Physicians, Debt, and Net Worth: Big Spenders or Big Savers?

Leslie Kane, MA | April 30, 2015

Big Spenders or Big Savers?

The stereotype of doctors spending lavishly and irresponsibly may have little basis, and in fact, most physicians have a strong sense of saving and living within their means, according to data from Medscape's Physician Compensation Survey 2015: Debt and Net Worth.

Orthopedists, urologists, and gastroenterologists had the highest net worth; of all the medical specialties, they had the largest percentage of physicians with a net worth of over $5 million. Family physicians, internists, and psychiatrists had the lowest overall net worth.

Medscape's 2015 Physician Compensation Report, which detailed physician spending habits, comparative income of physicians and their spouses, and debt, turned up some intriguing points:

• Contrary to some stereotypes, 61% of physicians live within their means and have little debt; another 24% say they live below their means and that people would be surprised at how much money they really have. Only 11% admit that they live above their means, spend a lot, and carry credit card balances.

• 22% of female physicians say their spouse or significant other earns the same as or more than them; only 8% of male physicians have a spouse or partner who earns the same as or more than them. Conversely, 73% of male physicians have a spouse/partner who earns less than them; only 51% of female physicians are with a spouse or significant other who earns less than them.

• Physicians' biggest area of debt is their mortgage, followed by car payments and med school debts, according to Medscape's survey report. Fully 67% of physicians have a mortgage on their primary residence, which is slightly less than the national norm: according to estimates by Zillow, 71% of homeowners have a mortgage.[2]

• 56% of physicians have made investment mistakes, such as a real estate investment, stock investment, or other investment that turned out badly. The specialists most likely to have made investing mistakes were anesthesiologists (42%), urologists, (42%) orthopedists (43%), and plastic surgeons (44%). Those least likely to have made an investment mistake were endocrinologists (67%), HIV/ID specialists (65%), pediatricians (64%), and neurologists (62%).

• Many physicians try to invest not only in stocks but also in various business ventures. Although 77% have not experienced financial losses in the past year, almost a quarter (23%) have lost money in the stock market or bad investments, through setbacks and financial difficulties in their practices, or in a divorce or other situation.

Net Worth

Earnings are related to net worth, but debt, spending habits, expenses, and investments also play a huge role. The specialists with the highest percentage of net worth over $5 million were orthopedists, urologists, gastroenterologists, dermatologists, and surgeons. However, the largest category amount of net worth among all specialties up to age 49 was under $500,000.

For many people, net worth plays an emotional role as well as a role in financial security.

"Net worth is a significant benchmark that measures success," says Pran Tiku, CFP, of Peak Financial Management, Waltham,

Massachusetts. "For most, it is a statement not only of someone's financial accomplishments, but the achievement of very personal goals as well. Having a vacation home on the beach or a collection of antique cars can represent great monetary value but it is much deeper than that.

"When someone has worked hard to build a nest egg and it is quantified for them, it isn't just about the numbers; it represents the dreams they've fulfilled and the chances they have taken successfully," says Tiku.

Medscape asked physicians to estimate their net worth, defined as total assets (eg, money in bank accounts, investments, retirement accounts, home equity, value of cars, value of jewelry, etc.) minus total liabilities (eg, money owed on mortgage, car loans, credit card debt, school loans, home equity loans, etc.). Respondents rated their net worth on a scale of 1 to 5 in these 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

Then the ratings were averaged within each specialty. At an average rating of 2.95, orthopedists had the highest net worth; at 1.95, family physicians had the lowest.

When correlated with age, as expected, older physicians have built up a larger net worth. By age 59, almost 30% of physicians had built up from $2 million to $5 million in net worth; from age 60 upward, almost 35% of physicians had that amount.

In a 2012 Medscape survey, overall, only about 11% of physicians said that they considered themselves rich, while 45% said that their income is no better than that of many nonphysicians. Another 45% said that although their income probably qualifies them as rich, they have so many debts and expenses that they don't feel rich.

Where Do Physicians' Incomes Go?

No surprise, medical school debt is a large factor in taking up a chunk of physicians' income. Physicians' top five expense categories were:

1. Mortgage on primary residence
2. Car loan payments
3. Paying off their own college or medical school loans
4. College tuition for children
5. Car lease payments

The other expenses that physicians mentioned included: "Parent support"; "Don't forget the ex-wife! Alimony!"; "Tuition for nephew and grandson"; "Home repairs and upgrades."

While 77% of young physicians starting out are paying off school loans, those loans don't go away quickly. Even after age 50, 20% of physicians are still paying off school loans.

Although some have claimed that doctors, as a group, are confirmed overspenders, the evidence overall does not seem to support that.

"Some stereotypes are pretty accurate, but I don't believe that is the case here," says Tiku. "Physicians are in a special situation. You don't become a doctor without being bright, hardworking, talented, and completely engaged in your work. This often leads to considerable wealth but not much time to assess your financial situation.

"Many of the physicians I work with are financially cautious because they don't have the opportunity (or the inclination) to manage their finances. They are focused on their work. Additionally, when you are exceptionally driven and hold yourself to high standards, you're constantly setting the bar higher for yourself, both professionally and financially," says Tiku.

In Medscape's survey report, only 11% of female physicians earn less than their spouse or significant other. Almost two thirds (62%) of female physicians make either the same as or more than their partners. Among male physicians, 78% say that their significant other makes the same as or less than they do. Only 3% of male physicians say they have a spouse who earns more than they do.

"It is fascinating that physicians in a relationship reflect the overall biases in society, even though their perception does not reflect the facts," says Tiku. "On another note, the medical profession may be where the glass ceiling has shown more cracks than is typical in today's workplace. That would be a great development."

Financial Losses Have an Impact

While almost 77% of physicians reported no financial losses in the past year, 11% lost money due to practice issues; 6% lost money in the stock market or in bad investments, and 5% lost money in other ways.

"The stock market crash wiped out 95% of my retirement fund," says one physician. "I sold a house for less than I invested in it," says another. Additional financial problems: "Monies were embezzled by a non-physician office manager"; "My spouse became disabled"; "I lost my job"; "I had to remodel my entire house due to mold damage."

Most of those losses had little or nothing to do with any decisions on the physicians' parts. Some of the other losses, such as those related to the stock market or business ventures, possibly could have been avoided or at least mitigated, says Tiku.

"Admitting mistakes is tough, but owning up to errors involving investments is even tougher," he says. "Sometimes people don't even know that their investments have come up short until it is quantified for them. It isn't as much about pointing out the mistakes of the past as ensuring that they are minimized in the future."

And it seemed that financial losses were Equal Opportunity Employers; men's and women's financial losses or stability were virtually equal in all categories.

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