




Preparing to be Financially Fit
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My personal journey to \$200k in debt...



\$6 MILLION
DO YOU HAVE A PLAN?

Learning Objectives

At this end of this session, you should be able to:

- Choose a loan repayment option that is most appropriate for your financial plan.
- Describe the pros/cons of the public service loan forgiveness (PSLF) program.
- Describe the differences between consolidation and refinancing.
- Discuss how to balance paying off student loans with other financial priorities.
- Describe the step-wise process for creating a monthly spending plan (budget).

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Learning Objectives

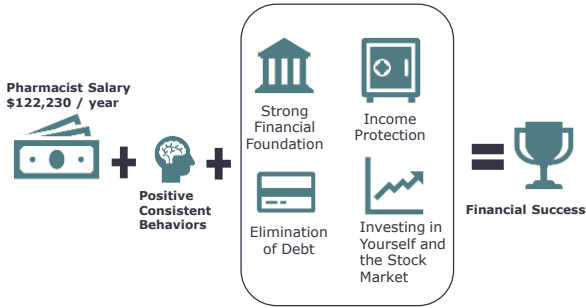
At this end of this session, you should be able to:

- Determine how much money should be saved in an emergency fund.
- Evaluate insurance coverage that may be needed to protect your financial plan.
- Complete a retirement savings nest egg calculation.
- Differentiate tax-advantage retirement savings vehicles.

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Pharmacist Salary
\$122,230 / year

Financial Success



5 Building Blocks

1. Having a plan for paying down debt.
2. Establishing a spending plan (budget).
3. Building an emergency fund.
4. Having appropriate insurance coverage.
5. Investing for the future.

#1 – Having a plan for paying down debt.



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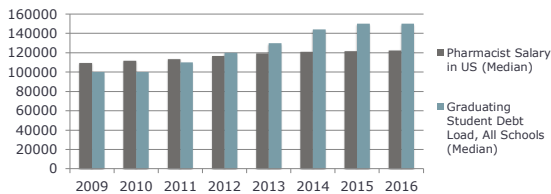
What is your greatest financial stressor?

- "Student loan debt."
- "Repaying loans while being able to have financial freedom for retirement, home, etc."
- "Paying off student loans and managing with other large debt - whether to refinance or keep current loans, balancing finances."
- "Balancing many different types of financial decisions (e.g., student loans, mortgage, life insurance, credit cards, retirement)."
- "Loan repayment during residency years."

The median amount borrowed for students graduating from pharmacy school in 2017 was \$159,386.

AACP Graduating Student Survey, 2017

Graduating Pharmacists Debt Load vs. Median Pharmacist Salary in US (2009-2016)



Reference: Bureau of Labor Statistics (BLS) Pharmacist; AACP Graduating Student Survey, 2009-2016



YFP Episode 005:
"The Impact of Rising
Student Debt on a
Pharmacist's Income"

.....
An interview with Joey
Mattingly PharmD, MBA

Your Financial Pharmacist Podcast on iTunes

Understanding Interest Rates



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Upon graduation, Jessica has \$100k in student loans (6% interest). How much would she owe in interest for the first months payment?

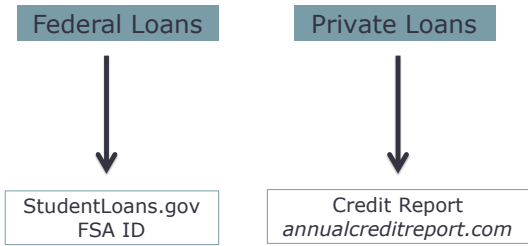
- A. \$100
- B. \$300
- C. \$500
- D. \$700





\$150,000 of school loans at 6% interest for 10 years = \$1,665 payment / month

Total payout = \$199,837



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Repayment Option	Payments	Notes
<i>Standard Repayment</i>	Fixed payments made over 10 years	Highest monthly payment; lowest amt. of interest paid May be difficult to make payments during residency
<i>Graduated Repayment</i>	Payments start as lower and increase gradually (approx. every 2 years) 10 year repayment (or longer if consolidated)	Will pay more interest than standard repayment
<i>Extended Repayment</i>	Fixed or graduated payments up to 25 years	Lower monthly payment Highest interest paid

