

RESIDENT TOOLKIT



**Helping Medical Professionals
with Their Money Since 1956.**



BUDGETING

Do you have a personal budget to keep track of spending, saving and all of your financial goals in between? A budget is one of the best steps you could take toward your goals. Here is a handy tool to help you start organizing your cash flow, debt and savings.

[*Budgeting Tool*](#)

EMERGENCY FUND

Are you financially prepared for life's unexpected financial events? These can come in many forms, such as lost job, major home repair, or unexpected medical costs. Instead of putting these on a credit card or taking out a high cost loan, savings in an emergency fund can be used to cover the cost. Having an emergency fund can help you sleep better at night and give you greater peace of mind, knowing that you have set aside enough money to help you during financially tough times. We recommend saving three to six months' worth of your fixed living expenses in a separate savings or money market because you want to have immediate access to it, if you suddenly need the money.

[*Emergency Fund*](#)

SAVINGS

Make your savings a priority by considering these important things. What are your goals? Are you planning to move to another state when done with residency? Do you want to buy a home in the next 5 years? Do you need to start an emergency fund? These are a few examples.

Consider how much will each goal cost and when you want to achieve each of your goals. From there, you could estimate a monthly savings amount for each goal. Here's a link to help compare rates for savings, CDs. You can also compare rates to save on credit cards, car insurance and loans, which will allow you to put even more into your savings.

[*BankRate*](#)

PAYROLL DEDUCTIONS

Did you end up paying taxes when you filed your income taxes this year? If too little is withheld, you will generally owe tax when you file. The W4 form was revised in 2020. Completing the Form W-4 allows your employer to withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

[*Payroll Deductions*](#)



STUDENT LOANS

There are several ways to secure a lower interest rate with more favorable terms, including:

- [Refinancing federal loans](#) and/or your private loans into a new loan.
- Consolidating your multiple federal loans and/or private loans into a single loan.
- Qualifying for an income-driven repayment plan or student loan forgiveness program.

The CARES Act may offer economic relief for thousands of residents, fellows and practicing physicians with medical student-loan debt. The legislation [suspends payments](#) and accrual of interest on most federal student loans through January 31, 2022.

Sources: 1. ama-assn.org/residents-students/resident-student-finance/medical-student-loan-repayment
2. <https://studentaid.gov/announcements-events/coronavirus>

Tax and student loan information is presented for educational purposes only and all data is derived from sources believed to be reliable. HTK does not offer tax, loan, or debt consolidation advice.

TAXES

Taxes can be complicated, especially with the latest changes. Do you know how the tax law changes affect you? Know all of your deductions? Not sure if your tax returns were done properly? It's important to talk with someone and develop a plan that best suits your situation. For example, taking advantage of retirement plans whether an individual or employer sponsored is a good way to minimize taxes and maximize take home pay. Consider 1099 income (consulting/moonlighting) as it can add more flexibility in tax planning.

[Tax](#)

DEBT

Learning how to manage short- and long-term debt, including credit card debt and student loans, is essential to maintaining financial health. Americans carry an average of four credit cards. It's easy to get into trouble by charging too much on credit cards, especially if a large unexpected expense occurs, like a major car repair or an unforeseen medical problem. Typically, it makes better financial sense to pay down the debt with the higher interest rates first, such as credit cards, and pay the minimum for other debt such as student or automobile loans. If you are paying higher interest on multiple credit cards, consider a debt consolidation loan to lower your interest rate, reduce the money you are paying in interest and make just one monthly payment. It can work if your debt isn't excessive and you have good credit and a plan to keep debt in check.

Sources: 1. (CNBC.com, "Americans have an average of 4 credit cards- is that too many?")
2. nationaldebtrelease.com
3. sofi.com/personal-loans/credit-card-consolidation-loans
4. bankrate.com



FINANCIAL BENEFITS

If you are currently job hunting or looking at fellowship programs, you should review the physician benefits package you are offered as carefully as you do the salary and bonuses. Consider your options before you sign up. For example, disability coverage is important because one of your greatest assets is your ability to continue to work. Be sure to think about your needs for health insurance coverage, student loan repayment assistance, retirement plans, vacation policy, CME allowance, maternity leave and any relocation package. Planning for your needs in advance will make it easier to decide on a job, or which benefits to sign up for when enrolling.

INVESTING

People turn to the markets to not only build wealth, but to pursue growth of funds to buy homes, send kids to college, and for retirement. Unlike banks, where deposits are guaranteed by the FDIC, the value of stocks, bonds and other securities fluctuate with market conditions. All investing involves risk. A few people stumble into financial security. But, for most, a sound strategy to attain financial security is to save and invest over a long period of time. Having your money work for you, is investing. Knowing the basics, forming a plan and sticking to it is what's needed. Here are some key concepts to understand to improve your chances of success:

Beta

This is a measure of risk and how a position ranks in volatility versus an Index. Most equities are measured versus the S&P 500. Bonds are against the Barclays Index. The standard measure is 1. If your choice is a .75, then its risk level is .25% less than the index used. At 1.2, you will be 20% higher in risk.

Sources: Investopedia.com, "Using the Price-to-Earnings Ratio and PEG to Assess a Stock"

Rebalancing

This is a strategy of bringing a portfolio that has deviated away from one's target allocation back into line. This can be implemented by transferring assets or selling investments of an asset class that is overweight and using the money to buy investments in a class that is underweight. The goal is to keep the same risk and exposure levels as to when you started the portfolio. No investing strategy can assure a profit of protect against loss in a down market.

P/E Ratio

Price to Earnings Ratio. The price-to-earnings ratio, helps you compare the price of a company's stock to the earnings the company can generate.

The P/E ratio is derived by dividing the price of a stock by the stock's earnings. Example: The market price of a stock tells you how much people are willing to pay to own the shares, but the P/E ratio tells you whether the price accurately reflects the company's earnings potential.

A higher ratio shows that investors are willing to pay a higher share price today because of growth expectations in the future. The average P/E Ratio for the S&P 500 has historically ranged from 13 to 15.

Sources: 1. Investopedia.com, "Using the Price-to-Earnings Ratio and PEG to Assess a Stock"

Indexes

Standard and Poor's 500 Index (S&P 500) is an unmanaged, capitalization-weighted index of 500 stocks from a broad range of industries, considered to be representative of the stock market in general.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials.

Bloomberg Barclay US Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

In addition to investment grade corporate debt, the index tracks government debt, mortgage-backed securities (MBS) and asset-backed securities (ABS) to simulate the universe of investable bonds that meet certain criteria. In order to be included in the Agg, bonds must be of investment grade or higher, have an outstanding par value of at least \$100 million and have at least one year until maturity.

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