

The Biggest Financial Challenge Facing Early-Career Vets

I have had the unique opportunity to learn what's on the minds of veterinarians as it relates to their personal finances. For the past two years, my company, Sabadoodle, has offered a Student Loan Analysis (SLA) service, paid for by NYSVMS as a member benefit. The SLA helps veterinarians identify repayment plan eligibility and zero in on a strategy that best suits their situation. Interest in the program was initially muted as the COVID student loan payment forbearance was extended multiple times. In the summer of 2023, it became clear that student loan payments were certain to begin in October.

By the end of October, more than 50 SLAs were completed with vets ranging in age from the mid 20s to late 40s and employed in public and private veterinary sectors.

It has been in my work with early-career vets that I have gained some fascinating insights. Some of these were from their student debt situation and others from an informal financial contentment survey. But the most illuminating insights were revealed in direct conversations about what lay beyond student debt. What I discovered surprised me and I suspect will also surprise other veterinary industry stake holders.

New Financial Realities in Conflict with Old Financial Mindsets

New graduates describe

years living a frugal existence funded by federal student loan debt and supplemented with low-wage part-time work. Those pursuing companion animal associate positions are often presented with six figure offers and signing bonuses as early as their third year of school.

Despite seemingly ample disposable income, postgraduates stick to their "penniless" student lifestyle ways which previously served them so well. They are also influenced by external voices. Outdated student loan information from DVM Facebook groups and a bias among some older veterinarians to "pay it back quick" make matters worse. Even though they may be making their required minimum student loan payment, many new graduates struggle with the urge to pay more than is required. While this sounds laudable, it doesn't make good financial sense where loan forgiveness is anticipated.

Cash on Hand but No Plan

I consistently find early-career veterinarians sitting on sizable and growing bank account balances. Frequently, the reason this money isn't being allocated to specific uses is due to conflicting or muddled priorities.

Contributions to workplace retirement plans are an example of muddled priorities. In my conversations, I found that many early-career vets are not contributing to their

workplace retirement plan. If availability of income is not the problem, then what's holding these young vets back?

Recent grads have important goals beyond learning how to doctor and repaying their student loans. Within a few years of graduation, many aspire to go on a dream vacation, transition from rental housing to home ownership or pay for a wedding. Often though, they resist making decisions because they feel a lack of needed support, knowledge, or know-how. This correlated with the contentment survey results. Lack of financial knowledge was the second highest area of financial discontent (level of debt was the highest)!

A Lack of Know How

In speaking with early-career vets, my sense is that they have high professional and personal standards. New grads want to become great doctors. They wish for competence in their personal financial lives as well. Here, they are frustratingly paralyzed by a lack of financial knowledge and/or experience while still holding high expectations.

For example, early-career vets expressed lower than average contentment with their system of managing money. They hear all the well-meaning voices from the sidelines telling them to "get a budget". They are finding budgeting is easier said than done particularly given the variability of ProSal compensation, likely job changes, and the rising costs

of housing, food, and other essential spending.

Life Beyond Student Loans

Through the survey results and direct conversations, I came to understand the following:

- For recent graduates, the introduction of a new income-based repayment plan, known as SAVE, means living with student debt is not financially debilitating.
- Many of the young vets I worked with were relieved to see the results of their student loan analysis and ready to start repayment. The crushing obligation they had for so long dreaded turned out to be less daunting than expected.
- Through the income and expense information they were asked to provide, it was apparent money was available after taking loan repayment into account. This, of course, is a "good problem" but paradoxically comes with its own risks.

The Risk of Abundance

Young veterinarians have three financial advantages.

1. The opportunity to earn a high income
2. A lack of significant financial missteps
3. A long-time horizon.

The question is, *will they capitalize on these?*

The book *Scarcity, Why Having too Little Means so Much*, devotes most of its research-based content to the causes and remedies of scarcity, including money scarcity. It also devotes one chapter to the topic of abundance. Can you guess what happens when people feel they have an abundance of anything? The answer is...they waste it. When it comes to money, the best example of this is the lotto winner that eventually ends up bankrupt. In other words, abundance can lead directly to scarcity.

There is a cautionary tale here for young veterinarians. Holding cash balances and having money left over at the end of the month is a bit illusory because much has yet to be accounted for. Many vets have unfunded or underfunded 401ks, live in lower-cost rental housing, are without sufficient

long-term disability coverage, and lack an accumulation plan for all the exciting things that lay ahead.

Seizing on their three advantages and avoiding the scarcity trap is key for early-career veterinarians. Unsurprisingly, they need to turn their attention to the tried-and-true tactics all households require, including building a spending plan, maintaining an adequate emergency reserve, and creating a funding plan for life goals.

As it turns out, the biggest financial challenge facing recently graduated vets isn't suffocating student debt. Instead, it's about putting the elements of a solid financial foundation in place to support the things that lay beyond student debt. ●

Mike Sabatino, CFP®, CSLP®
Sabadoodle

Coming in January 2024

Get 2024 off to a strong start.

Introducing the Sabadoodle Money Mentoring member benefit for early-career vets.



More details to come in December!