Repayment Option	Payments	Notes
<i>Revised Pay as You Earn (REPAYE)</i>	10% of discretionary income Balance remaining forgiven after 20-25 years	Monthly payments can be higher than 10-year Standard If married, both incomes will be considered regardless of how taxes filed
<i>Pay as You Earn (PAYE)</i>	10% of discretionary income Balance remaining forgiven after 20 years	Payment never > than 10 yr. Standard If married, spouse's income only considered if taxes filed jointly Borrowers (10/1/07) w/ high debt: income
<i>Income Based Repayment (IBR)</i>	10-15% of discretionary income Balance remaining forgiven after 20-25 years	Must have high debt: income Payment never > than 10 yr. Standard If married, spouse's income only considered if taxes filed jointly
<i>Income Contingent Repayment (ICR)</i>	Lesser of 20% discretionary income or amount that would pay as a 12-year fixed payment based on income Balance forgiven after 25 years	Payment can be > than 10 yr. Standard If married, spouse's income only considered if taxes filed jointly

What Is Your Game Plan?



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Payoff Strategy

1. Accelerated payoff
2. Public Service Loan Forgiveness (PSLF)
3. Tuition reimbursement/repayment program
4. Minimum payments over term of the loan

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Public Service Loan Forgiveness (PSLF) Program

- Forgives loan balance on Direct Loans after making 120 monthly payments
- Full time employment (30 hrs. or employer definition) required
- Qualifying employer = Gov't organizations, tax-exempt non-profit, AmeriCorps / Peace Corps
- Loan repayment option = income-driven plan

Reference: Federal Student Aid: An Office of the US Department of Education. Public Service Loan Forgiveness.

PSLF in the News

- "Trump May End Public Service Student Loan Forgiveness." –Forbes, May 18, 2017
- "On track for Public Service Loan Forgiveness? Good news, you're not in danger from Trump's budget." – Washington Post, May 23, 2017
- "Education department casts doubt on Public Service Loan Forgiveness." –NPR, April 4, 2017
- "House Republicans May End Student Loan Forgiveness." –Forbes, December 6, 2017

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Student Loan Quick Start Guide

yourfinancialpharmacist.com/studentloanguide



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Refinancing Student Loans

Usually a good option for those with:

- High(er) interest rate loans
- Higher the debt load = higher potential savings
- Not pursuing PSLF
- Able to make aggressive payments
- Not dependent on benefits of federal loan repayment program

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Before you refinance...

- No prepayment penalty
- No origination fees
- Determine which loans you do and do not want to refinance

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#2 - Establishing a Budget



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What does the word **budget** mean to you?

John Maxwell

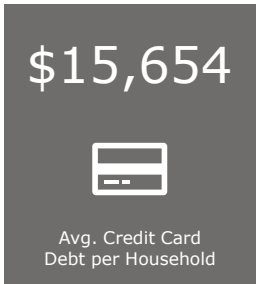
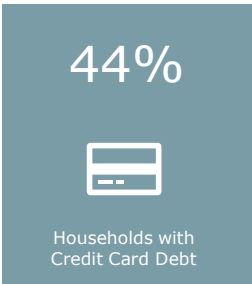
"A budget is telling your money where to go instead of wondering where it went."



Why should you have a **budget**?

The median amount borrowed for students graduating from pharmacy school in 2017 was \$159,386.

AACP Graduating Student Survey, 2017



Other Benefits to Budgeting

- Confidence and relief
- Prevent overspending
- Improve your marriage/relationship



Why don't people use a budget?

Reasons people don't budget

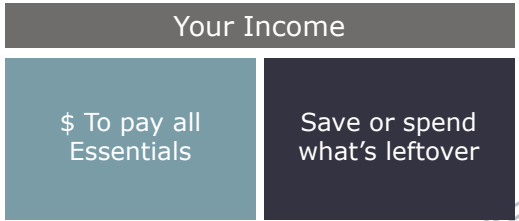
"It takes too much time."	"I already know how much I spend."	"I don't know how to make one and follow it."
"I'm afraid of what I might find when I track my expenses."	"I like to be spontaneous."	"I make enough money so I don't need one."

