What medical school didn't teach us about money

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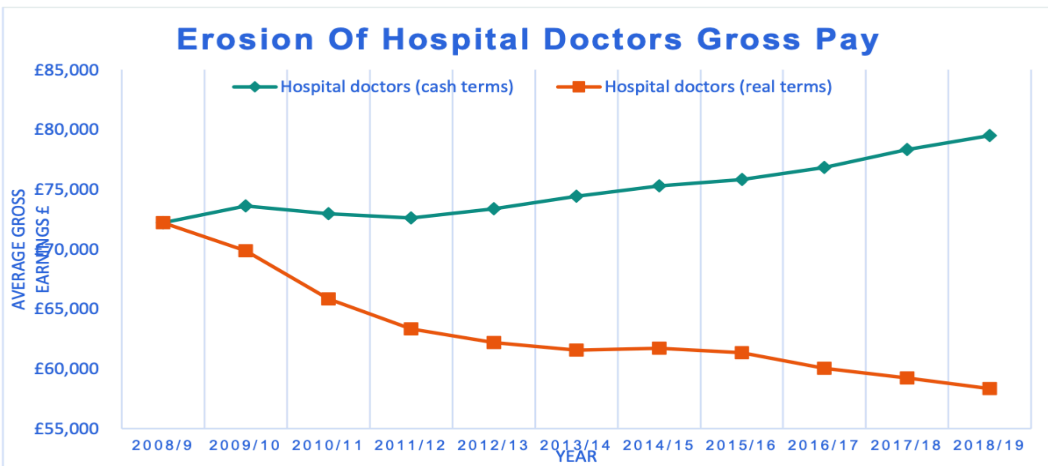
So, you've been a doctor a few years, earn a decent wage, but still your bank account is empty at the end of the month? Do you struggle to pay those expensive post graduate exam courses and fees? Trying to save for a wedding or mortgage? Or maybe you've been a doctor for many years and have minimal savings and few assets? You might even have been hit by a tax bill you couldn't pay and didn't really understand.

You are not alone.

The downward spiral of doctors pay

Over the last 10 years some doctors pay has dropped 30% in real terms, according to the BMA [1]. If, like me you live in an area with a high cost of living, like London or the southeast, it's likely the problem is even worse. Add in the rising cost of medical school and the increasing pension contributions with punitive taxation **it's clear that now, more than ever, doctors of all ages need to be financially astute.**

The downward spiral of doctors pay, and how to beat it



From BMA https://www.bma.org.uk/media/2123/bma-ddrb-submission-2020.pdf

Over the next few pages, I will outline some ways for you to **fight back against this downward spiral of doctors pay and to improve your own financial health**.

This will include how to,

- Develop your SMART 'Financial Personal Development Plan' (fPDP)
- Maximise income
- Minimise unnecessary expenditure
- Build a moat to protect you and your family (drawbridge optional)
- Repay your debts
- Grow your wealth
- Get good advice

What medical school failed to teach us about money

I was the first of my family to attend university and I had crippling debts of around £85,000 when I graduated as a doctor in 2008. I realised pretty quickly I needed a financial personal development plan (fPDP). 12 years later, I'm now debt free (except for mortgage) and have started to build up some assets and investments for my young family, crucially whilst also maintaining a work life balance. If you managed not to accrue debt at medical school, well done, you are ahead of many of your peers. But you need to capitalise on this position.

Let’s take this step by step. First up, like your appraisal, let’s start by developing your financial Personal Development Plan (fPDP).

Your financial PDP (fPDP)

As doctors we are about as goal driven as it gets and we're also incredibly good at achieving these goals. But when did you last set a financial goal? What are your financial priorities for the next 5 years?
I bet you have a PDP as part of your appraisal, but what's your financial PDP (fPDP)?

Everyone's fPDP goals will be unique to them. It can be as simple as paying off credit cards, start investing, save for a house deposit, investing in training to improve your income or send the kids to a private school. I like to break goals down into short, medium, and long-term goals. Specific, Measurable Attainable Relevant Time based (SMART) goals are useful, but you already knew that thanks to the joy of appraisal.

