5 Financial Mistakes To Avoid When Starting Your Career

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Mistake #1 - Not developing a team of trusted advisors

- Each member should have healthcare background and should be willing to work with the other members towards a common goal (your financial success)
- Team approach allows you to spend your time doing what you do best
- Actively work with team to stay on top of your financial situation (periodic meetings & interactions)
- Team should consist of:
  - CPA
  - Attorney
  - Insurance Advisor (life and disability)
  - Banker (private banking)
  - Financial Advisor

Mistake #2 - Not spending time to understand the employment agreement

- Trusted Advisors who can help:
  - Attorney
  - CPA
- Whether working for a private practice or an institution, odds are, you will have to sign an employment agreement or contract.
- Need to become familiar with what to expect, including any confidentiality agreements. (See example handout)
- Ask questions about sections you don’t understand.

Mistake #2 - Not spending time to understand the employment agreement (continued)

- Basic sections of agreement
  - Duration
  - Termination clauses
  - Compensation
  - Benefits
  - Outside income
  - Duties of provider
  - Termination compensation
  - Opportunity to buy into practice
  - Covenant not to compete

Mistake #3 - Not developing a personal budget.

- Trusted Advisors who can help:
  - CPA
  - Financial Advisor
- Must allocate for all expenses including such commonly omitted items as car repairs, medical, vacations, retirement, debt/loan repayment, various insurances (see template handout)
- W-2 employees should use after-tax net pay for income. See example of net pay calculation on next page.
- Contract & self-employed providers must budget for and consider taxes (quarterly estimated tax payments)

Example of Net Pay Calculation on $150,000 Annual Base Pay

	Amounts	% of Pay	Notes
Semi-monthly pay period gross pay	$ 6,250.00	100.00%	$150,000 / 24 pay periods
Pre-tax withholdings			
Sec 125 Plan	(250.00)	-4.00%	Health insurance, etc.
Retirement deferrals	(187.50)	-3.00%	Once eligible, amt determined by you, subject to annual limits
Total pre-tax withholdings	(437.50)	-7.00%	
Tax withholdings			
Federal	(1,453.13)	-23.25%	Est. 25%, calculated on gross pay after pre-tax deductions
FICA/Social Security	(372.00)	-5.95%	6.2% on first $106,800 of wages for 2010 (after Sec 125)
Medicare	(87.00)	-1.39%	1.45% on all wages (after Sec 125)
State	(348.75)	-5.58%	Est. 6%, calculated on gross pay after pre-tax deductions
Local	(171.88)	-2.75%	Used 2.75% rate, calculated on Gross pay, varies by county/city
Total tax withholdings	(2,432.75)	-38.92%	
Net Pay	$ 3,379.75	54.08%	

Annual net pay of approximately $81,000 on $150,000 gross pay

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Mistake #4 – Incurring too much debt

- Trusted Advisors who can help:
  - Banker
  - CPA
  - Financial Advisor
- Home Mortgage - Do not borrow the full approved amount (regardless of what your real estate agent tells you). Rules of thumb (from lendingtree.com):
  - Purchase price should be no more than 2.5 x annual gross salary ($100,000 salary = $250,000 house)
  - Total debt costs (mortgage, credit cards, student loans) should be 30% or less of your gross income
- Consider keeping your "paid for" car as long as possible and saving that payment towards a future car purchase. Rule of thumb (from lendingtree.com):
  - Total transportation costs (car payments, ins., gas, maintenance) should be 15% or less of your income ($100,000 salary @ 15% = $1,500/month)
- Do not open or use store credit cards unless you can pay them off each month.
- Other Important Considerations
  - Must include student loan repayments when budgeting
  - **Possibility of financing practice buy-in in near future**

Mistake #5 - Not planning for the future

- Trusted Advisors who can help:
  - Financial Advisor
  - Insurance Advisor
- Determine financial goals
  - When – target retirement date & other major financial events dates
  - Lifestyle – amount needed per financial event
  - Methodology – funding options, plan options, etc.
- Funding your retirement plan
  - Many employers offer a match/employer contribution and most contributions are pre-tax (Example, if you save 3% of your annual salary of $50,000 and your employer matches what you defer up to 3%, you will get $3,000 added to your retirement account while only seeing a reduction of less than $1,500 from your net pay.
- Savings
  - Build this into your budget
  - Rule of thumb (from lendingtree.com):
    - Save 10% of your after-tax income (This is separate from retirement plan contributions)

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Questions?

Thank you for your time. Please feel free to contact us anytime with any questions.

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