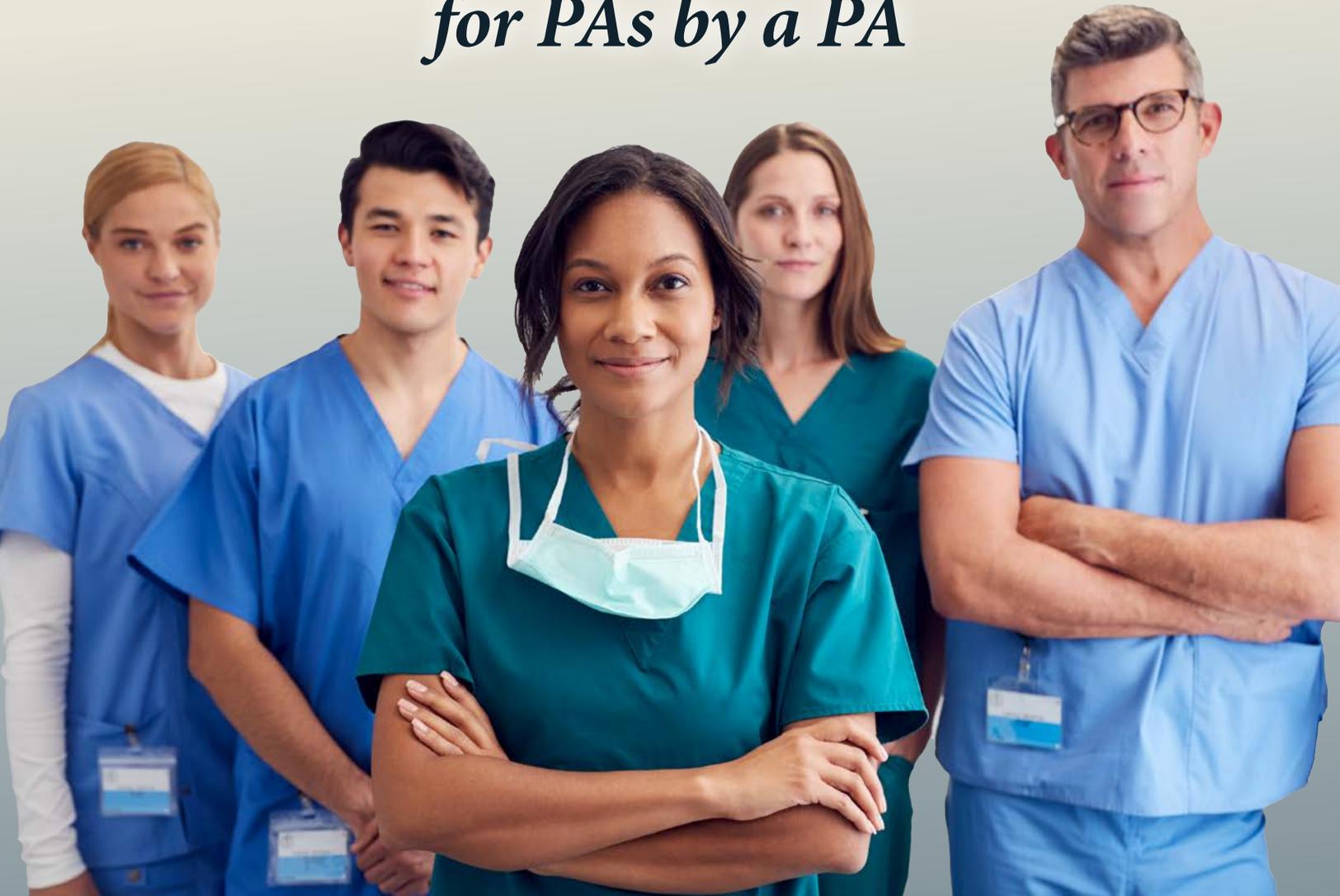


# PA 4 FINANCE

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## Financial Starter Kit *for PAs by a PA*



If you're a PA, the earlier in your career you're reading this the better!