How will you attain your goals?
If you've simply put "save up money" that is unlikely to be successful. Like patients who are trying to stop smoking whose plan is "just stop smoking" you know it's unlikely to work. You need a specific, detailed, well thought out plan on how you will achieve your financial goals.

The help of an Independent financial adviser is invaluable here as they can delve deep into your finances and help you make a realistic, attainable plan.

Maxmising income

Do all the goals on your fPDP involve more money? Now, you could simply work harder to get more money, or you could maximise the income you already have by working tax efficiently.

And that's what we will look at next, maximising income.

Sounds simple right? In reality this is complex to do well and the more senior you get, with multiple income streams and multiple tax thresholds and reliefs to think about, the more complex it gets. At that point, you may benefit from professional advice from an accountant. Until then here's some things to think about:

Work tax efficiently

Save up to 40% on GMC/exam/royal college fees by claiming tax rebates using our step by step guide. https://www.medicsmoney.co.uk/free-guide/

Make sure your pay and tax code are correct and claim relocation expenses of up to £8,000 if possible. This article gives you 5 high impact interventions. https://www.medicsmoney.co.uk/tax-saving-tips-for-doctors-5-tips-to-increase-doctors-pay/

Maxmising income

If doing extra/private work think about tax efficient remuneration structures. This is NOT as straightforward as simply starting a Ltd company to "save tax" https://www.medicsmoney.co.uk/limited-company-for-gp-locum-doctors-and-consultants/

If you have kids, think about tax efficient ways to pay for expensive childcare. https://www.childcarechoices.gov.uk/

Is your contract and pay correct? If you’re a member, the BMAs contract checking service is worth using.

Minimise expenditure

By now you should have thought about your financial PDP (fPDP) and how to work tax efficiently. If you are at the start of your career, with the resources I linked to, you can make yourself tax efficient. If you are more senior ST5 or above, or earning six-figure income, with multiple income streams and still doing your own self-assessment; STOP. Get yourself a specialist medical accountant - or at least consider it. It's very likely they will save you more than they cost you. There's too many mediocre accountants out there and that was why we created Medics' Money. We have gathered together the best specialist medical accountants, verified by us with reviews by doctors like you. Best of all, you can book a free consultation with one right now.
https://www.medicsmoney.co.uk/medical-accountant-search/

When did you last scan through your own bank account with as much diligence as you scan your patients' test results?

Do you know what your monthly outgoings are? How much do you spend per month on non-essentials, like that cup of coffee at the station each day. How much money each month are you wasting on non-essentials you don't use or need? All the time you have student debt you need to try and continue spending like a student – frugally. Even if you don't have any debt, it's still important to set a budget and not waste your hard-earned money.

Minimise expenditure

When I was an FY2, I used to frame any planned expenditure in **number of post-take ward rounds needed to earn money to buy item x. When you frame costs in these terms, I guarantee you will save money!**

Sit down with last month's bank statement and carefully go through last month's expenditure. Do you really need those monthly subscriptions? Could you spend less and still enjoy life? How many times did you buy lunch in the last month? A packed lunch is always cheaper and often better than hospital food. The greater your debt, the more scrupulous you will need to be. Budgeting is a prospective exercise, so once you've analysed your spending retrospectively, set a realistic prospective budget.

Minimising unnecessary expenditure generates cashflow to facilitate reducing debt (see below) or to grow as investments. You can take this minimising of expenditure as far as you like, it's a personal decision. I'm not going to list all the ways you can trim your excess spending, but think about big wins first like minimising household utility bills, regularly reviewing your mortgage deal and insurance, avoiding expensive car leases, the list is almost endless.

Minimise expenditure

Get creative. I personally use cashback credit or debit cards for all spending, which I repay in full each month. Consulting my latest statements, this strategy earned me nearly £800 last year. This feels particularly sweet, because for too many years, I was forced to use credit cards and accrue expensive debt, which is the worst kind of debt to carry.

