Develop Your Own Compass: Financial Planning

Scientific Conference

ACFAS 2024

February 1-4 • Tampa

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American College of Foot and Ankle Surgeons®

Proven leaders. Lifelong learners. Changing lives.

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- Education chair for the Loyola University Medical Center podiatric surgery residency training program
- Disclosures:
  - No conflicts to disclose

Financial Literacy Gaps – A Hidden Stressor

Reference	Level of stress	Notes
Ahmad et al[11]	• Trainees with any debt reported lower satisfaction than trainees without debt	• Mean satisfaction with personal financial condition was 4.8/10 • Trainees with any debt reported lower satisfaction than trainees without debt
Gray et al[15]	• 82.6% agree that repaying debt during residency is a significant financial burden	• 78.3% say that debt will remain a burden after residency • 66.2% said their debt amounts would influence their future job choice • 71% agreed that their debt would delay their ability to buy a home
Hwang et al[16]	• All residents with > $100,000 total debt were concerned about the debt • Residents with > $200,000 of debt had moderate to greater concern	• 1 in 4 residents with < $100,000 of debt reported concern • 65% of residents with significant total debt said it affected their ability to pay for work-related items
Kovar et al[19]	• Majority of trainees reported moderate or high stress	• Trainees who stated that their current finances put a strain on their relationship had higher perceived stress scores • Perceived stress score was not associated with objective measures of financial wellness, such as the overall level of medical school debt, savings, or having an emergency fund
Shappell et al[25]	• One of the most prominent subthemes was that of debt-related stress and anxiety	• Comments on savings, including emergency funds, suggested that residents have limited reserves • Residents seemed comfortable with their ability to budget; many cited budgeting wisdom and practices instilled in them early on • One of the most prominent subthemes was that of debt-related stress and anxiety, especially concern about the ability to repay the balance of their loans • A prominent concern was the limited cash flow available on a resident salary
Tewis et al[27]	• Residents with high debt-to-asset ratios were more likely to have a high level of concern about debt	• 82% of respondents had a moderate- or high-risk debt-to-asset ratio • Residency program, year, sex, and perception of financial knowledge did not correlate with high risk debt-to-asset ratio • Residents with high debt-to-asset ratios were more likely to have a high level of concern about debt
Wong et al[28]	• 40% agreed that they were concerned with their financial situation • 41% agreed that they had "too much debt right now"	• 34% reported dissatisfaction with their current financial situation • Residents with the greatest levels of debt were also less likely than their peers to exhibit behaviors such as obtaining advice about debt management or holding an Individual Retirement Account • The amount of loan debt did not correlate with resident agreement that debt had a substantial role in final career choice
Young et al[29]	• Residents described debt as a persistent source of background stress	• Debt made some feel trapped in medicine • Residents described compartmentalizing debt in order to work

(From: Lin, et al. *Perm J*, 2023.)

Nolan Pendleton, CFP, MBA

- Certified financial planner
- Co-founder and partner of Generational Financial Partners
- Based in Georgia with clients all over the country, of which 95% are physicians.
- Disclosures:
  - Co-Founder and Principal: Generational Financial Partners / Hudson Pendleton Financial Group

STUDENT LOANS

- Federal
- Private

STUDENT LOAN RATES

Years	Months	Rate	Payment	Total Interest
20	240	6.35%	$ 1,842	$ 192,061
15	180	6.10%	$ 2,123	$ 132,171
10	120	5.85%	$ 2,757	$ 80,806
7	84	5.75%	$ 3,622	$ 54,269
5	60	5.24%	$ 4,745	$ 34,721

7 YEAR LOAN
VS
15 YEAR LOAN

Comparisons			
Years	Rate	Monthly Payment	Total Interest
7	5.75%	$ 3,622	$ 54,269
15	6.10%	$ 2,123	$ 132,171
Difference		**$ 1,499**	**$ 77,902**
Annual Difference		**$ 17,989**	

If took a 15 year loan and treated as a 7 year loan		
15 Year Payment	$	2,123
Extra Payment	$	1,499
Total Monthly Payment	**$**	**3,622**
Total Interest Paid for 15 loan	**$**	**58,669**
Total Interest Paid for 7 loan	**$**	**54,269**
Total Additional Cost	**$**	**4,400**
Total Monthly Cost	**$**	**52**

