

# How One Veterinarian Benefitted From 'Real' Financial Planning



In April, the Department of Education announced an extension of the pause on student loan repayment, interest, and collections through August 31, 2022. This marks the sixth extension since federal student loan payments were initially paused over two years ago.

The continued movement of the repayment goal posts has left more and more veterinarians feeling in a constant state of financial limbo. The veterinary school class of 2022 is now the third to graduate into the COVID student loan repayment pause.

In this article, we'll examine how student loan uncertainty has played out for Dr. Beth, a single 32 year-old veterinarian. Beth completed a residency in 2021 and has worked as an associate in a specialty hospital for the past year. She currently rents an apartment in NYC. Beth has \$300,000 of student loan debt and earns roughly the same amount in salary and bonus.

The 2021 Merck Veterinary Wellbeing study found that early-career veterinarians like Beth are at higher risk of psychological distress and that student debt is a predictor of low levels of wellbeing and high levels of suffering.<sup>1</sup>

Interestingly, according to the Merck study, those with a financial planner pay off debt faster, leading to increased wellbeing. This is where the picture gets blurry. As we'll discover, a "fast and furious" repayment strategy makes sense for some *but not all* veterinarians.

Another of the report's key findings is that psychological distress was lower in veterinarians with a financial planner. This is where some additional context comes in handy. Prior to reaching out to me, Beth was introduced to a "financial advisor" affiliated with a large insurance company. Beth was looking primarily for help on a strategy to manage her student loans. Instead, the agent steered her toward a life insurance policy with a \$6,000 annual premium without ever addressing her primary concern i.e., her student loans. This is what I call *phony* financial planning. Let me clarify:

**Definition of 'phony financial planning':** *A financial advisor centric approach built around the sale of a product which may or may not include drive-by financial planning.*

**Definition of 'real financial planning':** *A client centered approach that uses sophisticated software to generate output that creates insight, guides decisions, and reduces anxiety. Real financial planning may or may not lead to the purchase of a financial product.*

Using Beth as example, I will show how real financial planning works.

#### **It begins with a conversation.**

**Mike:** Besides veterinary medicine, what gets you excited?

**Beth:** Well...I feel overwhelmed by my student loan debt...it's hard to get excited about anything.

**Mike:** Tell me about that ...

**Beth:** I've been in school or advanced training my entire life...this is the first time I've actually had money left over after paying my bills. Someday I'd like to travel more and buy a house.

**Mike:** What's holding you back?

**Beth:** The student loans! I have a lot of money left over every month. Should I try to pay them all back or invest the savings

## **NYSVMS offering financial planning program to members**

NYSVMS has launched a partnership with Sabadoodle for members. First launched as a financial wellbeing program for recent graduates, now it is open to members at all career stages. Mike Sabatino will review your current financial status and come up with a long-term plan for you. A full personalized financial analysis takes many hours of work. NYSVMS will pay up to \$226 toward the cost of the consultation, and your contribution would be \$250 payable to Sabadoodle. This is a limited time offer, so sign up today! You can book a free 30 minute consultation with Mike Sabatino to see if this is for you before you commit to the program. **For more information, go to: <https://vets.nysvms.org/members/financialwellbeing>.**

piling up in my bank account? I really am quite illiterate when it comes to personal finances, which is maybe why I don't always make the best decisions.

Beth went on to say she wanted to feel 'planned-out' on her student loans so that she could pursue more meaningful goals like travel and home ownership. Not knowing when her next payment was due created confusion about what she should (and shouldn't) do now. Despite the COVID student loan pause, Beth was making four-figure monthly payments on her loans and delaying progress on her most important financial priorities. *She wondered whether this was the "best" approach.*

Beth's financial situation is not uncommon among early-career veterinarians with advanced training. She has mortgage-sized student loan debt (\$330,000), but is earning an annual income roughly equivalent to the total amount of her debt. In cases such as these, there is not necessary a "best" choice, just options and tradeoffs.

On the one hand, Beth had the financial resources to pay off her student loans in ten years.

On the other hand, this strategy would consume most of her current excess cash flow. Meanwhile, Beth's current income-based repayment plan would allow her to make \$0-\$100 monthly payments for the next 18-months but require 16 years to repay the debt.

*Real financial planning is part art and part science.* The science is a process aided by technology that transforms a chaotic blob of numbers into output that delivers insight. The art is creating a safe place for reflection so that clients can match their money with their most important goals.

### **"Real Financial planning is part art and part science."**

Early career veterinarians tell me they are playing catch up on their money life. But chasing all of your financial goals at once is exhausting...and futile. This means things need to be put in a priority order by separating the goals to be addressed now from those that can be earmarked for the future. Beth's highest priority is deciding the best use of her monthly cash flow with the hope of building savings for important goals.

**Based on her student loan simulation and a detailed analysis of her cash flow, we agreed on the following:**

- Beth would remain on her current repayment plan and reassess the strategy on an annual basis and prior to major life transitions (marriage, job change, etc.).
- She would maximize the next 18-months period of zero/low student loan payments to save for a home and pursue her travel goals.
- Beth would begin maxing out her 401k contribution.
- She would request a refund of her last two years of student loan payments and not make loan payments during the remainder of the COVID forbearance period.

As we reflected on the planning recommendations, Beth's energy and enthusiasm picked up. She understood there would be a need for more "real" financial planning ahead but now understood what that meant and how it would benefit her.

If veterinarians are not careful, the continued student loan pause can cause them to delay progress on their most meaningful goals.

They say timing is everything. For Beth, financial planning provided a safe place for reflection and gave her the confidence to take the first step in a new direction. ●

**Mike Sabatino, CFP®, CSLP®**

**Sabadoodle.com**

*Mike created Sabadoodle in 2019 to make real financial planning accessible to more veterinarians. In 2022, he partnered with NYSVMS to help the organization build a new financial wellbeing program. In the past four months, Mike has created and delivered over a dozen financial plans to NYSVMS members, including Beth. So far, Mike has served members whose ages range from 32-56 and carry over \$2M of student loan debt.*

**Reference**

<sup>1</sup> Merck Animal Health Veterinary Wellbeing Study III, January 2022