*Our program is designed by a PA for PAs, and has real life examples specific to PA average income, debt and career... let's get started!*

# PA 4 FINANCE

*This free Financial Starter Kit for PAs includes:*

<b>Making a Budget .....</b>	<b>3</b>
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# Making a Budget



## *Financial budgets need to be clear and realistic*

If you want a true shot at achieving your financial goals, then one of your first steps should be making a budget.

Many people are inclined to make a budget that is too loose OR too tight. Be realistic about making your budget.

Making a budget breaks down bigger goals into more manageable bite-sized objectives. You will be able to track your expenses, save more and reach your goals faster with a budget! This will allow you to gradually work through bit by bit while creating better financial behaviors.

## *Tips for making a budget*

- **Keep things uncomplicated.**

Start off using a simple formula: take-home pay minus your expenses.

- **Automatically set money aside.**

People will come up with excuse after excuse why they didn't, or couldn't put money aside to pay off debt or put into savings. For beginners, focus on automatically putting money aside to pay down your debt.

## **Pro Tip: set it and forget it!**

- **Pay your bills on time, every time.**

Paying your bills in full and on time will help avoid sky-high interest rates on outstanding debt. This will also improve your credit score.

## *Budget Templates*

There are many online and free budgeting templates.

Here are some **free tools** that we like:

- <https://www.everydollar.com>
- <https://mint.intuit.com>

# Tracking Expenses

Tracking your expenses will become easy after you begin budgeting.

- Do you really need that second coffee today?
- Can you skip going out for dinner or drinks with friends until next week?
- Do you have a subscriptions or app that you never use?
- How much are you really spending on AMAZON?

You can use a free budgeting app or a good old-fashioned spreadsheet to hold yourself accountable and start tracking your spending.

## *How long do I have to do this for?*

After years of budgeting and tracking your expenses, suddenly it becomes easy.

## **Pro Tip: most people do not have a written budget their entire life.**

Once you have eliminated a substantial portion of your debt and become accustomed to consistently making over \$100,000, paying off debt and saving becomes part of your daily routine.



# Making Goals

## *Make goals and continuously revisit them*

A financial plan is a clear path for achieving your financial goals. The process of creating your own personal goals will help you identify what's most important to you and define what success truly means to you.

### **Pro Tip: Don't compare yourself to others!**

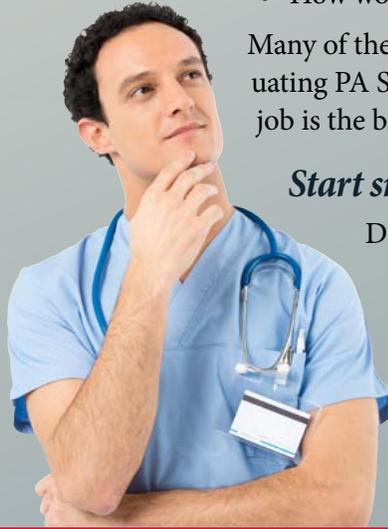
## *Someone else's success is not your failure.*

~Jim Parsons

The result can be large or small but it **MUST** be realistic! Defining your plan will further delineate where your money is going and how to cut down unnecessary expenses.

- What is your long-term, "big picture" goal(s) for yourself and your family?
- Have you considered this during undergraduate, PA school, PA Fellowship, new job onboarding/orientation?
- Do you worry about passing exams, impressing your preceptor, passing your PANCE/PANRE, missing something on a patient exam?

The answer is probably **YES** to all of these!



## *Schedule it in*

Take 30-minutes of your time and sit down and think about your future...

- What are your financial goals?
- Did you ever consider what living without student loans would be like?
- What about owning a car without monthly payments?
- Have you always wanted to buy, sell or flip real estate?
- Do you want to ultimately own your own clinic or become a PA entrepreneur?
- How would you like to live during retirement?

Many of these questions seem far off when the goal of graduating PA School, passing the PANCE and getting your first job is the big priorities. Just take some time and DREAM!