DR. EARLY VS DR. LATE

Age	Amount Invested	Year End Value		Age	Amount Invested	Year End Value
30	$ 5,000	$ 5,400	Assumes 8% Return	30	$ -	$ -
31	$ 5,000	$ 11,232		31	$ -	$ -
32	$ 5,000	$ 17,531		32	$ -	$ -
33	$ 5,000	$ 24,333		33	$ -	$ -
34	$ 5,000	$ 31,680		34	$ -	$ -
35	$ 5,000	$ 39,614		35	$ -	$ -
36	$ 5,000	$ 48,183		36	$ -	$ -
37	$ 5,000	$ 57,438		37	$ -	$ -
38	$ 5,000	$ 67,433		38	$ -	$ -
39	$ 5,000	$ 78,227		39	$ -	$ -
40	$ 5,000	$ 89,886		40	$ 5,000	$ 5,400
41	$ -	$ 97,076		41	$ 5,000	$ 11,232
42	$ -	$ 104,843		42	$ 5,000	$ 17,531
43	$ -	$ 113,230		43	$ 5,000	$ 24,333
44	$ -	$ 122,288		44	$ 5,000	$ 31,680
45	$ -	$ 132,071		45	$ 5,000	$ 39,614
46	$ -	$ 142,637		46	$ 5,000	$ 48,183
47	$ -	$ 154,048		47	$ 5,000	$ 57,438
48	$ -	$ 166,372		48	$ 5,000	$ 67,433
49	$ -	$ 179,682		49	$ 5,000	$ 78,227
50	$ -	$ 194,056		50	$ 5,000	$ 89,886
51	$ -	$ 209,581		51	$ 5,000	$ 102,476
52	$ -	$ 226,347		52	$ 5,000	$ 116,075
53	$ -	$ 244,455		53	$ 5,000	$ 130,761
54	$ -	$ 264,012		54	$ 5,000	$ 146,621
55	$ -	$ 285,132		55	$ 5,000	$ 163,751
56	$ -	$ 307,943		56	$ 5,000	$ 182,251
57	$ -	$ 332,578		57	$ 5,000	$ 202,231
58	$ -	$ 359,185		58	$ 5,000	$ 223,810
59	$ -	$ 387,920		59	$ 5,000	$ 247,115
60	$ -	$ 418,953		60	$ 5,000	$ 272,284
61	$ -	$ 452,469		61	$ 5,000	$ 299,466
62	$ -	$ 488,667		62	$ 5,000	$ 328,824
63	$ -	$ 527,760		63	$ 5,000	$ 360,530
64	$ -	$ 569,981		64	$ 5,000	$ 394,772
65	**$ -**	**$ 615,580**	**$ 183,826**	**65**	**$ 5,000**	**$ 431,754**
	Total Invested $55,000		**$258,826**		**Total Invested $130,000**	

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7 YEAR LOAN
ANNUAL TOTAL
$43,467

15 YEAR LOAN
ANNUAL DIFFERENCE
$17,989

Comparisons			
Years	Rate	Monthly Payment	Total Interest
7	5.75%	$ 3,622	$ 54,269
15	6.10%	$ 2,123	$ 132,171
Difference		$ 1,499	$ 77,902
Annual Difference		$ 17,989	

If took a 15 year loan and treated as a 7 year loan		
15 Year Payment	$	2,123
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Total Additional Cost	**$**	**4,400**
Total Monthly Cost	**$**	**52**

DR. EARLY VS DR. LATE

Age	Amount Invested	Year End Value	15 Year Loan Balance	Age	Amount Invested	Year End Value
30	$ 17,989	$ 19,248	Assumes 7% Return	30	$ -	$ -
31	$ 17,989	$ 39,844		31	$ -	$ -
32	$ 17,989	$ 61,881		32	$ -	$ -
33	$ 17,989	$ 85,461		33	$ -	$ -
34	$ 17,989	$ 110,691		34	$ -	$ -
35	$ 17,989	$ 137,688	End of 7th Yr	35	$ -	$ -
36	$ 17,989	$ 166,574	$ 160,966	36	$ -	$ -
37	$ 17,989	$ 197,482		37	$ 43,467	$ 46,510
38	$ 17,989	$ 230,554		38	$ 43,467	$ 96,275
39	$ 17,989	$ 265,941		39	$ 43,467	$ 149,524
40	$ 17,989	$ 303,805		40	$ 43,467	$ 206,500
41	$ 17,989	$ 344,320		41	$ 43,467	$ 267,465
42	$ 17,989	$ 387,670		42	$ 43,467	$ 332,697
43	$ 17,989	$ 434,055		43	$ 43,467	$ 402,496
44	$ 17,989	$ 483,687		44	$ 43,467	$ 477,180
45	$ -	$ 517,546		45	$ -	$ 510,583
46	$ -	$ 553,774		46	$ -	$ 546,324
47	$ -	$ 592,538		47	$ -	$ 584,566
48	$ -	$ 634,016		48	$ -	$ 625,486
49	$ -	$ 678,397		49	$ -	$ 669,270
50	$ -	$ 725,884		50	$ -	$ 716,119
51	$ -	$ 776,696		51	$ -	$ 766,247
52	$ -	$ 831,065		52	$ -	$ 819,885
53	$ -	$ 889,240		53	$ -	$ 877,277
54	$ -	$ 951,486		54	$ -	$ 938,686
55	$ -	$ 1,018,091		55	$ -	$ 1,004,394
56	$ -	$ 1,089,357		56	$ -	$ 1,074,701
57	$ -	$ 1,165,612		57	$ -	$ 1,149,931
58	$ -	$ 1,247,205		58	$ -	$ 1,230,426
59	$ -	$ 1,334,509		59	$ -	$ 1,316,555
60	$ -	$ 1,427,925	$ 19,210	60	$ -	$ 1,408,714
	Total Out of Pocket $652,005		**$19,210**		**Total Out of Pocket $652,005**	

