For physicians, residency is an essential step toward a long career in medical practice. It also can be the first opportunity to begin mapping out your financial future.

A healthy financial plan always involves some sort of savings account. Kaitlin Walsh-Epstein, senior vice president of marketing at Laurel Road—a digital banking platform and brand of KeyBank—offered insight on the first steps toward building your savings and how a resident physician can take them.

It’s critical to have a plan

Resident physicians are in an unusual position in that they tend to make considerably less money than they will be making after the completion of their training. The first step toward building a nest egg is to determine what your long-term financial goals are and how you might achieve them.

“You need to understand what your priorities are and build a plan toward that,” Walsh-Epstein said. “If your plan is to pay off more of your student debt as soon as possible, then you should be putting more of your monthly income toward your loans.”

In addition to paying down loans, Walsh-Epstein cites home buying and the cost associated with having children as two major life events for which resident physicians consider saving. In addition to offering student-loan refinancing—for which Laurel Road is a preferred provider of the AMA—Laurel Road’s members also have access to Financial Insights, a product that allows them to compare their financial plans with those of their peers.
Budgeting really does matter

The old adage when it comes to saving is to “pay yourself first,” Walsh-Epstein said. To do that effectively, you need to understand what’s coming in, what’s going out, and how much you can afford to put away.

“Budgeting is important to develop as a practice,” she added. “It should be part of your daily financial health. Your budget will change based on your needs and what is happening in your life, but you need to try to stick to it. It’s common for people to want to live in the moment, but it’s also important to plan for the future. And that’s just what your budget helps you to do.”

Let your money work for you

If you’re a resident who finds you have extra cash in your pocket and are wondering what to do with it, a savings account could be beneficial to you. Opening a savings account allows you to take that extra income and put it aside. Generally speaking, many savings accounts are risk-free and more liquid. This approach also mitigates the risk of some of the other investment strategies. Walsh-Epstein suggests a balanced approach when it comes to investing and saving, and to thoroughly research to know what will work best for you.

“It’s really important to balance,” she said. “Know what you are investing, what you are saving and what risks come along with the investments you’re looking to make.”

Laurel Road offers a high-yield savings account offered by Laurel Road that offers a 0.75% annual percentage yield (APY), which is 10 times the national average APY reported by the Federal Deposit Insurance Corp. in June. The variable APY indicated is accurate as of this article’s June 28, 2021, deadline, and is subject to change before or after account opening. No minimum balance is required to earn the APY. The maximum balance to earn the APY is one cent less than $2 million. For balances of $2 million or more, the APY is 0.05%. Fees may reduce earnings on the account.

For a resident physician to open a Laurel Road High Yield SavingsSM account, you must be either an existing Laurel Road customer or a new customer with an MD or DO degree.

AMA members who open a Laurel Road High Yield SavingsSM account between by Dec. 30 this year will get a $100 cash bonus that will be paid out within 45 days of account opening. There is a limit of one cash bonus per qualifying accountholder.

This type of account lets residents start building their savings balance and offers the flexibility to use your savings for either short-term or long-term goals. The AMA selected Laurel Road as a preferred provider.

URL: https://www.ama-assn.org/residents-students/resident-student-finance/3-things-physicians-should-know-about-saving-during

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to support you in navigating your financial future.