How to Set Yourself Up For Financial Wellness

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1. **Insure against catastrophe.**
   a. Obtain true own occupation disability insurance through one the BIG SIX insurance companies in the event you can't work anymore, enough to cover your living expenses and to save for retirement.
   b. Obtain term life insurance if anyone else depends on your income.
   c. Look at the other insurances to see if you are covered properly: auto, home/renters, medical malpractice, umbrella etc.
2. **Decide how you will manage student loans.**
   a. For most, private student loan refinance (at lowest interest rate) and pay off debt.
   b. For academics: consider if PSLF is right for your (federal) loans and get into the best qualifying payment plan for you.
3. **Implement a spending plan (aka Budget)**
   a. Tracking your spending allows you to align your spending with your values and determine your retirement savings goal.
   b. Utilize apps such Excel, Mint, or YNAB to help make tracking easier/automated.
   c. Save up cash for big expenses to avoid taking on debt.
4. **Eliminate/avoid credit card and other high interest debt.**
   a. If you can't pay off your credit card balance at the end of each month, you cannot afford your spending.
   b. Credit card and other high interest debts (avg credit card interest rate is ≈24%) are a major hurdle in achieving financial independence and should be eliminated as quickly as possible.
5. **Accumulate an emergency fund.**
   a. 6-9 months' worth of expenses and used only for true emergencies (i.e., losing a job, major car repair, etc.) and put in high interest savings account.
6. **Buy vs. rent.**
   a. Rent when your financial and social situation are in flux (residency, first attending job).
   b. Buy when you expect to stay in an area for AT LEAST 5 years and can afford home maintenance.
   c. A house may be counted as an asset but remember it can also be a large source of spending.
7. **Choose a savings rate that achieves your time horizon to retirement.**
   a. Due to a late start, most physicians will need to save about 20% of gross pay for a standard career length (~30 years)
   b. Those wishing to retire earlier will need a higher savings rate to retire, i.e., 30% for 25 years, 40% for 20 years.
   c. Retirement accounts offer tax advantages and asset protection, making them preferred for investing.
8. **Take advantage of all tax-advantaged accounts available to you** (2023 contribution limits)
   a. Roth IRA: $6,500/yr. (x 2 if married), $7,500/yr. (x2 if both married are >50) (most high-income professionals will need to contribute through a process known as "the backdoor Roth IRA" due to income limitations)
   b. 403b/401k: $22,500/yr., $30,000/yr. if >50 (Many employers offer matching contributions to these accounts, many accounts also offer Roth contributions, any employer match you don't get is lost salary)
   c. 457b: $22,500/yr., $30,000/yr. if >50
   d. H.S.A. (Health savings accounts, if enrolled in a qualifying high deductible healthcare plan): $3,875/yr. single ($7,750/yr. married) An account to invest money for medical expenses which does not need to be used in the year contributed. Can be used for medical expenses later in life.
   e. FSA (Flexible spending accounts): Variable limits, often means tested, use pre-tax money to spend on childcare or health care expenses, and the money must be spent in the same year contributed.
   f. Cash balance plan (contribution amount depends on plan and availability)
   g. 529 plans (for children's college education/contribution and tax benefits are state specific)
   h. Taxable brokerage account (unlimited contribution amount/marginal tax benefit)
9. **Learn about your taxes enough to get every credit and deduction you qualify for and minimize your taxes.**
   a. Common tax breaks: Mortgage interest deduction, charitable contributions, child credits, state and local tax deductions
10. **Learn enough about personal finance to know when you need help.**
    a. Everyone's situation is different and paying someone a fair price for advice may save you from bad decisions.
    b. Only look to work with those that hold themselves to a fiduciary standard, preferably a **flat-fee only** advisor that charges per hour, monthly, or annually.
11. **Remember: Money is a tool, use it to increase your wellness as well as for those around you**

References

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