Are Med Schools Responsible for Teaching Students About Debt?

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With students taking on hundreds of thousands in debt to become a doctor, what are a medical school and residency program's obligation to teach personal finance? How much time should they spend on topics that don't directly impact doctors' work, and how should they approach it?

While residency programs generally offer an occasional lecture, two medical schools felt this area was important enough to hire a Certified Financial Planner (CFP) to provide extensive workshops and individual counseling. Students are coming out of medical school with an average debt of $176,348, according to a 2014 AAMC survey. Our recent article Why Radiologists are Bad with Money showed how little most practicing radiologists know about their finances, something that could be taught early in their career.

Financial Planning in Medical School

Both Oregon Health Sciences University (OHSU) and Drexel University College of Medicine hired CFPs in 2012, and so far their programs are showing success. The workshops give residents a better understanding of the myriad financial issues they'll face paying off high debt and earning a high income.

OHSU started its program as a student-driven need. Prior to that, advice was given on a 30,000-foot level, said Justin Kribs, MS, CFP, OHSU's manager of student debt counseling and financial management program. He can now bring the advice to the individual level, showing how it directly affects the student.

Drexel hired a CFP as a result of the LCME reaccreditation process, said Michael Clancy, director of financial planning, Division of Medical Education at Drexel University College of Medicine. Drexel's student debt level was above the national average, he said. "It was always something they had to justify, the services they were providing so a graduate could handle the level of debt," he said. Part of the accreditation process looks at the student experience, and what schools are doing to mitigate that debt level, including fundraising and lowering tuition. Drexel's president hired him to work with medical students and alumni.

Both Kribs and Clancy said they're unaware of additional medical schools with this type of program.

Clancy lectures students during the mandatory first and second year orientations, intersessions, and senior day. The students are responsive, he said. "They know it will benefit them outside of medicine for their entire life."

Both Clancy and Kribs have worked at various financial firms and appreciate giving advice without the sales component. "There's no agenda behind it," said Kribs. Prior to his lectures, the majority of students have no financial planning base, said Kribs. "I've explained income tax to some students, interest, the financial bare minimum topics. They've been focusing on academics for a decade," he said.

Those coming to medical school directly from undergraduate work know little about the loan process. "Mom and Dad signed (undergraduate) financial aid forms. When they come into medical school, they think it's scholarships. No, you'll be borrowing," Clancy said. The students' financial knowledge isn't good because they haven't had to make a financial decision before, let alone file tax returns.

In addition to talking about loan repayment and budgets, they discuss a wide range of topics throughout the four years, including life and disability insurance, how employment benefits and retirement plans work, tax strategies, wills, buying a practice, prenuptial agreements, bankruptcy, auto leasing, home buying versus renting, guardianships, investment recommendations, and more. Clancy said he advises some students on renting versus buying a home for use during medical school or residency, and sometimes meets with a student's fiancé or parents to discuss the financial plan, if asked.

"I look at the student's whole situation and integrate the loans with their specific situation. For those that are married or will be shortly, they get a clearer picture of how it impacts the family dynamic as well as career progression," Clancy said.

The difference between advising students and residents versus financially established clients is huge, said Clancy. "In my prior career in financial planning, the typical client was in their 50s and 60s or older, and had already accumulated their wealth and made all their financial mistakes," he said. "I get to work roughly two generations younger where the advice will have a bigger impact and help the graduate catch up financially."

Even though both Kribs and Clancy have a CFP designation and Kribs also has a master's degree in financial planning, their education didn't prepare them to discuss loan repayment. "You're dealing with negative net worth," Kribs said. "The financial planning session is usually geared toward high net worth people. I plan for negative net worth."

The common concern from students is "am I going to be okay?" The students want a plan to deal with loans when leaving school. You can show them how it will work out based on different decisions," Clancy said. He sees his job as making them understand that loan pay back is manageable, though not painless. "They need to understand they'll come out of residency owing more than when they came in. It's inevitable that the loans will build interest," he said.

