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# Physician Debt and Net Worth: Moving in the Right Direction?

Dennis G. Murray, MA | April 20, 2016

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## Doctors Are Prudent With Their Money

The image of the doctor who spends lavishly and racks up huge credit card debt is very likely a stereotype. According to the [Medscape Physician Compensation Report 2016](#), which also asked physicians about their debts and net worth, a majority of physicians said they live below or at their means, and most have healthy retirement account balances.

Our latest report, which detailed doctors' spending habits and levels of debt in 2015, produced some interesting highlights:

- Urologists, plastic surgeons, and dermatologists had the largest percentage of physicians with a net worth of over \$5 million. In fact, nearly 1 in 5 urologists has topped that mark. Family physicians, psychiatrists, and neurologists had the lowest percentages of doctors with a net worth eclipsing \$5 million, at between 1% and 2%.
- Fully 7 in 10 physicians live within (10%) or below (60%) their means. In fact, this latter group of thrifty doctors agreed that people would be surprised at how much money they really have. By contrast, roughly one fourth of survey respondents confessed to spending too much and carrying credit card balances.
- In terms of income, about 1 in 5 (21%) female physicians say their spouse or partner earns the same as or more than they do; only 8% of male respondents replied likewise. Conversely, nearly three quarter (74%) of male doctors have a spouse or partner who earns less than them, vs barely one half (52%) of female physicians.
- Doctors' most common debts include a mortgage and car loan payments, followed by student loans and tuition costs for their kids. Fully two thirds of physicians have a mortgage on their primary residence, a rate that's in line with national averages.
- The investment gods smiled on doctors: Nearly 3 in 4 (73%) said they didn't experience any significant losses in the past year. The rest of our survey respondents either lost a large amount of money or assets owing to issues in their practice, bad investments (in the stock market or elsewhere), or divorce.

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## A Closer Look at Net Worth

Medscape asked physicians to estimate their net worth, defined as total assets (including money in bank accounts, investments, retirement accounts, home equity, and value of cars and jewelry) minus total liabilities (including balances on home, car, and school loans; credit card debt; and home equity loans). Respondents were asked to peg their net worth to one of the following five categories:

1. Under \$500,000
2. \$500,000-\$999,999
3. \$1 million-\$1,999,999
4. \$2 million-\$5 million

## 5. Over \$5 million

The specialists with the highest percentage of net worth over \$5 million were urologists, plastic surgeons, dermatologists, radiologists, and general surgeons. On the other end of the scale, the greatest percentage of doctors with a net worth below \$500,000 were rheumatologists, neurologists, psychiatrists, and family medicine doctors.

Not surprisingly, older doctors in general have a higher net worth than their younger colleagues. Only a small percentage of physicians aged 34 years or younger said they had a net worth of \$1 million or greater, whereas about 30% of doctors aged 55 to 69 years could make that claim. Perhaps that stands to reason, because many older doctors have paid off their home and school loans, allowing them to focus more fully on saving for retirement.



Although many doctors work with financial professionals to manage their money, physicians have done a good job of helping themselves, too, says Robert M. Doran of Infinity Wealth Management, Wantage, New Jersey. "Doctors are dedicated, well-educated, focused professionals who are used to setting goals and reaching them," he says. "Often because they work in a structured environment, where they have to be disciplined and responsible, it carries over to how they handle their finances."

### Women Are Closing the Gap

Looking at net worth by gender, 31% of male doctors and 44% of female doctors have a net worth under \$500,000. The gap between men and women narrows, however, as net worth goes from \$500,000 to \$999,999 (23% vs 20%, in favor of women) and from \$1 million to \$1,999,999 (just the opposite: The net worth of 23% of men and 20% of women fall into that range).

"It doesn't surprise me that female physicians are as eager to save for retirement as male physicians," Doran says. "In my experience, they're as professional, disciplined, and structured as the men are. What does surprise me is that they've done as well as they have, because men seem to have more opportunities for promotions. In many cases, women are still bumping up against a glass ceiling."

At the highest levels of net worth, men begin to widen the gap a bit: 20% of male doctors have a net worth of \$2-\$5 million, vs 12% of female physicians. When net worth tops \$5 million, men are three times more likely than women to have reached those heights (6% vs 2%, respectively). One likely factor is that far fewer women are in the highest-paying specialties. In addition, our survey shows that more female physicians work part-time, at least during some period of their career, which could slow or stop their retirement savings relatively early. Moreover, that's money that would have had time to benefit from compounding, resulting in a double whammy of sorts.

Despite all of their earning power, most doctors—men and women both—don't feel the need to compete against one another, according to our survey. Some 59% of female doctors said they "never or rarely" feel competitive, vs 53% of male doctors. Only small percentages said they "often or always" detect pressure to measure up against their colleagues: from 9% of nephrologists, up to 18% of radiologists. All other specialists fell somewhere in between.

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## Where Does the Money Go?