## *Start small, but most of all START*

Do not underestimate the importance of defining your goals. As you grow as a medical professional, your goals might change.

Be sure to:

- re-evaluate your goals every 1-2 years
- include your spouse in these conversations.

# Creating an Emergency Fund

## *Hope for the best but prepare for the worst*

No one wants a surprise bill at any time. It is important to be prepared for an unplanned events.

COVID has shown even PAs need to be prepared for anything, such as decreased work hours, job loss or difficulty finding a job. You will have this money set aside in the event of any serious setback that prevents you from working.

### *Did you know?*

**The ultimate goal is a 6 month emergency fund after becoming more financially secure.**

For now, your emergency fund is a "rainy day fund" that can cover your expenses for three months.

## *An emergency fund can cover:*

- Unforeseen medical expenses
- Car or home maintenance
- Furloughing



# Eliminating Debt

## *Constructing a plan*

Initially, your focus should be to stop accruing more debt! If you learn nothing else from this financial kit, please...

## **DO NOT CONTINUE TO ACCUMULATE DEBT!**

There are two exceptions to this: mortgages and/or student loans. Pre-PAs, PA Student and new PA graduates should not plan on getting a mortgage until at least 2 years AFTER starting your first job. Even if your spouse/partner is working, use that money to pay for your school or debt instead!

*Did you know?*

**Loans are necessary for most PA students. Prepare for at least \$100,000 in student loan debt.**

## **Sample Debt Elimination Plan**

- Use only Federal Loans for PA School
- Live modestly during PA school, like a student should
- Start applying for jobs 6 months prior to graduation
- Take the PANCE as soon as possible
- DO NOT take an extravagant vacation after graduation and before starting your first job
- Drive the same car for 2 years after graduation
- Create a budget
- Track your expenses
- Save 3 months of expenses for emergencies



# Selecting Benefits

Personal finance considers both growing your assets AND asset protection. Do not cut corners on protecting yourself or your family.

*Did you know?*

**One of the top reasons for filing bankruptcy is lack of insurance.**

This section is the hardest to grasp. Asset protection is very important and mandatory for financial planning! Work to set up policies early in your career so you can move on to the more enjoyable parts of your financial journey.

## *Health Insurance*

Employer sponsored health insurance typically has tiered options. Make sure you have a detailed understanding of your own and any of your dependents overall health to decide which plan works best.

## *Short-Term Disability*

Offers a portion of your salary if you are unable to work for a 3-6 month time period. Even if you have a 6 month emergency fund, still purchase short-term disability. An emergency fund is a rainy day fund and not disability money!

## *Long-Term Disability*

Offers a portion of your salary if you are unable to work for a long period of time. Depending on the policy, the benefits begin 6 months after being off work and can last for years.

## *Life Insurance*

Term-life insurance policies protect your dependents in the event of your death. These policies cover you for a specific period of time and have a fixed monthly premium. You should consider an amount consistent with 10-12 times your annual income.

## *Create a Will and Living Will*

As a PA, you will encounter death and dying. It is shocking to see how many patients do not have a Will or Living Will. No one wants to think about their own death, but neither does your family or future family. Meet with an attorney and check this off your list!

# Investing & Saving

## Investment Options

What do you envision for your future? Do you imagine walking on the beach, driving across country, traveling internationally?

Remember, putting money away regularly for retirement, even if it is a small amount at first, will pay off over time.

For motivation, use an **online free retirement/investment calculator**. Here is an example: <https://www.daveramsey.com/smartvestor/investment-calculator>.

### Did you know?

**There are tax advantages to saving for your retirement**

It is difficult to put these goals into perspective as you leap into your first real job...For better or worse, these decisions are very important and will likely influence your future!

## How much should I be saving?

How much you put away will largely depend on how much existing debt and payments you have. If you have \$200,000 in student loans, \$40,000 in auto loans, \$8,000 in credit card debt and a \$250,000 mortgage, you will not be able to save much.

In contrast, if you have no student loans, auto loan, credit card debt and your only loan is a \$200,000 mortgage, suddenly you can aggressively save for retirement.

