I think it was really valuable in the sense that it taught me some really good concepts that there are prodigious, prodigious accumulators of wealth and prodigious consumers of wealth. And it really pushed me to want to be an accumulator of wealth and not someone that just gobbled down wealth with nothing to show for it.

And the other book I bought was The Intelligent Investor, a, a classic book about investing, and I understood maybe 20 percent of the words in that book. It was like sitting down with Miller's Anesthesia before you read anything else and been like, oh, yeah, OK, I, I, I don't understand any of this.

Andrew, what about you? What, what books would you recommend for, for John? And I guess myself too?

DR. WINEGARNER:

Yeah, I've actually got the Intelligent Investor right on my bookshelf by Benjamin Graham. He wrote another book on securities that's really great. Honestly, though, I mean, I think the books are great, but it's going to be all one guy's kind of philosophy. And usually, you know what worked for Benjamin Graham and Warren Buffett adopted those and guys like Michael Burry of more recent fame adopted that. But they've all made kind of changes. So, I think it's, I honestly go online more than books and just kind of don't pick any one source and just follow what they did as far as their playbook. But just kind of, you know, kind of take it into consideration, sort of make decisions based on that, not based on what any one person is necessarily doing because the markets are alive, they're efficient so what worked for one person, it's not going to work anymore because arbitrage won't last in the markets anyways, they self-correct. So it's like always a super rapidly evolving environments.

So like more basic principles of just sort of looking for profitable companies. Again, the biggest thing, playing on compounded interest, those will always be true regardless. But when you really start getting into the weeds of what individual investors are doing or what worked for individual people, I feel like that rarely actually plays out, practically speaking, for me, just because again, the markets are efficient enough to wear any exploits they were able to find rarely exist for very long.

DR. MALGIERI:

You got that, John?

DR. LUCAJ:

Yeah, right. Okay.

DR. MALGIERI:

The last three sentences that Andrew said were, included a lot of words that I, I, I hear you. I, I, I know these are words. I know this is English…

DR. LUCAJ:

Right?

DR. MALGIERI:

But, you know, come again? And…

DR. WINEGARNER:

Sorry.

DR. MALGIERI:

And, right. So, you know, I, I'll give my own personal experience, here. When I got out and started making a little money as an attending, I knew I needed to invest because I, I have been surrounded by people that say, oh, you've got to invest. I, I just went on Vanguard and set up, you know, I found an index fund. I think it's an all a, a total stock market index fund, and I went on Fidelity, and I think I have a lot, I put a lot of money in, it's called a Five-in-One Index Fund, so it has, kind of aspects of international investments and domestic ones, and some real estate, and it's supposedly balanced, according to some other friends of mine. But for the most part, it's an index fund, and I don't look at it, but money in it, and I forget about it. You know, I, I drive home and I hear on the radio, oh, the market didn't, didn't do well today, and I think, oh well, that sucks. But for as far as I'm concerned, it's not money that I need to access, to, to Andrew's point. It's just there, and I, I don't spend any time on it. It sounds like Andrew lives and breathes this stuff, but I, I certainly don't.

And John, you can be like me in the sense, where, you put money away. And I, you know, honestly, at the end of the quarter, usually I, I, I log on. I have it all in Mint, I don't know if you guys know what Mint is? Mint is like a, it's like a place for every account you have in mortgage and savings account all goes and in same thing. I can see my net worth is and it goes up, you know?

So, with that, the last topic I want to talk about before we sign off here is risk. You know, that's the third thing that kind of was my roadblock. John, are, are you a risky guy or are you a risk taker? I hear you do a lot of sports. You're buying equipment. It sounds like you're a skydiver and maybe a climber and a fire-swallower.

DR. LUCAJ:

Yeah, I do a lot of risky things. I wish I risked more in the market, so I could probably make more money in that sense. But I am a fan of risk. I think once I get to the point of actually consuming more knowledge in this, I probably might go along what Andrew is talking about and go into the market and dabble a little bit here and there.

DR. MALGIERI:

Andrew, what do you think about, what, where does risk play what you do?

DR. WINEGARNER:

Yeah. So I think by nature most physicians are risk averse, we're going to very stable, you know, careers, kind of playing the long haul, the long game. But I think for young people, especially young physicians, you should really be taking on tons of risk because again, you have nothing, you have very little to lose but a ton to gain early on. And as your wealth accumulates, obviously immediately, you know, switch from wealth generation tactics to preservation. So I'm actually, I started off, you know, the classic Boglehead philosophy of just all passive index funds, but quickly got into a very active trading, which I will say if you're going to do should do inside your Roth IRA because you don't get, there's no capital gains tax or anything like that. Again, you want to protect all your investments from taxes. So, if you're doing that inside your Roth IRA, that's all basically free real estate. You can just trade as much as you want and you're not getting taxed on it. If you just open like a Robinhood account or whatever and you're just doing that with your normal money, you're getting taxed on every single trade, every single gain, just getting, just demolished by capital gains taxes.

