dear residents

Money May Be the Root of All Evil but it Does Matter **March 16, 2025**

Dear Residents,

It's Tax Season and I thought it might be helpful to talk about finances.

According to **Yuval Harari**, historian and author of Sapiens, that while money exists largely in our imagination (90% of it is simply electronic data), "*money is the most universal and pluralistic system of mutual trust ever devised.*"

> *"For thousands of years, philosophers, thinkers, and prophets have besmirched money and called it the root of all evil. Be that as it may, money is also the apogee of human tolerance. Money is more open-minded than language, state laws, cultural codes, religious beliefs, and social habits. Money is the only trust system created by humans that can bridge almost any cultural gap, and that does not discriminate on the basis of religion, gender, race, age, or sexual orientation. Thanks to money, even people who don't know each other and don't trust each other can nevertheless cooperate effectively."*

For many of you, **this may be your first job**, where you have both a steady income and the responsibility of expenses and accumulated debt. Physicians ultimately rise to the top 5% of the income bracket in the United States. Yet, what is not always appreciated, are the effects of the accumulated college/medical school debt and the effect of delayed earnings. **Managing your finances and planning for the future can be daunting** during residency and fellowship training and beyond.

When I first arrived in the US in 1988 to commence my training, like you, I came a few weeks ahead of the start of residency. I had no debt, but I did not have much money either. The taxi ride from Houston Intercontinental Airport to the home of the friend of a friend of a friend (who had somehow been tricked in to taking me in) had already used up $40. This caused me to gasp, because an equivalent taxi ride in Karachi would have been $2. Over the next few days, I secured an apartment near the medical center – my choice determined by the availability of a free shuttle – I had no car yet. Opening a bank account required a notarized letter from my program director. Getting a credit card was next to impossible because I had "no credit history." What is credit history, I wondered. In Pakistan we grew up with cash and cash only. Now and then a check was written, but that was a novelty. And I believe that I had never seen a credit card, but now I knew I needed one. After being turned down for several gas station credit cards, a department store finally issued me one and I started that journey to build my credit history. I bought my first car (at full sticker price, because I did not know any better) and got my first car loan (a whopping 15%

interest rate – that “no credit history” problem). Auto insurance was also more expensive for me because of the “no driving record” problem.

By the time I tallied the costs of the car loan, the auto insurance, the apartment rent and utilities, I had less than $200 to spare each month for discretionary expenses like food and clothing. I was running through the small amount of money I had brought with me but had the discipline to never touch the last $1000, saving it for emergencies. In a few months, I got rid of the rental furniture and figured that a mattress and a bedside lamp was all I needed. I refinanced my car loan and even got cheaper car insurance. It started to look up for me in my PGY-2 year when my salary rose from $18,000 a year to $20,000. By the end of my residency, the car was paid off and the chief resident salary was a hefty $36,000. I was now in a nicer apartment but kept my expenses low and saved the extra money.

Married June 11, 1995 at Rice University Chapel, wearing rented wedding outfits

By the time my 3-year rheumatology fellowship ended, I had saved a tidy sum. This came in really handy as I got married at the end of fellowship, paid for the modest wedding and moved to Dallas. I started work at the VA on September 5, 1995. My first VA paycheck did not arrive till the end of that month – but I was now earning $77,000 a year and combined with my spouse’s resident salary – we could actually buy furniture, decorate the apartment and dine out at will. I still had my original “full sticker price” car and my frugality intact. We began to save for a down payment for our first house. My spouse had student loans which we consolidated, and she had credit card debt which we paid off. Six years later, we purchased our first home and were now staring at a new kind of debt – the mortgage. As interest rates began to fall we refinanced twice and when our second child was born, we moved in to a larger home. **The birth of children brought new considerations** – we had no life insurance and no will and no financial plan. We hired a financial consultant and got these things straightened out. I wish I had purchased life insurance at an earlier age, because at 41, with a new diagnosis of diabetes (that insurance physical is good for something!), the premium was enormous. And from a disability insurance perspective, I was deemed uninsurable.

As I look back on this journey, here are some of the resources that I want to share with you as you plan your own journey:

- **Student Debt** – you may have already had a financial exit interview at your medical school. If not, or if you need a refresher, AAMC has a useful website which covers student loan repayment strategies, loan consolidation advice and public service loan forgiveness information.

- **Budgeting** – you now have an income and expenses! Consider using some of the more popular financial software products like YNAB (You Need a Budget) or Quicken to understand and track your cash flow.

- **Life Insurance** - Consider locking in a low life insurance rate now if someone else relies on you or will soon rely on you. A useful website from the State of Texas provides guidance and helps make sense of the types of life insurance products available, like Term, Whole Life and Universal Life. Another helpful website is Investopedia.

- **Disability Insurance** - Consider buying disability insurance now and lock in low rates. UTSW GME has vetted InsMed Insurance Agency Inc. If you would like to compare this to other options, here is a link

- **Identity Protection** – use one email addresses for shopping/social media and another reserved for banking/credit cards. According to Wirecutter, you probably don't need to buy identity monitoring subscriptions. Many banks and credit cards will have these built into their apps. Consider a VPN service such as Nord VPN.

- **Password management and digital back up** – I use Backblaze for an additional layer of home computer back up, and LastPass for password management. A nice discussion can be found here. My daughter is my iPhone legacy contact. I have created an ICE (in case of emergency) document and made copies that are stored with trusted friends.

- **Estate Planning, Living Will, and Advanced Directives** – probably too early for you to think about this – but consider having these sooner rather than later.

- **Financial Planning and Investing** – no you don't need to be a millionaire to hire a financial planner. The XYPlanning Network is a fee-only, commission free network for people just like you. This was featured in a New York Times article.

- **Financial Knowledge and Investing** – yes, I know you are mastering electrolytes and blood smears but do spend some time learning more about money. I like The Balance, NerdWallet and the official US Securities and Exchange Commission's website, which is a remarkably helpful guide to investing.

I hope this information is useful!

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