The Wealthy Pediatrician

Over the last couple of years I have received feedback from time to time that I may be alienating people who have a lower than average physician income or who have fewer retirement account options than I have. Here’s a good example (but certainly not the only one) from a comment left a few months ago:

As a Pediatrician, I don’t make a salary of $200k a year and likely never will so the whole “You too can own a mansion in the mountains, go heliskiing in Japan, drive a luxury car, and give all you want to charity, if you only delay your gratification” pitch is a little hard to listen to. We do delay gratification in all the ways listed above but putting $200k towards retirement a year will never be our reality short of getting another source of income. I think what is hitting me the most this morning is the question of why my time as a Pediatrician is so much less valuable than every other specialty out there. Do I need all the things discussed in the blog? Absolutely not, but it would be nice to be more equally compensated for the work I do. Throwing out numbers that are unattainable for most in primary care does ostracize a significant portion of the potential audience.
In My Defense

Before moving on to the subject of this post, I’d like to give a few points in my defense:

# 1 This is a website directed at high-income professionals.

That generally encompasses a range of income from about $100K to about $1.5 Million. Some posts are aimed more at the $100K PA and some are aimed more at the dual specialist couple with the 7 figure income. Most probably fall somewhere in between. I do not apologize that my posts aren’t directed at “Average Joe” who lives in a household making $55K a year. There is probably some useful information for Average Joe on this website, but he isn’t the target audience of the blog. There are plenty of financial blogs out there aimed at those who are not high-income professionals. What makes this one unique and useful to its readers is the fact that it isn’t. I tell guest posters the same thing and reject guest posts that aren’t squarely aimed at high earners.

# 2 Like with any blog, take what is useful to you and leave the rest without feeling offended by it.

The fun thing about reading a blog is the personal aspect of it. You get a glimpse into the personal life of the blogger that you’ll never get reading the Wall Street Journal or Forbes. But nobody else is in my EXACT financial situation. Not a single one of my readers. So figure out those ways in which you can relate, and apply them in your life. Some of you are poorer than me. Many of you are richer than me. That’s okay. I can deal with it and so can you.

# 3 I am a little unique among attending physicians in that I have been in every single tax bracket.

As an attending. You don’t think I can relate to you with your
sub $50K taxable income? It wasn’t that many years ago that I WAS YOU. Trust me, I haven’t forgotten what it was like. We might have a fancy new dining room table, but the couches are all hand me downs. Still. 11 years out of residency.

# 4 Why do I talk about what we spend money on?

Because I am trying to demonstrate a simple point— that if you “take care of business” early on in your professional career, you can enjoy “the good life,” which I defined in The White Coat Investor book as

“...a life free from financial worries, a career where you make a real contribution to society, a few luxuries along the way, the ability to help others financially throughout your life, and a comfortable retirement at a time of your choosing.”

I talk about my boat or my car or my latest vacation to show readers that there is light at the end of the tunnel. I’m not advocating a Mustachian spartan existence here where you live like a resident for decades (although it would probably help the planet if I did.) You may define “the good life” a little differently than I do, and you likely are interested in different luxuries than I am and that’s perfectly fine. But my point is that you CAN have them, eventually.

# 5 Why do I talk about my retirement accounts knowing that I have access to more than the vast majority of my readers?

Is it just humble-bragging? No. I view it as teaching. Every time I mention I have more than one 401(k), someone emails or comments to ask “How do you have more than one 401(k)?” Every time I mention a defined benefit/cash balance plan, someone asks, “What’s that?” If I casually drop the words “Backdoor Roth IRA,” all of a sudden there is one more physician family who can squirrel away $11K a year in an asset protected account that will never be taxed again.
The Wealthy Pediatrician

Enough of that. Let’s move on to the point of this post—pediatricians. I love pediatricians. They are some of the nicest and most dedicated professionals I’ve ever met. I am particularly in awe of the many pediatric subspecialists who voluntarily underwent years of additional training without any significant income increase for their efforts. But I’m going to be real frank here and just tell it like it is.

Financially speaking, pediatricians are a lot like employee dentists. While medicine generally makes financial sense even if you have to borrow the entire cost of your education, it is getting to the point where that is not the case for dentistry. $500-600K in student loans for a career that might pay $120K? Not wise. As the big squeeze between dropping salaries and rising tuition affects medicine more and more, pediatricians, as the lowest paid physicians, are going to get hit first. This is not surprising to anyone who steps back and takes an objective look at the finances. In fact, I know of at least one physician-focused financial advisory firm who deliberately avoids picking up new pediatrician clients. They know the money isn’t there.
Life Isn’t Fair

I tell my kids repeatedly—“Life isn’t fair.” They don’t always get what I’m saying. They usually take it as “I’m getting hosed because life isn’t fair,” but at least half the time I use that phrase, I’m indicating something else entirely—“Life isn’t fair to your benefit, the more you can do to make it even more unfair, the better off you’ll be, and your mother and I are working very hard to keep life unfair for your benefit.” Don’t take this the wrong way. I’m not advocating racism or anything like that. What I am advocating is a worldview where one realizes that not only is life not fair, but it isn’t going to be fair any time soon and in reality, when you really think about it, you don’t WANT life to be 100% fair in the way most kids think about it—i.e. equality of outcome. Sure, we want everyone to have equal opportunity and should work toward that, but it isn’t going to happen anytime soon. Especially with all of us parents trying to give our kids more than their equal share of opportunity.