So I'd say the time to play in the market would be earlier than later just to kind of get a feel for it. I feel like most of the times you're going to realize, turns out you can't beat a passive index fund, which is true for the overwhelming majority of active portfolio managers, let alone retail investors like us. Then that's a cheap lesson you learned early on, with hardly any money at stake, instead of deciding, you know, in your mid-40s that you want to try playing the markets and losing a lot more money than you would have lost if you just played around as a resident.

DR. MALGIERI:

So, Andrew, the way you've been describing index funds this entire time, it's like, I, I mean, I hasten to say this term, but a sure thing with a lock. You can't. You can't lose money. Is, is that how you're trying to describe index funds? Am I hearing you correctly?

DR. WINEGARNER:

So I mean, certainly in the last 15 years have been basically one long, uninterrupted bull run. Vanguard themselves said they expect returns to be closer to 3% a year over the next 10 years versus, you know, the 10-11% it's been for the last 15. So it's certainly not a guaranteed thing. It's certainly not better than bonds as far as safety goes. But again, as young physicians, we should be taking on a lot more risk. You've got a stable career, a stable job, much more so than most other professions. So you don't have to worry about income, per se. And again, you have a lot less to lose early on. So going 100% in equities, even if it's something stable like index funds is definitely, I think, should be advisable for most people first getting into the markets. I wouldn't even bother with bonds until you're, you know, 8 years into your attending, 8, 10 years in.

DR. MALGIERI:

Yeah, that's an interesting thing. We do. We do have. We have a stable career. You're, you're always going to be an anesthesiologist. And while we might have gripes with the government and the way that are, we’re paid by the government and by other practitioners who, who have scope of practice patients with us, at the end of the day, you're always going to have a well-paying job. And I think it's reasonable to see your well-paying job as your bonds, as your safe investment, that as long as you go to work, you're going to come home and make, make some money.

So to, to dovetail off what Andrew said, I totally agree with that. I think it's reasonable to take some risks out there and I'm a very risk averse guy. I'm a very vanilla ice cream. I, I, my favorite team is Penn State. They don't want any names in their jerseys like I'm a central Pennsylvania guy, but I guess you should be taking some risks and that's, that's how you're going to build wealth. And you can always see your paycheck at the end of the day is your bond. That's your, your insurance. And of course, it's also why you need to ensure your paycheck with disability insurance.

So, John, I know, you know, I can fill up the day asking questions of Andrew here, who is quickly established himself as our expert. What do you want to know more about? Do you, do you, is there any lingering question you have about index funds or investments?

DR. LUCAJ:

Absolutely. I think Roth IRAs and index funds are probably one of the things that I've always wanted to truly know how to get into, what they are. I mean, Andrew has done an excellent job of describing all of these things so far. So, I just wish I really just like sit down and like, just got to spend some time to actually do it. I think those are the most important things that I think I kind of want to talk about.

DR. MALGIERI:

All right.

DR. LUCAJ:

Or learn more about at least.

DR. MALGIERI:

I think we've reached the take home point time. So, I think one point for these guys, for everyone listening is Public Service Loan Forgiveness is real and it's life changing. So I beg all of you to read that.

Andrew, I want you to take us home by saying to everyone here when they get their first attending paycheck and they say, you know what, people have been telling me to have a Roth IRA and index funds this entire time. And in the simplest layman's terms, what do they do? They have a laptop. They've got a paycheck.

DR. WINEGARNER:

Yeah. So even I would do this right now. When you're listening to this, open a new tab, go to Vanguard.com. make an account for a Roth IRA, and you'll be able, because you want to do it before you become an attending. Because you can't even contribute. You have to do this fancy stuff called backdoor Roth IRSs once you're an attending, but while your income is low, go to a Vanguard.com or Fidelity. Those are the two best as far as fees go. Make an account with a Roth IRA and then just deposit money from your bank into the Roth IRA. You can only deposit up to six grand a year. Once it's in there, just buy a broad index fund like the S&P 500 or a total stock market index fund. And that's it. And you're done. Just leave it there. It's going to grow on its own. Just looking at a very conservative five percent APY for interest, just the money you'd put in from residency alone. If you don't contribute another dollar for the rest of your life to your Roth IRA, it's looking at about $120,000 by the time you retire just from, like the six grand every four years that you put in during residency. So it's a lot of money you get back for doing literally nothing, even if you don't put another penny in after you finish residency.

DR. MALGIERI:

I think that's pretty good. All right. Well, I think we'll, we'll end it there. John, Andrew, it was a real pleasure having you join me here. And so thanks again, John, Andrew, and good luck to you both, and I hope to see you again here soon.

(CHATTER/THANK YOUS)

DR. MALGIERI:

Again, thank you everyone out there for joining us for Resident in a Room, the podcast for residents by residents, and I hope to see you again all soon.

(SOUNDBITE OF MUSIC)

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