

Travel Hacking



[Editor's Note: This is a guest post from Alexi Zemsky, MD. Alexi is an electrophysiologist (a very specialized type of cardiologist) and a personal finance blogger who blogs at [Miles Dividend MD](#) where he focuses on early retirement and on what he affectionately calls "Travel Hacking." We have no financial relationship.]

The first thing that needs to be said here is that I am a huge fan of The White Coat Investor. As a doctor who blogs about finance this site has proven to be an indispensable resource that I find myself going back to time and time again. Jim's writing on passive investment, investment vehicles, tax avoidance, insurance products, and financial planning is as exhaustive as it is well researched. So it would make no sense for me to discuss important subjects such as back door Roth IRAs, or health care savings accounts in my guest post. That ground has already been well covered here.

The Miles Game

Instead allow me to focus on the other main aspect of my blog; The miles game. Which is (admittedly) a funny-sounding hobby, but one that I contend is worthy of your further consideration. I will be the first to admit that there is sort of a disconnect between my profession (I'm an

electrophysiologist) and my hobby (travel hacking.)

I don't spend too much of my time talking about my hobby with fellow physicians. And the reason for this is simple: when I do, I get a look I that I can only roughly translate as "Why on earth would someone with your salary waste his time collecting tin cans?" And I completely understand the skepticism. Coupon clipping may be enjoyable, and you may be obsessed with it, but it is sort of embarrassing to talk about. Only more so if you make a good salary.

But obviously, it makes sense to me on a personal level. And my goal here is to argue that the miles game is very advantageous on an economic level, particularly for high income earners like physicians. But before I begin I should define my terms.

Defining The Miles Game

The Miles Game involves using the best aspects of hotel and airline loyalty programs to book expensive travel (airline fares, hotel stays, and incidentals) for nearly free. The cornerstone of travel hacking is credit card churning. Credit card churning involves repeatedly signing up for multiple credit cards in order to rack up hundreds of thousands or even millions of miles/points in sign up bonuses to be spent on travel.

In order to participate in churning you must be able to pay off your credit card bills in full every month and meet minimum spend requirements. Which brings us to manufactured spending. Manufactured spending (as I practice it) is the art of offsetting every cent of personal spending with credit card spending, by buying cash gift cards, loading them onto a prepaid card, and paying bills with the loaded prepaid cards.

Strung together these concepts form a powerful strategy (the miles game) that allows you to amass \$10-\$20,000 worth of free

travel per year. So without further ado, here are the top reasons why playing the miles game might be a great idea for your future financial success as a physician.

1. Many physicians do a fair amount of travel.

Travel is a luxury. And fortunately it's a luxury that most physicians can and do afford. But despite this, travel is not cheap. A simple spring break trip to Hawaii for a family of four or five can easily set you back \$5000 post tax even if you hunt out bargain fares and hotels. And short weekend trips to visit family in other cities aren't cheap either.

So if travel hacking allows you to save just \$12,000 a year, (a conservative estimate assuming 3 to 4 family trips per year) then this becomes money you that you can instead plug into a backdoor Roth IRA or a healthcare savings account. At a 7% return over 20 years, this savings invested would yield you a sizable \$521,000 of retirement savings, even ignoring the substantial benefits of using pretax dollars for your healthcare savings account. That certainly isn't chump change.

2. The miles game teaches you useful financial skills.

In this post I am presenting travel hacking as a useful adjunct to financial planning. But for me it actually happened the other way around. Part of the reason I became a doctor is that I didn't want to think about business all the time. I just wanted to take care of patients. I only became interested in personal finance after I saw the incredible power of getting organized for travel hacking.

To be successful in travel hacking you must really get into the weeds in terms of monitoring your own credit score,

staying on top of your bills, and paying attention to micro economic details. But the key to your eventual success is that it's all fun. That and the rewards are immediate and obvious.

This positive feedback loop unexpectedly sparked my interest in personal finance. Both pursuits required similar organizational skills. And for the first time I understood that such detailed exercises could be fun. And while the rewards of investing for retirement were not as immediate as they were for booking vacation travel with miles, the ultimate goal was ultimately even more attractive than free travel – early financial independence.

3. Mixing a little luxury in with your frugality.

On some level smart financial planning is simple. It's all about cutting your spending and increasing your investment. But let's face it, after 7-11 years of postgraduate training, sometimes the prospect of this sounds about as appetizing as a clear liquid diet. Travel hacking allows you to save money even as you cash in on previously inaccessible luxury goods such as first-class travel, luxury hotel stays, and elite loyalty status. It is quite simply one of those rare win-win propositions that in medicine or in life, I think you'd be foolish not to take advantage of.

4. Travel hacking is a productive form of escapism

The miles game is like a giant entrepreneurial puzzle. It sounds more complicated than it is, but figuring out all of the pieces that make travel hacking work is a big part of the fun. The game can probably be played in about 6 to 10 hours a month of your free time. And you will use skills that you don't really have to use in your day to day job as a doctor. And aside from the satisfaction of using different parts of

your brain, you also get the palpable rewards of free travel that come along with your new hobby.

5. The joy of giving.

When you've amassed a good amount of miles, one of the greatest joys is being able to fly your distant family and friends out to visit you or to meet up with you in a far-off locale. Since you are sharing the fruits of your labor (which is kind of like sharing a homemade present) it feels very personal despite it's impressive real world value.

6. Tax efficiency (ie saving the best for last.)

Most doctors are in high tax brackets, and many are in the highest tax bracket. And unlike venture capitalists and hedge fund managers, we tend to pay our fair share of income taxes, and then some. And if you are in the highest tax bracket and live in a high tax state (like me) it is easy to see more than \$0.50 of every additional dollar that you make will disappear to taxes. Now I'm about as liberal as they come. But it doesn't take a genius to realize that it is in your own rational self interest to pursue tax efficiency when faced with such incentives.

How many additional patients would you have to see to take-home an additional \$12,500 post tax (or \$25,000 pre-tax) in a year? How many colonoscopies would you have to perform? How many Gallbladders would you have to resect? How many arrhythmias would you have to ablate? How many phone calls would you have to return? And how many pieces of paperwork would you have to fill out?



A lot. That's how many.

And to me, at least, the additional effort would not be repaid with additional happiness from my increased income. It would, I think, be a net loss. Which brings us to one of the hidden beauties of the miles game.

The miles that you earn are not taxed.

By all means you should not take my word on this, and should discuss this claim with your accountant, but the fact of the matter is that, in most cases, miles are treated as rebates, and are not taxable. So if you redeem \$12,500 worth of travel with your miles per year you're effectively giving yourself a \$25,000 a year raise. And it doesn't take a neurosurgeon to realize that any hobby that puts \$25,000 in your pocket each year and over \$500,000 in your pocket in 20 years, is fun to pursue, and reinforces good habits, may not be so crazy after all.

Now if you'll pardon me, I've got some tin cans to collect.

What do you think readers? Are you a travel hacker? Why or why not? Comment below!