A to-do list for young physicians to get their finances on track

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Financial stressors are ever-present for young physicians who carry high student-loan debt even as they make a successful clinical transition from residency or fellowship to practice. Easing those stresses requires some attention to detail—and a plan.

To that end, Christina Klenotic, senior vice president and head of brand and strategic partnerships at Laurel Road offered these tips to young physicians aiming to better manage their finances.

The AMA selected Laurel Road as a?preferred provider to support you in navigating your financial future. AMA members who refinance their student loans receive an additional 0.25% rate discount with Laurel Road through AMA Member Benefits PLUS.

Follow the 50-30-20 rule

The 50-30-20 rule 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.

“One alternative for those who feel it is too much to track every expense is to do a three-category budget,” said Klenotic. “In that method, you follow the areas where you are most likely to overspend and keep a pulse on those.”

Read more from the AMA on what young physicians must know about personal finances.

Look out for lifestyle creep

After years of physician training and making a lower salary than what most physicians earn, the first few years in practice can be the ones in which physicians are tempted to overspend. Klenotic cautions younger physicians to avoid what she terms “lifestyle creep.”

“It’s really easy as you make the move from resident to attending to want to have that gratification and catch up. It’s human nature to want to have all that hard work pay off, but doing that can take you away from your financial goals,” she said.

“A big piece of advice would be to spend those first few years after residency living like a resident,” Klenotic said. “It will help you catch up, and in the long run, you’ll be paying down your student debt and investing in the future.”

Find out what to do when federal student-loan forgiveness goes wrong.

Set goals

One way to avoid lifestyle creep, Klenotic said, is to have specific financial goals in mind.

“Is it that you want to retire early—or buy a house?” she said. “All of the financial decisions you make can be in service of that goal.”

If those goals aren’t in reach right away, it might make sense to set a smaller goal, such as paying off a credit card.

“I’d also recommend setting short-term financial goals so you can have these wins and not get discouraged,” she said. “When you have these very long-term goals that are harder to reach or not yet obtainable, that’s when a lot of people get discouraged and abandon their budget.”

Find out key information about the one-year public service loan forgiveness program waiver.

Have a loan-repayment game plan

For those in federal loan repayment, the present climate—which has allowed for two-plus years of interest-free loan forbearance—has been beneficial. Setting a repayment strategy—whether that involves remaining in federal loan repayment after the forbearance period ends or refinancing—is paramount for shaping a young physician’s financial well-being going forward.

“What’s really important is that they are educated about all their options,” she said. “What is specific to federal loans? What is specific to private loan? To really make sure that they are making the paydown decisions that work best for them."