Three Budgeting Strategies

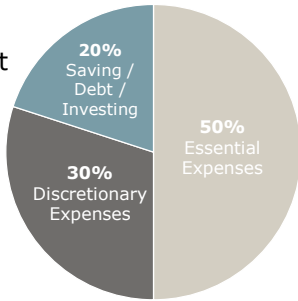
- No Budget, Budget
- 50/30/20 Budget
- Zero-based Budget



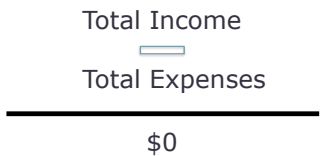
No Budget, Budget



50/30/20 Budget



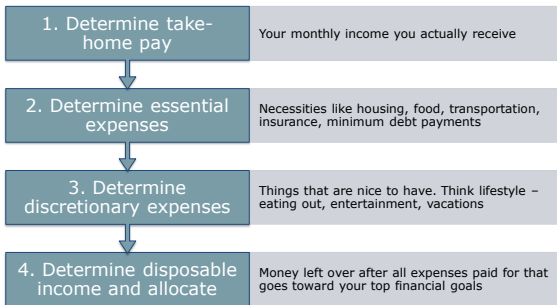
Zero-Based Budget



Key Features of ZBB

- Every dollar has an assignment
- Should be set up before month begins
- Unique every month







Case Study – Gabby Penten

- **PGY1 Resident**
- **\$43,000/year**
- **\$3000/month net pay**

It's February and she wants to create budget for March

#1 Financial Goal = Save \$1000

Step 1: Determine Take Home Pay for February		
\$3000		
Step 2: Determine Essential Expenses		
Expense	Amount	Balance
Rent	\$1000	\$2000
Renter's Insurance	\$20	\$1980
Utilities	\$100	\$1880
Groceries	\$350	\$1530
Gas and Tolls	\$150	\$1380
Personal care/healthcare	\$75	\$1305
Student Loan Payment	\$300	\$1005
Life insurance	\$30	\$975
Disability Insurance	\$100	\$875
Liability Insurance	\$15	\$860
Car Insurance	\$75	\$785
Cell Phone	\$75	\$710
Internet	\$50	\$660
TOTAL	\$2,340	

Step 3: Determine Discretionary Expenses		
Expense	Amount	Balance
		\$660
Clothing	\$75	\$585
Restaurants/Entertainment	\$250	\$335
Netflix/Hulu/Cable	\$75	\$260
Total	\$400	
Step 4: Determine Disposable Income and Allocate Toward Goals		
\$3000 - (\$2,340 +\$400) = \$260		
#1 Financial Goal = Save \$1,000	\$260	\$0

What about non-monthly bills?

Sinking Fund Category	Monthly Amount Allocated	Target Amount	Month Due*
Home repairs	\$100	\$5,000	n/a
Car maintenance	\$50	\$1,000	n/a
Car insurance	\$80	\$960	October
Next car purchase	\$150	\$6,000	n/a
Disability Insurance	\$90	\$1,080	November
Life Insurance	\$20	\$300	February

My System



Final Key!
Automate, Automate, Automate

Determine Method to Track Progress



Budgeting Template

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#3 - Building an Emergency Fund



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30 million Americans (13%)
tapped into retirement
savings to cover an
unexpected expense (aka
"emergency").

Ref: 2015 Bankrate Consumer Survey

Key Questions

How much?

Where to put it?

How to start as a student, resident
or new practitioner?

What about with other debt?

#4 - Appropriate Insurance Coverage



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Life Insurance

Is life insurance really that important?

After all, 30% of US households have no life insurance at all.

(Ref: LIMRA Facts about Life 2013)

Disability Insurance

More than 25% of today's 20 year-olds will become disabled before the age of 67.

However, almost 70% of those working in the private sector don't have long-term disability insurance.

(Ref: Social Security Administration)

#5 - Investing for the Future



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Finding Your Savings WHY

I am committed to foregoing pleasures today to save money each and every month to have at a later date in time because:

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Nest Egg Calculation



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Nest Egg Calculation

Current age =	Income required at retirement =
Age of retirement =	Yrs. of retirement income =
Annual income =	Rate of return pre-retirement =
Current retirement savings =	Rate of return post-retirement =
Expected income increases =	Expected rate of inflation =

Reference: Dinkytown.net

Why is Investing Necessary?



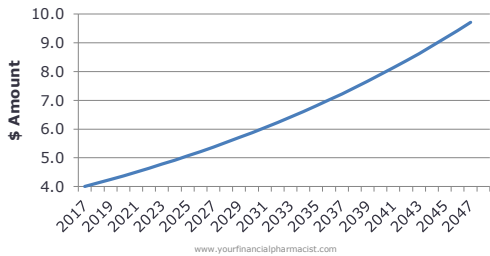
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Inflation

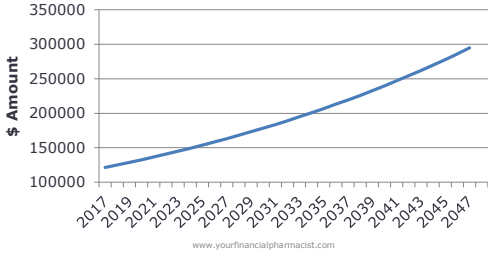
Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.