Debts

Unless you were lucky enough to have financial support at medical school, you likely have thousands of pounds of debt. I personally graduated with over £85,000 of debt.
It is important to analyse any debt carefully and identify the most expensive(bad debt) - like credit cards. Repay these first. If you have lots of debt on credit cards, consider whether consolidating this debt using an interest free credit card or cheaper loan could help. When I had a student loan (2008), the interest rate was very favourable (good debt). As a result, I calculated that I could make more by investing money and therefore reduced my student loan debt relatively slowly, as a deliberate strategy.

Minimise expenditure

Recently student loans have changed and the interest is not as favourable for those that will eventually earn a decent salary like doctors. Careful consideration of managing this student loan debt is required. Beware a lot of online gurus and guides advocating paying off student loan slowly, based on the assumption you will never earn enough to repay the loan in full. This may be true for those on average graduate salaries, but as a doctor, eventually you will be on a much higher salary than average and you need to do your own calculations as part of your fPDP.

Build a moat

In the same way that a moat surrounds and protects a castle from attack, your finances need a moat. Most experts recommend having at least 3 months of the cost of essential outgoings saved up in cash to use in event of trouble. With interest rates for savers pitiful at present, there's plenty of imaginative ways to store this cash like an offset mortgage or premium bonds. The cash just needs to be instantly accessible and you need to carefully calculate or take independent financial advice on the best option for you.

If the moat is your emergency cash fund, then insuring against illness or disability is the foundations of the castle itself. A moat will protect you for a short period but an often overlooked, absolutely fundamental, part of protecting your finances is to insure yourself against illness or disability.

You have worked hard to become a doctor and that is an asset that you need to protect.

After too many years without, read why a surf trip to one of the world's most dangerous waves prompted me to take out protection.
https://www.medicsmoney.co.uk/income-protection-tom/

Build a moat

If you've left the NHS pension scheme, or are a locum Dr, you have likely given up valuable protection benefits. Have you consulted a financial adviser about replacing these benefits? If not, do it now. Its free to have a consultation with a Medics' Money approved Independent Financial Adviser here.

https://www.medicsmoney.co.uk/find-a-specialist-medical-ifa/

If you don't understand the difference between restricted and independent financial advice and want to know why Medics' Money ONLY recommends independent advice read this.

https://www.medicsmoney.co.uk/independant-financial-advisers-ifa-for-doctors/

Investing for doctors

If, like me, you graduated with thousands in debt, you might think I'm crazy to suggest you invest before paying down all debt. 12 years ago, when I left medical school, I had £85,000 in debt. Not being from an affluent background, I quickly realized I needed a plan to pay this debt off. After paying down my expensive debt, like credit cards, I started investing in property and a tax efficient Stock and Shares ISA 'wrapper'. Tiny amounts went into my ISA to start with, so small it seemed pointless at the time. But thanks to the recovery in the stock market and housing market post 2008 and the miracle of compounding, I now have a modest, but growing, investment portfolio. Similarly, when my first daughter was born five years ago, I'd just completed a house renovation (investment) and was beyond broke. But I still opened a Junior stocks and shares ISA for her with the proceeds of a week's locum work and continue to pay a small amount into this each month. I've done this for all my three children in the hope that they can enjoy some of the financial freedoms I wasn't able to.

Investing for doctors

WARNING - as recent stock market fluctuations have shown, investments can rise and fall. A good financial adviser will help you assess your risk tolerances, priorities and build a personalised portfolio for you. Although I started myself, once my portfolio grew, I engaged an IFA, who opened my eyes to how naïve my investing had been until that point. If I give a stockbroker a stethoscope, they don't become a doctor. If doctors are given a share trading account, they don't become stockbrokers. Take advice from qualified individuals. https://www.medicsmoney.co.uk/medical-accounting-blog/?catname=financial-advice

Essential pension housekeeping every doctor should do.

One of the best investments you can make? Not property, stocks and shares or even cryptocurrency ;-). No, it's the NHS pension. There's been a lot of publicity around the NHS pension recently and it's not without its faults or pitfalls. But many doctors have opted out of the pension, often without taking proper advice. If you have opted out of the pension without taking proper financial advice, you need to get some advice IMMEDIATELY. For the VAST majority of doctors, the pension remains a valuable part of overall pay package and opting out should only be done in exceptional circumstances, after taking specialist advice.