Choice and Consequences

If you’re a pediatrician sitting in your office at 7 pm finishing charts and wondering why that orthopedist makes four times what you do, it may be worthwhile considering a few points. First, that orthopedist had to bust his butt a lot more than you did to get into an ortho residency. Second, he spent 2-3 more years in training than you did. Third, he gets sued more frequently than you do. Fourth, there was no one keeping you from going into orthopedics. Presumably, you chose pediatrics because you love it and I think it is a very rare medical student who isn’t aware that most pediatricians make less than most orthopedic surgeons. You get to make the choices in your life, but they are connected to the consequences like two ends of a stick. You can’t help but pick up the far end of that stick once you pick up the near one.
You can’t divorce the consequences from the choices.

Pediatricians Can Earn More Than $200K

A lot of relatively low-income professionals such as pediatricians, family docs, dentists, or advance practice clinicians (hopefully that’s still the correct term by the time this post runs) have a bit of a defeatist, nihilistic attitude toward their income. “I’ll never make more than $200K. Wo is me!” I would submit these two counterpoints:

First, I have always been impressed that the intraspecialty income differences are so dramatic compared to the interspecialty income differences. In the 2017 Medscape Physician Compensation Report, it lists the average orthopedic income as $489K and the average pediatrician income as $202K. That’s a pretty big difference, but that’s as big as it gets, and there’s almost no difference between an ophthalmologist and an oncologist. But I am far more impressed that some orthopedists make $1.3 Million and some make $130K. That’s a HUGE range.

So if you’re a pediatrician who thinks he’ll “never make $200K,” the question you should be asking isn’t why orthopedists get paid so much more than you, but why some
pediatricians make so much more than you and what you can do to be like them. I mean, Medscape says the average pediatrician salary is $202K. Why can’t you be at least average again? That doesn’t seem like a big hurdle to me. I mean, you might need a different job, you might need to move, and you might have to work a little harder, but an average salary certainly seems doable. As an example, when I mentioned I was writing this post, a pediatrician sent me this:

Saw you are writing a post about the wealthy pediatrician…a lot don’t think it’s possible – they are WRONG. I am a pediatrician. 3 years out of residency. Partner in a group of 12 pediatricians in midwest. Made a $490K salary last year and more this year. It’s possible and I have a fantastic practice and lifestyle (work 3.5 days per week) and call q11. The most important things that have aided in my success: be in private practice, become a partner, own your building, have mid-levels to help see sick patients, market yourself to healthy patients with good insurance (I do a few prenatal classes at our big hospital per year and get tons of new patients from there – all good parents with good insurance), monitor your sick:well ratio, do procedures.

This doc might be an outlier, but why can’t you be an outlier too? (And yes, I asked for a guest post, but that paragraph may be all you get.)

Second, your decision to put bread on your table by working as a pediatrician is not irrevocable. Now, I’m not talking about entering the match and trying to get into an orthopedics residency. I’m talking about changing careers entirely, preferably gradually. I had a conversation with an emergency doc recently who was working 16 nights a month and felt like she was locked into that in order to maintain her family’s lifestyle. I pointed out that she was intelligent, hard-working, and apparently willing to endure a great deal of pain in her career and that if she applied those same
characteristics to ANY OTHER FIELD such as business, finance, real estate, selling insurance, giving financial advice, etc that she could eventually be making as much or more than she is making shepherding drunks around the ED at 3 am.

The less you make, the more likely it is that you can boost your income or make more doing something else. You don’t even have to quit pediatrics. While medicine might not be a great business, it will always remain a great profession and even a calling. I obviously don’t have to see patients anymore, and yet I do. Why? Because being a doctor is awesome. Not quite awesome enough to do it for free, but certainly still awesome enough to do part-time if you choose to support your family in another way.

I want YOU to be a pediatrician!

Uncle Sam Loves Pediatricians

Here’s another point that most people don’t get until they’ve been there. I always chuckle when I get an email from residents asking what they can do to decrease their tax burden. They have no idea what is coming in a year or two when
they’ll be paying their entire resident salary plus in taxes. It is the same way for some pediatricians. They see that orthopedist surgeon making $489K and look at their measly $202K salary and assume the orthopedist is making 2 1/2 times as much as them.

In reality, once you start applying that progressive tax code and realize the pediatrician may be paying 24% of $200K ($48K) in taxes and the orthopedist is paying 34% of $489K ($171K) in taxes, the difference still exists, but isn’t nearly as big as you might think, especially when you consider the orthopedist’s student loans compounded for an extra 3 years during training. To make matters worse, the orthopedist will need to save a larger percentage of his take-home income to maintain his lifestyle because his tax burden in retirement will be larger. And she’ll have to do it with less assistance from tax-protected retirement accounts. Bottom line—you always come out ahead with a higher income, but it isn’t as far ahead as you might imagine.

You Can Still Be Wealthy

But at the end of the day, whether the pediatrician is making a salary of $150K, $180K, $200K, or $230K, that is still PLENTY of money to pay off your student loans, eventually move into your dream house, and retire early as a multi-millionaire. 20% of $150K = $30K. $30K compounded at 5% real for 30 years = $2 Million. $2 Million = $80K in retirement spending + $30K in Social Security = a very comfortable retirement.

You might be worse off than 95% of the house of medicine, but you’re still better off than 95% of the US population and 99.5% of the world population. It isn’t going to be as easy for you as it might have been in another specialty or if you had married another high-income professional or if you had received a big inheritance, but it is still certainly well
within your grasp to be very financially successful.

What do you think? What would you say to your classmates who went into pediatrics? If you’re a pediatrician, what do you have to say about finances to the rest of the house of medicine? Can a pediatrician sole earner become a multi-millionaire? Why or why not? Are you a wealthy pediatrician? Tell us your story. Comment below!