Part V: Transition to Practice:
Five Money Tips for the Resident in Training: a Checklist for Your Financial Health

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As a resident, you spend most of your time taking care of patients, all while trying to squeeze in study time, some leisure, and time for family and friends. Despite the busy days and long nights, residency is the time to think about how to make the transition from training to practice; how to make the most of your salary, plan for future professional endeavors, and figure out the basics of loan repayment and life/disability insurance. Here are five things to keep on your checklist:

Save money: Congratulations – you make money and no longer rely on student loans for rent and monthly expenses. Now is the time to start saving it. Open a savings account with a good interest rate (online banks like Ally, Marcus, and Capital One 360 have good rates) and put money in with each paycheck. Build an emergency fund that will cover 4-6 months of expenses. Start thinking of your money in terms of net worth (i.e., wealth): your assets minus your debts. The only way to increase your net worth is to spend less than you earn. Put that savings into assets that have potential to grow – or pay down your debts. Remember: a high income does not mean wealth. It’s how much you can save and put towards increasing assets and decreasing debt that will determine your financial future. Thinking this way now will help you frame how you want to conduct your financial life now and after residency.

Protect your assets: For most of you, your biggest asset is your earning potential. Protect this asset by getting disability insurance. While it’s not a bad idea to buy disability insurance as a resident, insurance companies won’t insure you for more than about half of your current income. Thus, think about purchasing disability insurance towards the end of your residency, and buy more once you’re out of training and making a bigger salary. Also, avoid doing risky things during residency that might lead to injury that will put an exclusion clause on your disability insurance. Insurance companies won’t cover health issues you had prior to your getting the insurance. For more information on disability insurance, you can check out: http://www.mereresidency.com/2014/11/12/disability-insurance-what-to-look-for/ And for those of you with family who depend on your income, consider getting term life insurance.

Understand your student loans: They’re not going away by themselves, so you should understand your loans and refinance if you can find better terms. Do you know how many loans you have and what you owe in total? Who is your loan servicer? What’s your interest rate? Learn about refinancing – something that’s become much more feasible in recent years with the advent of companies like SoFi, Earnest, and Laurel Road, among others. If you have government loans, learn about the income-based repayment plans and loan forgiveness options available to residents. Check out a site like studentloanhero.com for more information on loan forgiveness and refinancing.

Invest your money: While your friends graduated from college and started earning money right away, you were paying tuition and learning about the brachial plexus. You now have valuable professional skills and job security, but you must catch up in the investment department. Compound interest works most in your favor if you start investing when you’re young. Learn about the benefits of Roth IRAs – then open one and contribute as much as you can (max $5,500 per year). Figure out if your program offers a 401k matching program for residents; if they do, take advantage of the free money and contribute up to the match percentage (typically 3-5%).

Learn a little bit about personal finance: Unfortunately, medical schools offer very little in the way of financial education, leaving residents and young attendings to navigate the murky waters of investments, savings, the stock market, real estate, etc. There is no *one* source that will give you all the answers but start educating yourself about personal finance.