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MARKET EXPECTATIONS

Timing is everything ... and timing is random[1]

Historical S&P 500 Index returns (1926 - 2022)

Negative returns 27% of the time

14%	**0% to -10%**	1929, 1932, 1934, 1939, 1940, 1946, 1953, 1962, 1969, 1977, 1981, 1990, 2000, 2018
6%	**-10% to -20%**	1941, 1957, 1966, 1973, 2001, 2022
6%	**-20% or lower**	1930, 1931, 1937, 1974, 2002, 2008

Positive returns 73% of the time

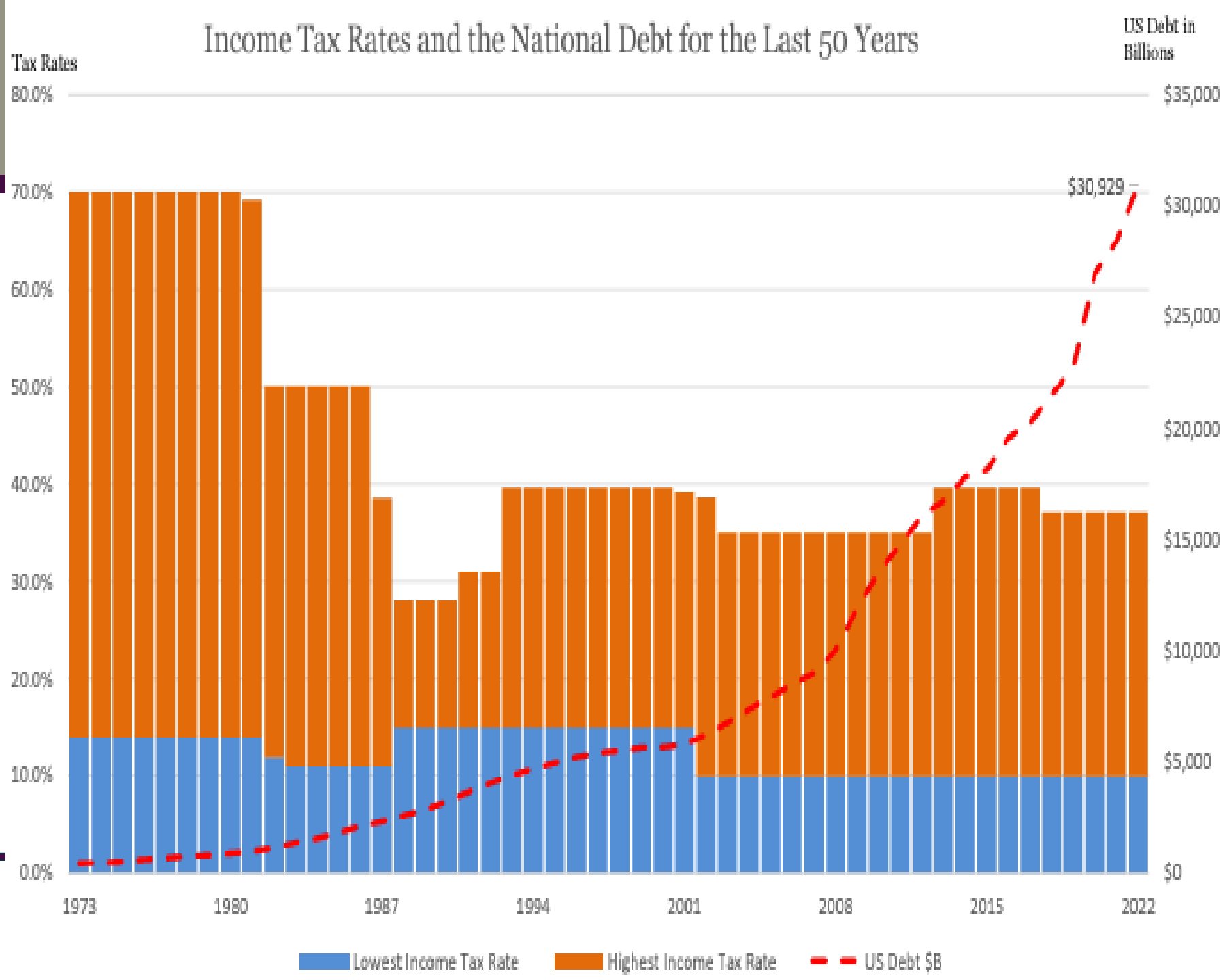
20% or greater	1927, 1928, 1933, 1935, 1936, 1938, 1942, 1943, 1945, 1950, 1951, 1954, 1955, 1958, 1961, 1963, 1967, 1975, 1976, 1980, 1982, 1983, 1985, 1989, 1991, 1995, 1996, 1997, 1998, 1999, 2003, 2009, 2013, 2017, 2019, 2021	37%
12% to 20%	1944, 1949, 1952, 1964, 1965, 1971,1972, 1979, 1986, 1988, 2006, 2010, 2012, 2014, 2017, 2020	15%
8% to 12%	1926, 1959, 1968, 1993, 2004, 2016	6%
0% to 8%	1947, 1948, 1956, 1960, 1970, 1978, 1984, 1987, 1992, 1994, 2005, 2007, 2011, 2015	14%

