



Talking About Personal Finance – A Cure For Hypotension

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Introduction

The purpose of this project is to provide an easy to use personal finance tool for the medical student or resident with limited experience managing personal finances.

- Personal finance classes are not required for premeds
- Average student loan debt \$180,000¹
- Excessive credit available due to earning potential
- Poor decisions will impact family, career, and lifestyle

The issue of personal finance education is important to recruitment efforts because students are concerned they cannot afford to be Family Medicine physicians due to increasing student loan debt.^{2,3} By educating students about personal finance, these significant financial burdens can be viewed in proper context.

Design Requirements

- Easy to use, limited to 35 questions
- Robust enough to be informative, but not overwhelming
- Adaptable to individual situations
- Reporting that identifies budget outliers

Benefits to Resident/Student

- Better awareness of financial responsibilities
- More confident in financial future
- Better prepared when making major purchases
- Compare projected budgets based on city when interviewing
- More informed interaction with lenders, sales associates, realtors

Acknowledgements

- Marc R. Matthews, M.D. Mayo Clinic
- American Academy of Family Physicians Foundation
- Kentucky Academy of Family Physicians

References

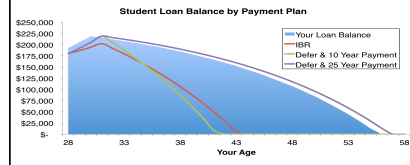
- www.aamc.org (October 2015 debt fact card)
- Journal of the AAMC September 2005 pg. 809 – 814
- American Journal of Law & Medicine, 2012 Vol. 38, (1) pg. 158-195.
- www.studentaid.ed.gov (loan repayment plans)
- www.rhac.hrsa.gov (loan forgiveness programs)
- www.bls.gov/data (inflation data – CPI)
- www.stern.nyu.edu (1928 – current annual return stocks, bonds, T-bills)
- www.myapartmentmap.com (apartment pricing)
- www.chase.com (home and auto loan rates)
- www.census.gov/housing/census/publications/who-can-afford.pdf
- www.carmax.com and www.kbb.com (vehicle pricing and pictures)
- www.usla.com, www.meritlife.com, ULSCOM benefits summary, www.kiplinger.com (insurance products)
- www.michiganconsumingassociation.com, www.forbes.com, (budget guidelines)

The User Experience

Student Loans

- Help students understand their payment options⁴
 - Loan Forgiveness Programs⁵
 - Deferral options (10 or 25 Year Plans)
 - Income Based Repayment (IBR)
 - Projected payoff date with total interest expense

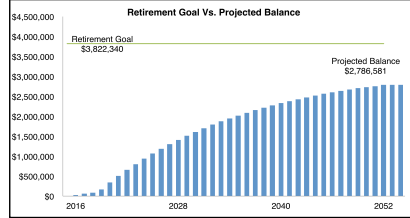
Payment Options - Estimated	
IBR Payment During Residency	\$2,057
Post-Residency Payments, with IBR during Residency (Pay off in 10 Year)	\$3,067
Defer during Residency, then IBR Payment (Pay off 25 Years)	\$1,513
Defer during Residency, then Standard Loan Payment (Pay off 10 Years)	\$2,514
Select one loan payment option	Defer then 25 Year IBR Post-Residency



Retirement

- Answer the three most common questions
 - How much will I need to retire?⁶
 - How much do I need to save to reach my goal?⁷
 - Can I afford to save for retirement?⁸

Retirement Summary	
Percent of Resident salary you will save for retirement	4%
Percent of Post-Resident salary you will save for retirement	10%
Desired Retirement Age	65
Amount needed per year of retirement	\$87,500
Retirement Goal	\$3,822,340
Projected Retirement Balance	\$2,786,581
Will you be able to reach your retirement goal?	No
Additional Percentage of Post-Resident Retirement Savings Required to Achieve Retirement Goal	4%



Housing

- Enter rental price for desired apartment⁹
- Enter Mortgage amount and select 15 or 30 year loan⁹
- Calculator projects monthly expenses including utilities & taxes¹⁰
- User selects rent or buy

