

# Add Up The Damage- Just Do It!



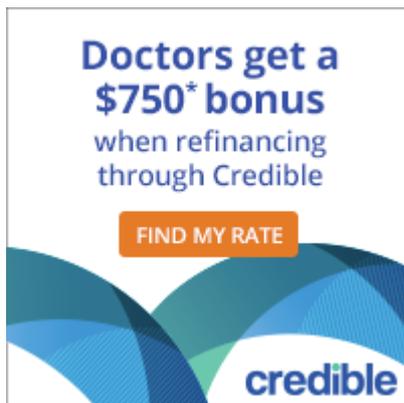
A lot of the discussion in the comments section and on the forum of this website is to be quite honest, quite advanced. Lots of financial advisors and other professionals and physician finance nerds get into the real nitty-gritty. It's fun to take a deep dive sometimes and argue about the merits of paying additional payroll taxes in order to have more tax-protected retirement space or how to design your trust. But I think the biggest difference that can be made in the financial lives of high-income professionals happens at the other end of the spectrum.

## Massive Debt and Nothing Saved for Retirement

There is a certain, perhaps large, percentage of doctors and others out there who are never going to have to worry about detailed estate plans. They're not looking for additional retirement accounts either because they're not [maxing out the big obvious ones](#) staring them in the face. Let me give you an example, with any identifying details that can possibly be used to identify this couple either eliminated or changed:

*We both graduated from college and I worked for a short time*

before having a baby and wanting to stay home. We had a few more children. My husband decided that he wanted to go to medical school. He had always wanted to do that so he re-took a few classes at night to get ready for the MCAT and then started school when we had six children. He finished a family practice residency in 2010 and we stayed in the same \$200K house and he began an attending job paying around \$200K a year.



When he came out of residency I didn't think much about our debt thinking that our income would increase so much it wouldn't be a problem. We didn't upgrade to a bigger house. We did make some poor financial decisions in not watching our money more closely and buying two "newer" cars since both of our cars had over 200K miles upon finishing residency. We've since paid one off and owe \$20k on the other. A few months ago, I realized that we really were not making a significant dent on our debt. He graduated with [\\$440K in medical school debt](#) and about [\\$50K in credit card debt](#). I know it's a lot of debt and writing it down and coming to terms with it has been difficult. Right now we are down to \$330K in medical school debt and \$40K in credit card debt...

I think what FINALLY got my attention was that my husband and I are in our mid 40s, [have saved nothing for retirement](#) and have a [bucket load of debt](#). The credit card flipping and figuring (to keep the interest rate low with 0% balance transfer deals) has been stressful. I do all the billing in

*the house and I have cut back on everything. I have figured out that we should be able to pay off all the credit card debt by next spring. In February I just started putting money in my husband's 401k plan. The hospital he works for only matches 1% so at this point we are putting in 2% to get the 1% match. I know that's pitiful but it's a start and I'm trying to focus on getting rid of the credit card debt...*

*So it gets better...We now have two children in college...*

*I have been very hesitant to get advice due to being afraid of getting taken advantage of and it's difficult because our situation is not typical. I am trying to educate myself and not only purchased your book but also Why Physician Loans Fail, Bogleheads Guide to Investing, Doctor's Eyes Only, and The Physician's Guide to Personal Finance.*

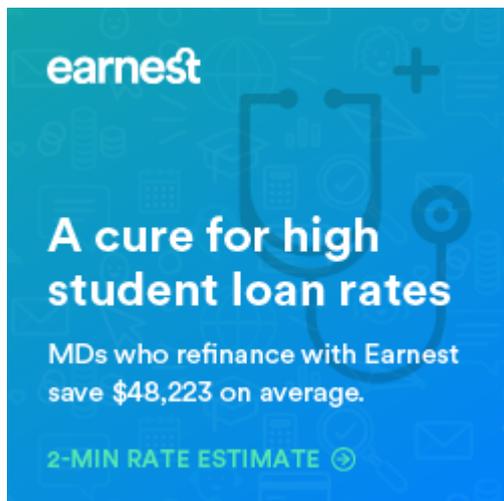


Kids might not be cheap, but they sure are cute!

It's heartbreaking, right? Yes, they've made a few bad decisions, but they're pretty minor in the grand scheme of things and no different from what many of us have done. You can tell they're trying to do all the right things- pay off debt, save for retirement, help the kids with college, keep their living expenses down, drive cars until they have 200K+ miles on them, serve in an underserved specialty in an underserved area, live in a cheap house, avoid bad advice, and

increase financial literacy. The main reason this couple is not only broke, but much worse than broke 6 years out of residency and in their mid 40s is that he decided after starting a family to go back to school to become a [family practice doctor](#)! What a terrible sin, right!

I gave them some advice that I hope was helpful and that I hope will be taken in the way it was intended, and I'm not going to reiterate it here as I'm sure most of you can see what it would look like. This woman thought her situation was unique. Unfortunately, it is FAR from unique. There is a large percentage of physicians out there whose financial picture looks similar to this. In fact, with the rapid rise in the cost of tuition, there may soon be entire specialties whose financial picture looks like this. The biggest service I can do for them is provide a little inspiration to take control and increase their financial literacy, point out student loan management options like [refinancing](#) and [PSLF](#), and help them be frugal enough to build wealth and achieve financial independence by the end of their careers. [Asset allocation](#) and the [best use of an HSA](#) just don't seem all that relevant in the face of financial issues on this scale. There are doctors all around you in this situation who are afraid to ask anyone for help due to embarrassment or fear of being taken advantage of. Reach out! You can make a world of difference. You might not feel like you know a lot about personal finance, but if you've been reading here for long, you know more than 95% of your colleagues.



## Identify the Damage and then Solve the Problem

Now, if you're relatively new here, or if someone just forwarded this post to you, and you realize that your situation really doesn't look all that different from that of the couple above, take heart! [You're not doomed to a life of debt and poverty.](#) There is hope and everyone can improve their situation. But you have to start at the beginning, and the beginning is where you sit down, say to yourself that you're sick and tired of being sick and tired, and add up the damage. Take all your debts, all of them, and write them each down. Now, get online and look up the current balances and interest rates of all of them. Write those down next to them. Add it all up. Now, add up all the money in your checking account, your savings account, and any retirement plans you might have. Subtract the negatives from the positives. If you are like many doctors, that total may be -\$100K, -\$200K, or perhaps even -\$500K. Now, you've seen the worst and know exactly what it looks like. It is no longer a boogeyman in the closet that is far worse in your imagination than it could ever be in real life. Admit you have a problem and figure out how big the problem is. Only then can you begin to solve it. Even though the problem technically isn't any smaller than it was an hour ago, it feels dramatically smaller now that you have

quantified it. It will seem even smaller once you have a written plan to fix it.

*What do you think? Are you in this sort of a situation? What did it feel like before you had a plan? How do you feel now that you have a plan? Do you know any colleagues in this situation? What can you do to help them? Comment below!*