First year in medical school? Here's your financial checklist

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If you're early in your medical school career, you are likely in the process of taking on significant debt to finance your education. The majority of medical students anticipate they will graduate with upwards of $150,000 in student-loan debt, yet just 18% consider themselves very or somewhat knowledgeable about personal financial matters, according to an AMA Insurance survey.

Potential debt load doesn't mean your financial future needs to suffer. How can you stay ahead of the curve? Heed these tips from medical students and finance experts.

Protect against identify theft

Getting your identity stolen can wreak havoc on your finances and credit score. A few simple steps—such as making sure your renter's insurance covers identity theft and frequently updating the passwords on your financial services apps—can protect against a breach.

Tal Frank is the president of PhysicianLoans—a preferred home-loan provider for AMA members. He tells first-year medical students to keep tabs on their credit card accounts.

"To help prevent identity theft, close out all credit cards that are dormant or that you no longer expect to use," he said. "This tip does not apply to third- or fourth-year students as closing out accounts may temporarily lower your credit score. However, doing this now protects you from identity theft and allows your scores to refresh before needing to count on them for a mortgage or other financing."

Manage your credit score

Your credit score is a numerical calculation of how likely you are to repay debt. It takes into account several factors, including whether you make credit card and loan payments on time, how much you owe and how many lines of credit you have open, as well as your credit mix—the various types of credit you use.

You can check your credit score for free through a number of online platforms. Frank recommends annualcreditreport.com.

Once you know your score, you should check the report to make sure there are no open collections. If you do have open collections, it's key to resolve those before your fourth year of medical school, particularly if you have plans to buy a home during residency.

Avoid credit-card debt

At any stage of your life, credit-card debt is likely to be the least productive debt you can have. The interest rates are typically significantly higher than bank loans, and credit card debt can drag down your credit score.

"There's good debt and bad debt," said Chirag Shah, MD, an anesthesiologist and AMA member who spoke during an AMA expert panel on medical student-loan debt. "If someone said, 'I'll give $1 million right now and you can pay me back at 1.8% interest,' I'd say, 'Please give me more.' Inflation annually is at about 2%. That means that your money in the future is worth less than it is today. So if someone is giving you money today at such a low rate, that is actually great debt to have.

"If your credit card company said, 'Hey, here's $20,000. Pay us at 20% a year. That's bad debt.' You just have to be really smart," Dr. Shah said.

Save and invest, if you can

If you can cut your expenses and invest the savings, it will offer significant long-term benefits. Savings can offer a cushion when an emergency happens—ideally you want to have enough saved to cover your expenses for three to six months—and that money could eventually be invested. Think about this: $5,000 invested at a conservative 6% rate of return will be worth $16,000 in 20 years and worth $51,000 in 40 years.

"The things that a younger person does with their long-term wealth—while the amounts may be smaller, the end result of their forward thinking and planning could help them earn a lot more money than if they get started later," said Allan Phillips, a certified financial planner with Taylor Wealth Solutions who has worked extensively with physicians at all levels.

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