Pediatric Nephrologists on FIRE: Financial Independence and Retiring (Early)

A Webinar sponsored by the ASPN Workforce Committee
April 27, 2021

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Moderator: Danielle Soranno, MD
Disclaimer

- I am not a financial advisor and this webinar is not financial advice
- I am not (yet) financially independent nor retired
- Most of what I know I learned from Google, reading books & blogs and listening to a lot of podcasts – if you can prescribe dialysis, you can understand this stuff!
Learning Objectives

At the conclusion of this learning activity, participants should be able to:

- Formulate a plan to tackle finances and prioritize goals
- Understand the account types for retirement and other savings goals
- Be familiar with various strategies to calculate retirement savings amounts
Personal Finance Case Study:

Dr. Ima Nephrologist
Personal Finance Case Study:

Dr. Ima Nephrologist

Acute GN
CRRT
Hypertension
Nephrotic syndrome
Personal Finance Case Study:

Acute GN
CRRT
Hypertension
Nephrotic syndrome

Dr. Ima Nephrologist

Med School Loans

American Society of Pediatric Nephrology
Personal Finance Case Study:

Dr. Ima Nephrologist

Retirement plans
403b
457b
Roth
Investments
HDHP
HSA
FSA

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How Much Do You Put Into a Tax-Deferred Retirement or College Savings Account Each Month?

- More than $2000: 39%
- $1001 - $2000: 27%
- $501 - $1000: 15%
- $1 - $500: 8%

I do not currently put money into a 401(k) retirement account or tax-deferred college savings account on a regular basis: 12%

Source: Medscape Physician Wealth and Debt Report 2020
How Much Do You Put Into a Tax-Deferred Retirement or College Savings Account Each Month?

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- $501 - $1000: 15%
- $1 - $500: 8%
- I do not currently put money into a 401(k) retirement account or tax-deferred college savings account on a regular basis: 12%

How Much Do You Put Into a Taxable Retirement or College Savings Account Each Month?

- More than $2000: 26%
- $1001 - $2000: 15%
- $501 - $1000: 16%
- $1 - $500: 14%
- I don't currently put money into a taxable savings account on a regular basis: 29%

Source: Medscape Physician Wealth and Debt Report 2020
Physician Net Worth by Gender

Male
- <$1 million: 44%
- $1 million - $5 million: 46%
- >$5 million: 10%

Female
- <$1 million: 61%
- $1 million - $5 million: 34%
- >$5 million: 5%

Source: Medscape Physician Wealth and Debt Report 2020
Physician Net Worth by Gender

Net Worth = What you OWN – what you OWE (Assets – Liabilities)

Source: Medscape Physician Wealth and Debt Report 2020
Poll Question 1:

- I know how much money I need to retire...

1) Yes
2) No
How much do I need to retire?

- Just save a percent of income and it will be ok
  - 15% of your gross income should be saved for retirement, assuming retirement age of 65+
How much do I need to retire?

- Income-based milestones

Savings factors to help you on your journey to retirement

Save “x” your starting salary

Age: 30, 35, 40, 45, 50, 55, 60, 67

1x, 2x, 3x, 4x, 6x, 7x, 8x, 10x
How much do I need to retire?

- How is it different for doctors?
  - True earning years start later
  - Probably need to save more due to less time for compound interest to work
  - May also be paying off student loans after training
Starting saving at 23 vs. 31

6% rate of return

Start at age 23
- $100/pay
- $50/pay

Start at age 31
- $100/pay
- $50/pay

Savings vs. Age

$434,299
$257,156
$217,150
$128,578

Source: Google

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How much do I need to retire?

- Estimate based on **expenses** and not **salary**
  - The “4% rule”
  - Created from financial modeling of a 30+ year retirement using historical market data

- **Example:**
  - Estimated annual expenses in retirement = $100,000
  - Multiply x25 = $2,500,000
  - 4% of $2,500,000 = $100,000
  - www.ssa.gov
Investment calculators

- Investment Calculator
<table>
<thead>
<tr>
<th>End Amount</th>
<th>Additional Contribution</th>
<th>Return Rate</th>
<th>Starting Amount</th>
<th>Investment Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Amount</td>
<td>$20,000</td>
<td>6%</td>
<td></td>
<td></td>
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<tr>
<td>After</td>
<td>10 years</td>
<td></td>
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<tr>
<td>Return Rate</td>
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<tr>
<td>Compound</td>
<td>annually</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Additional Contribution</td>
<td>$1,000</td>
<td></td>
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</tbody>
</table>

**Results**

- **End Balance**: $198,290.40
- **Starting Amount**: $20,000.00
- **Total Contributions**: $120,000.00
- **Total Interest**: $58,290.40

Contribute at the end of each month.

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Poll Question 2:

- I know what retirement accounts I have access to...