WHERE TO INVEST

Pre-Tax

Post-Tax

HISTORICAL TAXES AND NATIONAL DEBT



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2024 INCOME TAX BRACKETS

	Single		Married Filing Jointly	
Tax Rate	Taxable income over	But not over	Taxable income over	But not over
10%	$ -	$ 11,600	$ -	$ 23,200
12%	$ 11,601	$ 47,150	$ 23,201	$ 94,300
22%	$ 47,151	$ 100,525	$ 94,301	$ 201,050
24%	$ 100,526	$ 191,950	$ 201,051	$ 383,900
32%	$ 191,951	$ 243,725	$ 383,901	$ 487,450
35%	$ 243,726	$ 609,350	$ 487,451	$ 731,200
37%	$ 609,351		$ 731,201	

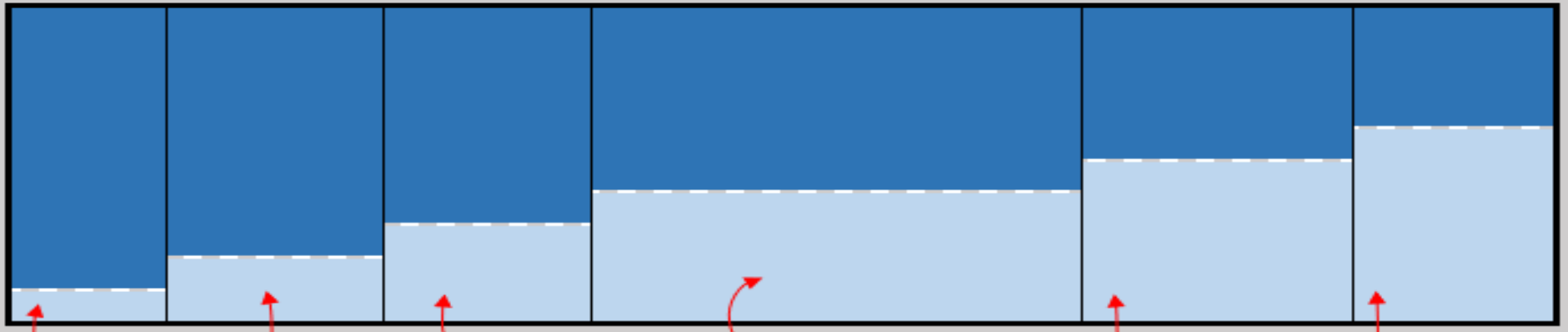
How People THINK tax brackets Work

$250,000/yr income

You earn $250,000 at a 35% tax rate means you pay $87,500

How tax brackets ACTUALLY Work

$250,000/yr income

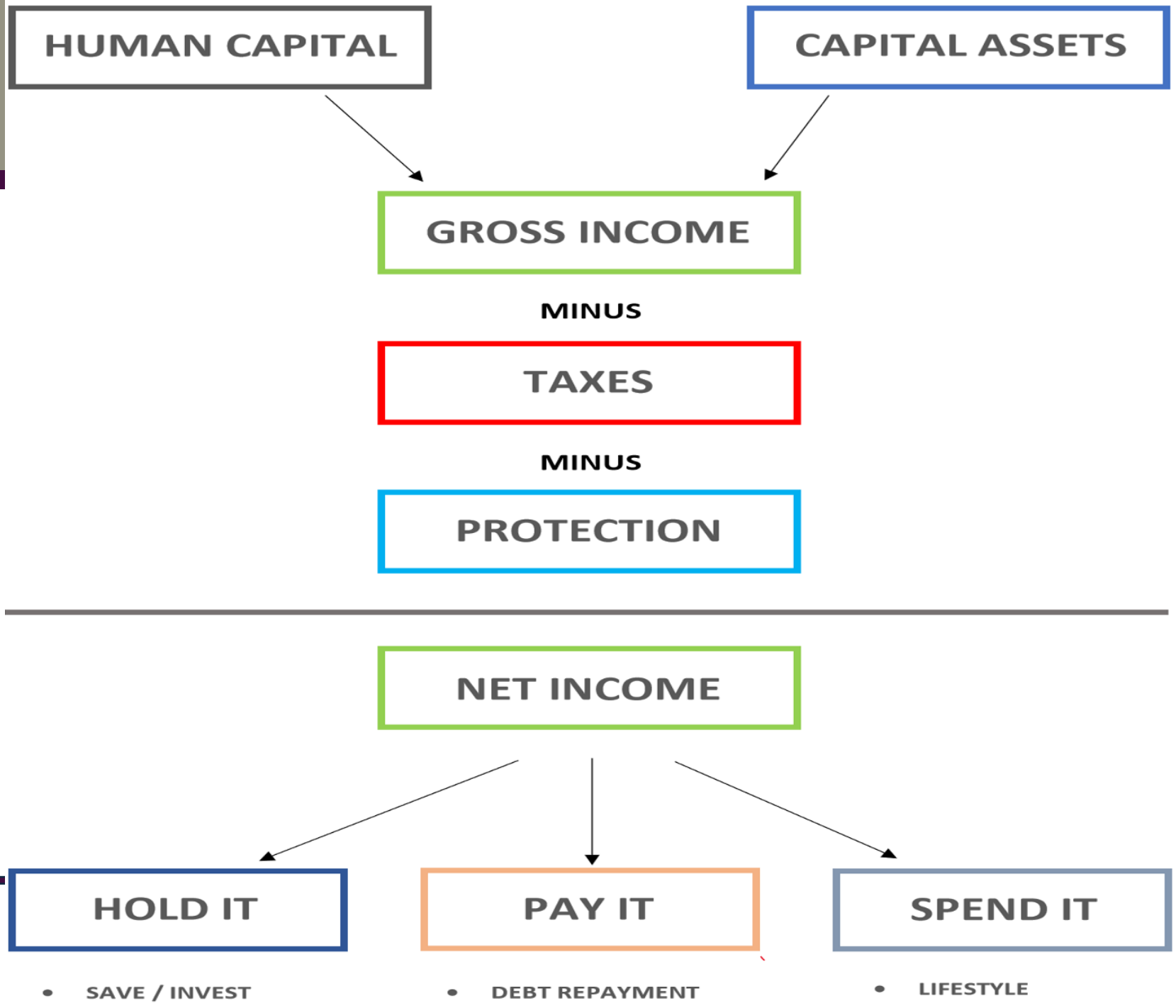


You pay 10% on the first $11,600	Plus 12% on income between $11,601 and $47,150	Plus 22% on income between $47,151 and $100,525	Plus 24% on income between $100,526 and $191,950	Plus 32% on income between $191,951 and $243,725	Plus 35% on income over $243,725	Total Tax
$1,160	+ $4,266	+ $11,743	+ $21,942	+ $16,568	+ $2,196	= $57,875

*All calculations based on 2024 tax brackets provided from Internal Revenue Service from publicly available sources

*Example is based on Single filing status with an income of $250,000/yr with no deductions, exemptions, credits, or other taxes

CASH FLOW


HUMAN CAPITAL
CAPITAL ASSETS
GROSS INCOME
MINUS
TAXES
MINUS
PROTECTION
NET INCOME
HOLD IT
PAY IT
SPEND IT
• SAVE / INVEST
• DEBT REPAYMENT
• LIFESTYLE

DISABILITY INSURANCE

DISABILITY INSURANCE

- IT COSTS WHAT!?!
- WHAT TO LOOK FOR
- WHEN TO GET
- HOW MUCH TO GET

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