When it comes to retirement accounts, the earlier you can begin contributing, the better! You can later define which accounts are the best for you and why.

## Pro Tip: Always match employer contributions!

For example, if your employer offers a 3% match, you will only put in 3% of your income every pay period.

## 401K

- Typically employer sponsored (usually offer a match)
- Contributions are pre-tax
- Investments grow tax deferred
- Reduces your taxable income
- Contribution maximum: \$20,500/year per person

## Roth 401k

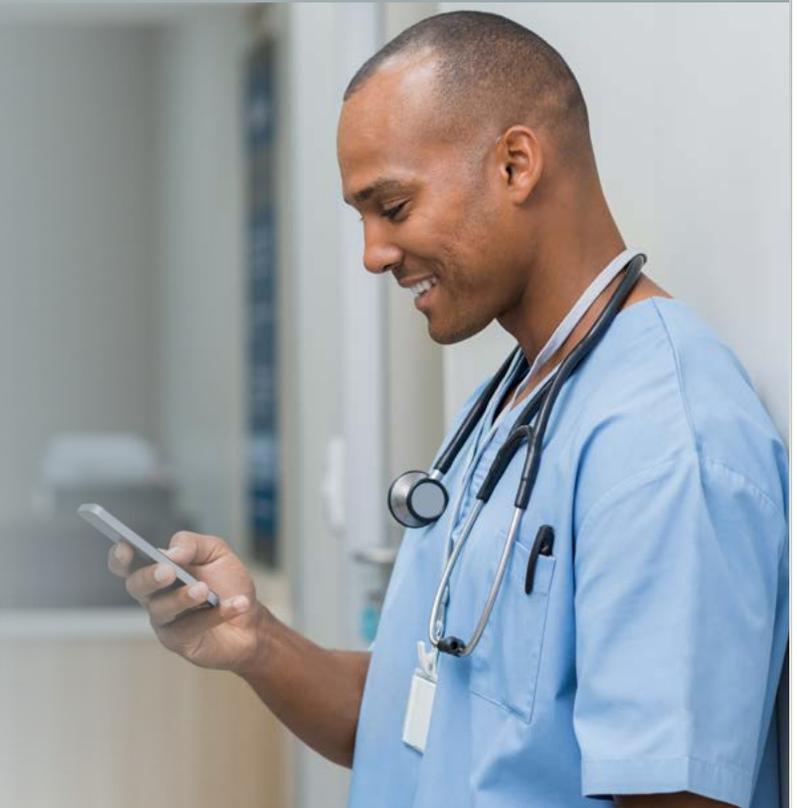
- Typically employer sponsored
- Contributions are post-tax
- No income limit
- Investments grow tax free

## Roth IRA

- Individual retirement account (no employer sponsorship)
- Contributions are post-tax
- Investments grow tax free
- Contribution maximum: \$6,000/year per person
- Income limit

## Brokerage IRA

- Individual retirement account (no employer sponsorship)
- Contributions are post-tax
- Reduces taxable income
- Contribution maximum: \$6,000/year per person



# Choosing a Financial Planner

## *The more you know, the more you realize you DON'T know!*

Physician Assistants are highly educated medical professionals. They are trained to make high-level medical decisions and perform complex medical procedures on a daily basis. PAs are not educated on business, finance or accounting. Having a professional master's degree in healthcare and practicing medicine does not make Physician Assistants experts at managing their money.

### *Did you know?*

**To be considered an expert, you need to work in the specific area for 10,000 hours.**

While quantity and quality of practice are not equal, the point is you need years of dedication to become an expert.

## *Make sure you take each step seriously.*

Often, people get a new idea and aggressively jump in without considering all the details. Your financial future needs to be well thought out, calculated and consistently approached.

### **Pro Tip:** **Your financial situation is as unique as you are!**

Be cautious when taking financial advice from friends, colleagues or family because do not have the same history or goals as you. Take time to review your financial checklist.

## *How are Financial Planners compensated?*

Physician Assistants are high income earners and should understand where and how their money is being spent. Be cautious about any financial "expert" making blanket recommendations. Financial planning is not cut and dry and generalizations of personal finance should be avoided.

