



BY JARROD SHAPIRO, DPM



Retirement Planning: Start Early

Here are 8 winning recommendations.

Practice Perfect is a continuing every-issue column in which Dr. Shapiro offers his unique personal perspective on the ins and outs of running a podiatric practice

This column is for all you graduate podiatric residents, starting on the next stage of your professional journey. In fact, if you're willing to take some of this advice it will give you the opportunity to pursue retirement at almost any age.

Recommendation 1: Get Educated

Investing, whether it's for future retirement or you want to become a gazillionaire, it's complicated. There are a very large number of ways to invest and places to put your money, and which of these you choose will require you to be knowledgeable.

Recommendation 2: Start Early

It's not stating anything groundbreaking to say to recall the power of compounding. However, in order for this to work, you have to start early.

Let's say you received a \$6,000 signing bonus for joining that sexy podiatry practice (or you have \$6,000 from any other source), and instead of blowing it on a vacation, you decide to invest it in a retirement account with an interest rate of 6% per year, and you then contribute only \$500

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per month for the next 30 years. That investment, in 30 years, becomes \$508,810.¹ This investment amount is actually quite small. If your company has a 401k or 403b, contribute to it and maximize your contribution. They will match your contribution, usually up to around 4%. This is free money that builds over time.

Recommendation 3: Live Below Your Means

When you start out in practice, you're (hopefully) going to make a

lot more than you did in residency. That extra money will look like a lot, but it's not as much as you think. You might want to buy a new car, a new house, or a number of toys to fill up that new house. You might want to take an expensive vacation. It's understandable to feel this way. You


just put in 7 or more years of your life into education, and that's just for podiatry. Resist the urge. Live below your means. Keep that belt tight for the first several years of your practice. Our family has lived well below our means for many years, and we still manage to have a good life.

When it comes to a house, Forbes magazine describes the 28% rule, in which no more than 28% of your gross monthly income should go toward your mortgage.² Similarly, they


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PRESENT Podiatry

PRESENT Podiatry (podiatry.com) is a podiatrist-owned-and-run company that proudly serves as the largest provider of online CME to the podiatry profession. One of the key lectures in their online CME collection is highlighted below.



Evaluation and Management of Pes Cavus, Part 1



Marc Benard, DPM, DABPM, DABFAS
President and Co-Director
Operation Footprint/ Baja Project for
Crippled Children
Los Angeles, CA



In this Lecture...
This lecture is devoted to Pes Cavus. It emphasizes the pathomechanics of the condition, the variations in clinical presentation and important diagnostic features leading to appropriate non-surgical and surgical management decisions.

Scan to go to the lecture



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describe a 25% post-tax model in which your mortgage bill should be no more than 25% of your after tax (net) income. Now, at the time of this editorial, the interest rates in the United States are not favorable for home buyers, but that's likely to change eventually, and when it does, that may be the time to jump into the market. Some banks give mortgage loans at lower rates and/or lower down payments for doctors, so seek them out.

Recommendation 4: Plan for the Unexpected

Tragedies can happen at any time, and it's in your best interest to be ready. Life insurance will keep your family stable in case of your death. It is cheaper to start a plan when you're young and healthy, and you might consider a relatively high amount. We initially included our children's college education as well as living expenses if we were to lose our income from the podiatric practice. That required a larger amount of money. Now, as we've gotten older and the kids are leaving the nest, that life insurance is less necessary, so we have reduced the limits.

Similarly—and perhaps just as important—is disability coverage. Perhaps you're injured in some way that

limits or prevents you from working. How would you afford to live? Look for your "own occupation" disability. This specific type of disability that pays you a percentage of what you were previously making if you are injured, allows you to be able to continue working but with limitations. For example, let's say you accidentally

lose your left hand. You would not be able to practice podiatric surgery (at the very least), so you would not be able to do about 60% of your practice. Your insurance would then pay 60% of your disability, while you continued to be part of your practice or start a new job. Yes, there are significant expenses with life and disability insurance, but they're well worth it for both piece of mind and if something were to happen to you.

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Recommendation 5: Look for Passive Income

This brings us more to the speculative side of things, but it is also very important. Passive income is that which does not require your consis-

tent input in order to keep making money. Practicing podiatry day to day is active income, bringing you money as a result of your working. However, investing in, say, a surgery center, will bring you a periodic dividend. Having passive income is the key to financial independence (not dependence on your regular income). If you are

Recommendation 6: Build Your Savings

It's generally recommended that you build up your savings to an amount equal to at least six months' worth of your income. This protects you in case of illness or injury (disability insurance doesn't usually start paying for six months), provides you a buffer in case of unexpected bills, and affords peace of mind. Building that savings also allows you to invest in that passive income when the opportunities arise.

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Recommendation 7: Get Help

As your income builds and your portfolio becomes more complex, it may be helpful to hire a financial advisor. Receiving expert help can make a huge difference. However, look around carefully and do your due diligence. There are a lot of advisors who are just representatives of companies that will try to sell you things. Ask for advice from those around you who are knowledgeable and will direct you to the right advisor. Local investing clubs are also very popular and might be a way to receive advice and education.

Recommendation 8: Interest Rates Matter

It's important to consider interest rates, especially as associated with your financial aid loans. Currently, rates are somewhat high, but you should watch those rates. If your medical school loans have a high interest rate, consider refinancing them when the interest rates drop.

**Make sure that you've paid off
any and all credit card debt and
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If you have a loan with a low interest rate (for example, 3.5% or so), do NOT pay off your loans early. Instead use that money to invest in other things that bring a greater interest rate to you. For example, let's say you have financial aid loans with a 3.0% interest rate. Instead of paying that off, you should pay the minimum bill monthly and invest your extra money in something that brings you, say, 6% (not even a high rate of return, especially when you consider index mutual funds bring an average of around 10% over time). Now you have made an extra 3% instead. Keep doing that and watch your portfolio grow.

As a final piece of advice, make sure that you've paid off any and all credit card debt and do NOT allow it to accumulate. Interest rates on credit cards are very high, and paying them back over years sucks your personal profit like a highly effective vampire. Yes, you should have a couple of credit cards—they're important to build your credit score, a very important number when you buy a house or car—but pay off every month whatever you put onto them. Not doing so is the destroyer of personal wealth. **PM**

References

¹ Security and Exchange Commission Compound Interest Calculator. <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>. Last accessed 5-27-2024.

² Zinn D and Patoka J. <https://www.forbes.com/advisor/mortgages/mortgage-to-income-ratio/>. Last accessed 5-27-2024.

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