Investing for doctors

Each year, the NHS provides each member of the scheme with a Total Rewards Statement (TRS) The TRS statement is the absolute minimum annual check ALL doctors should make on their pension. If you haven't done so already, set up your TRS account now and check it carefully. It is easy to do online,

https://www.totalrewardstatements.nhs.uk

When I set mine up in 2009, I noticed an error on my statement, which if not rectified, could have cost me thousands of pounds at retirement. Ever since then I have each annual TRS statement, up until 2016 when capita took over management of GPs' pensions!

Get your TRS statement NOW. Check the figures VERY carefully. Mistakes in pension records are very common and unless you or your financial adviser spot them, they are likely to prove costly. Keep the TRS statement safe, it could be the only record you have of one of the best investments you can make.

The NHS pensions website is a very good source of information

https://www.nhsbsa.nhs.uk/member-hub

Where to find good advice?

Despite cuts of up to 30% in some doctors pay over the last 10 years, doctors are still well paid compared to the general population. This makes us an attractive target for all kinds of advisers and salespeople. Some of these salespeople may have even given a presentation to you at medical school and your medical school surely wouldn't allow bad advisers or barely qualified salespeople to speak to their students, would they? Well, having sat through these presentations, I can emphatically confirm, that had I taken the products offered to me at medical school, I would now be significantly worse off. Sceptical? Have a look at how Medics' Money advisers saved two of our colleagues over £10,000 in fees.
https://www.medicsmoney.co.uk/income-protection-for-doctors-getting-the-best-deal/

How do you find good advice? How do advisers charge fees? What is the difference between independent and restricted financial advice? What qualifications do advisers have? Why is a specialist medical accountant from Medics' Money better than your mate's brother who does accounts for IT contractors? Unlike Dr, "accountant" is NOT a protected title. In fact, you or I could start an accountancy firm tomorrow and call yourself an accountant despite not being qualified. The accountants on Medics' Money are fully qualified specialist medical accountants carefully selected by us. We are unashamedly selective with who we recommend, selecting only the very best.

Where to find good advice?

If you don’t want to learn the answers to all these questions, but simply want to know where to find sound financial advice for doctors, the answer is

use Medics’ Money.

You could trust our 5* google reviews , or institutions like the Royal College of General Practitioners, the Royal Medical Benevolent fund or Doctors.net.uk, that recommend Medics’ Money to their members. Or the hundreds of reviews on Medics’ Money left by GMC verified doctors.

But you’ve made it this far through your crash course in doctors ’ finances, you might as well understand why Medics’ Money is the best place for doctors to find a financial adviser, accountant or mortgage that’s right for them.

Here’s some more information so you can be fully informed:

https://www.medicsmoney.co.uk/accountants-for-doctors-how-do-i-find-a-good-medical-accountant/

https://www.medicsmoney.co.uk/independant-financial-advisers-ifa-for-doctors/

https://www.medicsmoney.co.uk/income-protection-for-doctors-getting-the-best-deal/

What next?

With so many demands on our time as doctors its tempting to leave management of our finances to another day. Don't do that. Book a free consultation with a Medics' Money financial adviser right now

https://www.medicsmoney.co.uk/find-a-specialist-medical-ifa/

Looking for more information?

Our blog contains information to help you make better financial decisions.

https://www.medicsmoney.co.uk/medical-accounting-blog/

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(b) investment advice, including advice on the merits of buying, selling, subscribing for, underwriting or exercising rights in relation to a particular security or investment;
(c) the making of an arrangement for another person to buy, sell, subscribe for or underwrite a security or investment; or
(d) any financial service or activity regulated or controlled by or pursuant to UK financial services law or any other applicable law.

10.2 You should take professional financial advice in connection with, or independently research and verify, any information that you find on our website and wish to rely upon, whether for the purpose of making an investment decision or otherwise.

10.3 We would like to draw your attention to the following investment warnings:
(a) the value of shares and investments and the income derived from them can go down as well as up;
(b) investors may not get back the amount they invested; and
(c) past performance is not necessarily a guide to future performance.

10.4 We are not regulated under UK financial services law.