Fourth Year Medical School Education

Fourth year students are getting ready to enter residency and have a lot of unique financial issues. Clancy and Kribs have specific lectures for them. Both advise students individually as well. As of April, Clancy said he'd already met with 230 members of the 260 in the graduating class.©Rob Hyrons/Shutterstock.com

After match day, Clancy helps the students interpret their employee benefits, since it will be rushed at residency orientation. "The day they're covering where to get scrubs, meal plan and parking is the same time that someone from HR comes to say that there's a great 403b plan with a match," Clancy said. The residents may not think to ask about the vesting schedule which might be five years, compared to a three year residency. He talks with them about future financial decision making as well, like if the resident is going on to fellowship at a different hospital. Does it make sense to roll their retirement plan over to a personal IRA versus the next hospital plan? Most advisors would recommend rolling it over, said Clancy, but "without thinking about it, they've potentially just screwed that future doctor out of doing a back door Roth IRA down the road."

Traditional financial planning advice doesn't always apply to residents, said Clancy. When they ask about starting an emergency fund or the percentage of income that should go to housing, it doesn't apply to them because of their tight residency budget. They shouldn't be making budget-based decisions, but rather looking at the smartest financial option, which is paying down their loans as fast as possible, Clancy said, and ignoring the 401k match. "There might be a better use for that dollar," he said.

Though Kribs mostly works with medical students, he does some occasional workshops for residents at OHSU. "I've yet to meet a resident who knows how this works," he said. "It's usually like 'that's how repayment works? That's how my paycheck is broken down?'"

Clancy lectures to residents at Drexel-affiliated hospitals. "The hospitals like it because I'm not selling anything.

They're wise enough to ask whether there's a sales pitch involved," he said. For the fourth year residents who are about to leave the program with a higher income level, he'll talk to them about tax efficient investing.

While the schools won't have measurable data about the financial planning program success until the students finish their training and are working independently, reports so far are positive. Kribs said that when he's heard from residents who have gone through his student program, they say they're the only ones in their group who know about retirement plans and who weren't freaking out about making loan payments.

Teaching Financial Planning in Residency

Residency programs determine how to structure their nonclinical education. "There's really no requirement for residencies to teach residents about personal finances, like getting out of debt. It's up to each program to decide what they want to do," said Lisa H. Lowe, MD, program director and academic chair in the Department of Radiology, University of Missouri Kansas City.

Their program's personal and professional development (PPD) series runs across all affiliated institutions, sometimes by the university or by one hospital, and announced to radiology residents as a PPD option. These residents must complete one PPD activity per year, on topics like wellness, dealing with difficult people and managing medical debt. Typically they offer an hour-long personal finance lecture by an outside firm every two years.

The financial education program at Brigham and Women's Hospital radiology residency program in Boston includes one or two hour-long sessions a year on financial planning. One is given by a former resident who is self-taught in financial planning, said Stacy E. Smith, MD, the associate program director. The lecture may focus on paying down debt, choosing where to work and why, giving retirement scenarios based on a diversified portfolio and annual withdrawal, investment and tax strategies, ways to cut spending, and determining whether to use a financial planner. "That has proven useful," said Smith.

They also have a CFP come in for a session, and topics might include which loans to pay off first and whether to buy a house or condo, said radiology residency program director Barbara N. Weissman, MD. They use different CFPs for the lectures, so they don't show favoritism.

A lot of the personal finance information is shared informally. "It's a huge concern for those in their first year of residency," Smith said. The residents question each other as well as junior faculty about what they're doing financially, and how.

To Lowe, the financial issues are straightforward. "Managing your debt isn't rocket science," she said. When you're on a limited salary, paying off your debt as a resident is unrealistic. It's not like there's much we could teach them during residency. They don't have enough cash flow to pay off their loans." She tells residents not to take on additional debt in fellowship, and to pay off some of the loans while there.

She advises them to rent, not buy. "People do a lot of complaining about how expensive medical education is. If they'd simply live in an apartment for two years, whether single or married with a baby, take all your money and pay off your medical loans. You can take care of it in the first five years if you're willing to sacrifice. You can live in an apartment. It's not going to kill you. It's what the rest of the world does when they don't have money," she said.