Most financial advisors get paid 1% of your assets under management (AUM) annually once it reaches \$1 million. If your investment portfolio (IRA, 401k, brokerage account, etc) is \$50,000, you pay at least \$500 annually.

As your portfolio grows (as it should), so does your payment to your financial advisor. Typically, you will pay a 1.25% fee until your AUM reaches \$1 million, then it drops to 1%.

### *Did you know?*

**CFPs and CFAs can charge a flat fee of \$1,500 to \$3,000 for a customized financial plan.**

Other financial advisors get paid straight commission every time they make a transaction or sell you a product (i.e., life insurance, disability insurance). Although they are acting in good faith, for some it can be viewed as very pressuring to constantly be asked to purchase more insurance.

To be clear, EVERYONE should properly protect their assets! Asset protection is a fundamental financial principle.

## *How will you know if your plan is working?*

Return on investment (ROI) is used to evaluate the efficiency/profitability of an investment or to compare a number of different investments.

The purpose of PA 4 Finance is to improve financial literacy so PAs can better invest, pay off debt, limit taxable income, protect their assets, their families and enjoy their hard-earned money from the many years of schooling and dedicating their lives to patient care.

After a thorough financial analysis, we create a strategic plan customized to the personal desires and financial goals of each individual. We do not get paid for signing PAs up for insurance, investments, acquisitions or have any conflicts of interest to disclose. Rather, a one-time fee for service to accelerate PAs financial future so they can make the most out of their hard-earned money!

It is up to the individual PA who they want to pay and by which fee schedule. Having a Certified Financial Planner (CFP) is not a bad thing! In fact, at some point in every PAs life, they should form a relationship with a CFP to ensure appropriate retirement planning.

For the vast majority of new graduate PAs, early career and mid-career PAs, PA 4 Finance offers comprehensive, high quality, certifiable financial decision-making services to take PAs personal finances to the level they deserve!

# About the Author



## **Andrew Baker PA-C, MBA Founder**

Andrew Baker is a practicing PA-C in a Medical and Procedural Dermatology Office located in Ohio.

Andrew is a graduate of the University of Findlay Physician Assistant Program in May, 2012. He was class President and a member of the National Honor Society, Phi

Kappa Phi. As a PA-C, Andrew has worked in Reconstructive Plastic Surgery, Emergency Medicine, and Dermatology.

Andrew always had a passion for helping others. He has mentored and coached many PAs and colleagues who were troubled financially. For the first several years as a PA, his interest in preparing for his financial future continued to grow.

**Pro Tip: read books, listen to podcasts, attend lectures and work with a Financial Expert.**

Early on, Andrew realized personal finance is more than making money, paying off debt and investing. The financial choices made by an individual can change a family tree!

*Did you know?*

**After graduation, Andrew paid off his loans using ONLY his PA salary.**

Personal finance and financial planning became a passion with a desire to learn more. In May 2020, Andrew graduated with a Masters of Business Administration (MBA) from the University of Findlay. This education further shaped Andrew's desire to learn about financial decision-making and specifically how it impacts Physician Assistants.

Andrew founded PA 4 Finance, a financial advisory company designed for PAs in any phase. Currently, he works with Pre-PAs, PA Students, Practicing PAs and anyone else in the spectrum of the PA profession.

Lastly and most importantly, he has an amazing wife, son and daughter. They enjoy traveling and doing outdoor activities. Andrew is an active coach in his kids sports. He has started instilling values in his children through chores, lessons on the importance of saving money and teaching them how to set goals.

## Get with the program!

**Need more guidance planning your financial future?**

Watch for *The PAs Guide to Financial Planning*, a comprehensive guide designed for PA students and early career PAs.

**Sign up today**

***Jump start your path to financial success!***

PA 4 Finance provides financial solutions to help PAs get the most out of their education and hard earned money. Be ready to achieve maximum results!

[www.pa4finance.org](http://www.pa4finance.org)