Housing Expense	
Apartment Rental Prices	
One Bedroom	\$700 - \$1,000
Two Bedroom	\$900 - \$1,300
Three Bedroom	\$1,100 - \$2,000
Resident Housing Cost	
Rent	\$800
Total with Estimated Utilities	\$1,066.67
Buy a Home	
Amount Borrowed to Purchase Home	\$175,000
Number of Years (15 or 30)	30
Interest Rate	4.50%
Monthly Payment	\$587
Will your down payment be >20% of the purchase price?	No
PMI Expense (Required if down payment is < 20% of purchase price.)	\$105
Total with Utilities, Taxes, and Fees	\$1,526
Will you Rent or Buy as a Resident?	Rent
	\$1,067

Transportation

- Evaluate new versus used prices¹¹
- Enter loan amount and length⁹
- Calculator projects monthly expenses including gas, taxes, & fees

Transportation Expenses			
Sample Car Prices From Kelly Blue Book & Carmax			
Size	New	Automatic Transmission, and Cruise Control)	
Subcompact (Nissan Versa)	\$14,800		\$12,600
Compact (Ford Focus)	\$20,000		\$15,000
Midsize Car or Small SUV (Toyota Camry or Ford Escape)	\$25,000		\$18,900
Midsize SUV (Ford Explorer or Toyota Highlander)	\$33,000		\$30,900
Large SUV (Toyota 4Runner)	\$49,000		\$44,800
Resident Car			
Amount Borrowed	\$18,000		
Length of Loan (Months)	48		
Interest Rate	3.50%		
Monthly Payment	\$402		
Monthly Maintenance, Insurance and Gas	\$221		
Total Transportation Expense - Resident	\$624		



Other Expenses¹²

- Users is prompted to enter monthly allocations for nine expense categories including food, cell phone, cable, vacation, savings, and any other debt payments such as relocation loans.

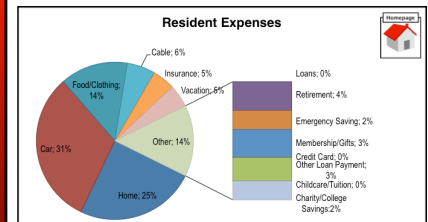
Budget Summary Reports

- One page financial summary driven by user choices
- Allocations outside preset values are highlighted red¹³
- Allocations within preset values are highlighted green
- Pie chart with bar separates any expenses below 5%
- User's focus is drawn to large expense categories
- Reports recalculate after adjustments allowing real time analysis

Resident Annual Salary			
Resident Annual Salary	\$52,500		
Estimated Federal and State Taxes Single filer	\$6,450		
Annual Take Home pay	\$46,050		
Monthly Take Home Pay	\$3,838		

Expenses	Monthly Expense	Your Allocation	Suggested Allocation
Home expenses, including gas, electric, and water	\$1,067	28%	20% - 40%
Transportation	\$1,351	35%	5% - 20%
Student loans	\$0	0%	Based on Financial Goals
Retirement contribution	\$154	4%	See Retirement Report
Food, prescriptions, hair cuts, clothing	\$600	16%	15% - 25%
Emergency fund savings (Goal = 3-6 months expenses)	\$100	3%	5% - 10%
Gifts, memberships, dining out	\$150	4%	5% - 10%
Credit card payment (monthly)	\$0	0%	0% - 5%
Other monthly loan payments (furniture, moving costs)	\$125	3%	0% - 5%
Child care	\$0	0%	20% - 30%
Cable/Internet/Cell Phone	\$250	7%	1% - 4%
Insurance: health, dental, term life, umbrella, disability	\$200	5%	Preset Monthly Amount
Other expense (college savings, hobbies, charity)	\$100	3%	2% - 10%
Vacation	\$200	5%	2% - 10%
Total monthly expense	\$4,297	112%	

Resident Budget Under/Overfunded: **-\$459**



Future Enhancements

- Expand capabilities to accommodate two incomes, two cars, etc.
- Residency Program customization feature
- More salary flexibility

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