Reference: Investopedia.com

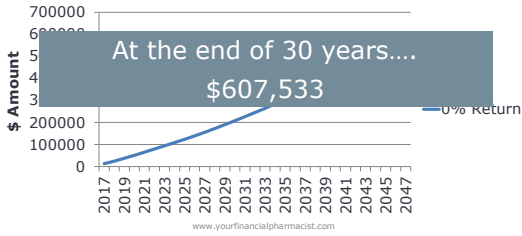
The \$10 Latte?



Will RPh Salary Keep Up?



Saving w/o Investing



Magic of Compound Growth



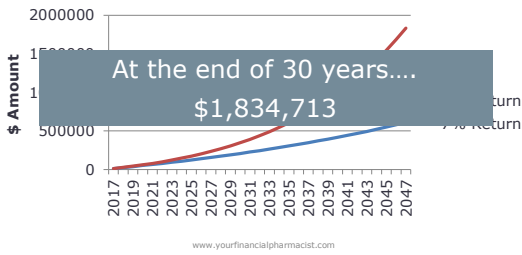
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Compounding

Compounding is the process where the value of an investment increases because the earnings on the investment, both capital gains and interest, earn interest as time passes.

Reference: Investopedia.com

Saving w/ Investing

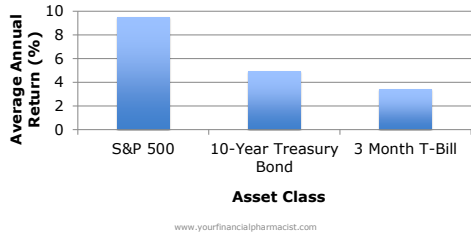


Investment Types

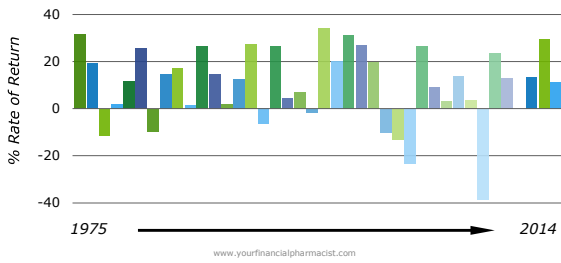


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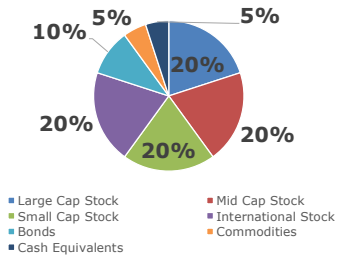
Historical Rate of Return of Asset Classes (1928-2016)



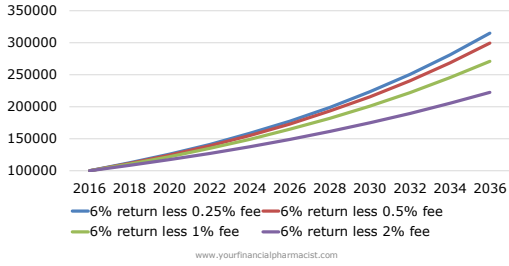
S&P 500 Index (1975-2014)



Asset Allocation



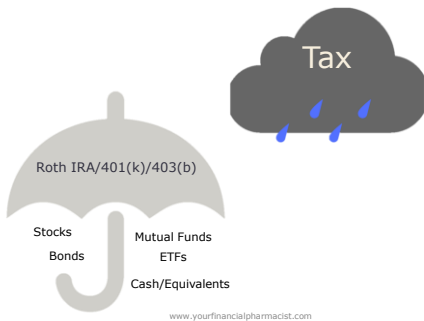
Impact of Fees

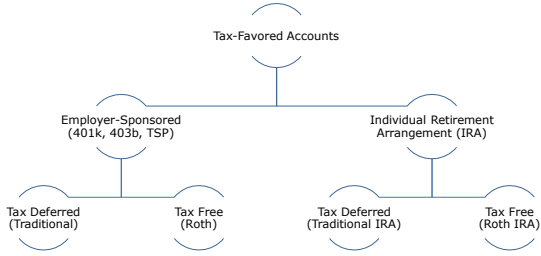


Tax-Favored Investments



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Q&A

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