  1) Yes
  2) No
  3) I think so...
Account vs. Investment

- 401k
- 403b
- IRA
- 529
- 457
- 401a
- HSA
Account vs. Investment

Investments:
- Stocks
- Bonds
- Cash
- Real Estate
- Mutual Funds
- Index Funds

Account

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Types of Retirement Accounts

Individual
- Roth IRA
- Trad IRA
- “Taxable”

Employer-Based
- 401k
- 457
- 403b
Types of Retirement Accounts

Post-tax = “tax-free”

Roth

Pre-tax = Tax-deferred

Traditional
### 2021 Contribution limits

<table>
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<tr>
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<th>Individual</th>
<th>Employer-based</th>
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<tr>
<td><strong>Post-Tax</strong></td>
<td>Roth IRA</td>
<td>Roth 401k/403b</td>
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<td>$6000</td>
<td>$19,500</td>
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<td><strong>Pre-Tax</strong></td>
<td>Trad IRA</td>
<td>401k/403b</td>
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More about IRAs…

- Income limits* for IRAs in 2021
  - $140,000 single
  - $208,000 married filing joint

- “Back Door Roth”
  
  Contribute after tax $$ to traditional IRA  Arrow  Convert to Roth

- Open your own Roth IRA at many investment companies (Vanguard, Fidelity, Schwab)

Source: IRS
How to do a BD Roth

Backdoor Roth IRA 2021: A Step by Step Guide with Vanguard – Physician on FIRE
Other accounts

- **457**
  - Deferred compensation plans (pre-tax) offered by:
    - Government
    - Non-profit employers
  - 2021 contribution limit = $19,500
  - Different rules apply to access money at retirement than for 401k/403b accounts

- **401a**
  - Non-profit, government, education
  - 2021 limit = $57,000 combined
Other accounts

- HSA = Health savings account
  - Must have a HDHP (high-deductible health plan)
  - 2021 contribution limits
    - $3600 Individual
    - $7200 Family
  - Pre-tax contributions, but not taxed again if used for health care
  - “Triple tax advantaged”
Other accounts

- **Taxable account**
  - Can open anywhere (Vanguard, Fidelity, Schwab, TD Ameritrade)
  - No tax benefits
  - No restrictions on when you can access your money
  - No limits

- **529**
  - College savings account
  - Some state income tax benefits
  - Tax-free withdrawals if used for education
Poll Question 3:

- I am comfortable picking among the investment options in my retirement plan...
  1) Yes
  2) No
  3) Maybe?
Investments

- Stocks
  - You are buying a small piece of a company
  - You make money when the stock value increases and if the company pays a dividend to shareholders
  - Higher risk
  - Higher returns
Investments

- Bonds
  - Essentially a loan to a company or government with defined terms for payment of principal and interest back to the lender
  - Sometimes called “fixed income” because interest rate is set
  - Less volatile
  - Typically lower returns than stocks
Investments

- Real estate – many options here
  - Purchase and own real estate
  - Real estate investment groups or syndicated deals
  - REITs
Mutual funds

- Investment vehicle composed typically of stocks and/or bonds
- Investors pool their resources to buy into the chosen investments
- Annual fees = expense ratio
- May have commissions
- Can be actively or passively managed
Investments

- Index fund
  - Passively managed mutual fund
  - Typically track an established index (S&P 500)
  - Known for lower fees
Investments

- Target date fund
  - Can be both passively or actively managed
  - Named for anticipated retirement date
  - Ratio of stocks:bonds adjusts over time without any action on the part of the investor
Poll Question 4:

Which of the following describes you:

1) There are so many competing demands for my money and I’m not sure where to start
2) I’ve got the basics down but am not sure where to go from here
3) I have a written investment plan and know exactly where my money is going
4) I’m totally winging it
So...what should Dr. Nephrologist do first?

- **Step 1**: Emergency Fund
- **Step 2**: Life & Disability Insurance
- **Step 3**: Student Loan Plan

Adapted from White Coat Investor “Financial Waterfalls”
Step 4: Get employer 401k/403b match

Step 5: High interest debt

Step 6: HSA (if applicable)

Adapted from White Coat Investor “Financial Waterfalls”
Max 401k/403b

Step 7

457

Step 8

Back Door Roth

Step 9

Adapted from White Coat Investor “Financial Waterfalls”
Step 10:

- Pay extra on student loans
- Bigger emergency fund
- Save for home / pay extra on mortgage
- Invest in taxable account
- Contribute to 529 plans
- Other savings goals?
Budgeting

- Calculate your Net Worth
- Pay yourself first & start small
- Track your spending
Getting Advice

Understand how financial advisors get paid:

- **Fiduciary** – required to put your interests first
- Fee–only vs. Fee–based
- Fee structures:
  - Hourly rate or retainer
  - Flat fee
  - AUM
- Commission
- Robo–advisors
Wrap up

Don’t outsource your thinking about money!

No one will ever care about your money as much as you do.

Getting your financial house in order means freedom and options.
“To achieve financial independence: spend less than you earn and invest the difference”
Sources

- Google
- Investopedia
- Books:
  - “Work Optional” by Tanja Hester
  - “The Simple Path to Wealth” by JL Collins
  - “The Millionaire Next Door” by Thomas Stanley
  - “Quit Like a Millionaire” by Kristy Shen & Bryce Leung
  - “Your Money or Your Life” by Vicki Robin
Sources

- Blogs & Websites:
  - White Coat Investor
  - Physician on FIRE
  - Afford Anything
  - Rich and Regular
  - Bogleheads – forums are a treasure trove of information
Sources

- Podcasts
  - White Coat Investor
  - Financial Residency
  - Afford Anything
  - Her Money

- Other Social Media
  - @personalfinanceclub
  - #debtfreecommunity
  - #financialindependence
Poll Question 5:

- Our next money topic should be:
  1. Budgeting
  2. Home-buying and mortgages
  3. Insurance (life, disability, etc)
  4. Money mistakes we’ve made
Pediatric Nephrology in a Small Group Webinar Series

Establishing a Hypertension Clinic

Expert: Kevin Meyers, MD

Moderator:
S. Sudha Mannemuddhu, MD

Date and time
May 11, 2021, 3-4 PM EST

If you are interested, please reach out to and send your questions to pednephSG@gmail.com

Joann, Sudha & Ashley