### Medical School Debt Is a Large Factor

Not surprisingly, given the increasing cost of becoming a doctor, medical school debt makes up a sizable chunk of many physicians' budgets. According to the Association of American Medical Colleges, 4 of 5 medical school graduates had education debt in 2015, to the tune of \$180,723 per student.<sup>[1]</sup>

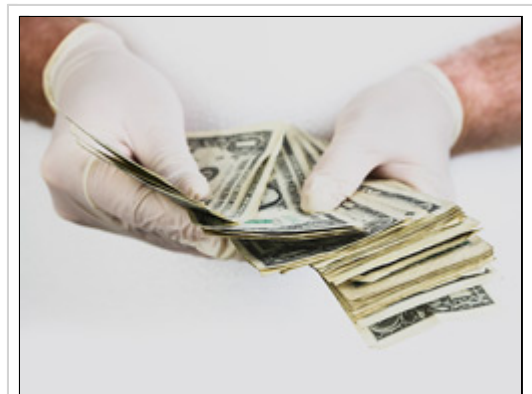
According to our survey, about one third of female physicians and one quarter of male physicians are still in hock to their schools. Among this group of indebted doctors, the following specialties have the highest percentages of physicians still paying off school loans:

1. Emergency medicine (33%)
2. Family medicine (33%)
3. General surgery (31%)
4. Dermatology (31%)
5. Critical care (30%)

At the bottom of the list, only about 1 in 6 (16%) rheumatologists and gastroenterologists are still paying off student loans. (The average number among all specialties is around 25%.)

If you figured it was mostly younger doctors who have outstanding balances on their school loans, you'd be correct. More than three quarters of doctors under 28 years of age have balances, with two thirds of those aged 28-34 years still in debt.

It's not until age 45 years that the percentages reach more reasonable levels: Only 24% of doctors aged 45-49 years have outstanding loan balances, vs 11% of those aged 50-54 years and 7% between the ages of 55 and 59 years. Remarkably, 2% of doctors aged 60 years or older said they have medical school loans still to pay, but that may be because they changed careers to pursue medicine or a different specialty later in life.



In addition to school debt, respondents to our survey listed a mortgage on their primary residence, car loan or lease payments, and college tuition for their children among their biggest regularly recurring bills. Roughly equal percentages of male and female doctors reported having these expenses.

"The biggest debt, as with most consumers, continues to be mortgage-related—but creeping in as a close second, not surprisingly for younger physicians, is the student loan," says Pran Tiku, CFP, principle with Peak Financial Management, Waltham, Massachusetts. "Mortgage debt, thanks to low interest rates, is reasonably managed in most cases and is generally not as onerous as student loan debt. Student loan debt is sometimes accompanied by sky-high interest rates, and in some cases with little opportunity to refinance. These loans have been, and will continue to be, a crushing burden on many physicians' budgets. Some will end up paying back hundreds of thousands in interest to financial institutions."

On the whole, though, the news about doctors and their debt levels is very encouraging. A full 60% of physicians said they live below their means, adding that people would be surprised at how much money they really have. Another 10% reported living within their means, with little debt.

Of the 26% of doctors who said they spend too much and carry credit card balances, that may reflect their age and career stage rather than true financial recklessness, Doran says. "If a doctor has been in business for less than 10

years, with kids, a mortgage, and a private practice, he may have no choice but to live beyond his means, at least initially."

### Good News on the Investment Front

Almost three quarters (73%) of the doctors who responded to our survey did not experience any significant financial loss in the past year.

"Even though the markets were relatively flat to slightly negative last year, investors who were patient and well-diversified didn't take a big hit. A lot of people who recall the sharp downturn of 2008-2009 are better able, on the basis of their experience, to control their emotions of fear and greed and better manage the risk in their portfolio," Doran says.

Tiku agrees, adding, "It's not surprising that many investors today have turned more cautious."

Not everyone was so lucky in 2015, of course. Doctors who reported losing large amounts of money or assets did so because of bad investments or stock market losses (12%), issues involving their practice (10%), or divorce (3%).

These percentages extended to men and women more or less equally, with male physicians experiencing a slightly higher rate of investment losses (13% vs 9% for female doctors).

Roughly two thirds of neurologists (69%), endocrinologists (67%), and critical care specialists (66%) said they have not made an investment mistake in 2015, compared with less than one half of orthopedists (44%) and urologists (43%).

Taking a closer look at practice issues, the highest percentages of doctors who said they took a big loss in this area were nephrologists and plastic surgeons (18% each). On the other end of the spectrum, with the smallest percentage of doctors claiming large practice-related losses, were psychiatrists (7%) and emergency medicine specialists, pathologists, and HIV/infectious disease specialists (5% each).

### Much to Be Proud Of

As our survey results clearly indicate, doctors can hold their heads high, having done a good job of building wealth while at the same time avoiding significant losses.

"Many doctors were savvy enough to take advantage of the recovery in the stock market over the past few years, buying more shares when prices were down," Doran says. "Likewise, many of them took advantage of the pullback in real estate prices to purchase a new office or a primary or second home."

"Crisis," he reminds investors, "can lead to opportunity."

### References

1. Association of American Medical Colleges. Medical student education: debt, costs, and loan repayment fact card. October 2015. <https://www.aamc.org/download/447254/data/debtfactcard.pdf> Accessed April 8, 2016.

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