You made it—will your wallet? How to budget in medical residency

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In transitioning to residency, interns are given considerably more responsibility in the clinical setting than they had in medical school. That can be a scary proposition, especially in these unprecedented pandemic times. In life, too, resident physicians are confronting new terrain. That includes managing more complicated finances.

Follow these four essential bits of financial advice for residents so that you can focus more of your mental energy on thriving in residency.

Understand your income

The typical annual salary for a first-year resident is about $58,000, according to the Association of American Medical Colleges. But that does not mean that you will have $4,833 each month to spend as you see fit. According to certified financial planner Chad Chubb, the likelihood is that your net monthly income, after taxes and employer deductions, will be about $1,000 less.

Create a budget

There is across-the-board consensus—from fellow residents who have had experience in living on a comparable salary to financial experts who have worked with young physicians—that it is critical to put together a realistic budget and to stick to it as best you can.

One workable option is the 50-30-20 rule, which divides a paycheck into three categories. The bulk (50%) goes to essentials such as rent, groceries and utilities. A fifth (20%) goes to savings and debt payments. And one-third (about 30%) goes to more flexible—and less essential—spending.
Check out a to-do list for young physicians to get their finances on track.

Don’t overpay your loans

An AMA Insurance Agency survey of U.S. resident physicians released in 2017 found that the group has numerous financial concerns. Among survey respondents, 34% said they were “very concerned” about paying off their student loans, making it their top financial concern.

As burdensome as student-loan debt can be, paying it as quickly as possible should not necessarily be the top priority. Instead, some experts suggest saving 15% of one’s income in an emergency fund and prioritizing payment of debt with the highest interest rates—including car loans and consumer debt—over lower-interest student loans.

AMA Member Benefits PLUS makes navigating your financial future easier. Whether it's a home, student, resident or personal loan or insurance, the AMA provides the information to align your finances, and prepare for your future in the medical profession.

Get insight on what resident physicians should know about loan repayment in 2022.

Make sacrifices

McKinley Glover IV, MD, MHS, is a board-certified radiologist at Massachusetts General Hospital and assistant medical director within the Massachusetts General Physicians Organization. During his training, he completed his five years of residency in Boston. He was determined to adhere to a budget and “pay myself for retirement,” he said, explaining that it was important to him to save money from the get-go.

So instead of paying up to $2,500 a month to live solo in a studio or one-bedroom in a fashionable part of the city, he opted to share a three-bedroom, one-bath townhouse with two roommates. There, his share of the rent came to $800 a month.

These three tips help resident physicians attain financial wellness.

Invest in your future

Lastly, if your workplace provides retirement account plans—and almost all institutions with residency programs do—take advantage of them and any matching-funds options offered. Try to put a few
hundred dollars each month into a 403(b) or 401(k) and watch your savings multiply over time thanks to compound interest.