Notable Grand Rounds
of the
Michael & Marian Ilitch
Department of Surgery

Wayne State University
School of Medicine

Detroit, Michigan, USA

Jeffrey Janowicz, MD

TRANSITIONS: PROTECTING ASSETS

January 29, 2025

About Notable Grand Rounds

These assembled papers are edited transcripts of didactic lectures given by mainly senior residents, but also some distinguished attending and guests, at the Grand Rounds of the Michael and Marian Ilitch Department of Surgery at the Wayne State University School of Medicine.

Every week, approximately 50 faculty attending surgeons and surgical residents meet to conduct postmortems on cases that did not go well. That “Mortality and Morbidity” conference is followed immediately by Grand Rounds.

This collection is not intended as a scholarly journal, but in a significant way it is a peer reviewed publication by virtue of the fact that every presentation is examined in great detail by those 50 or so surgeons.

It serves to honor the presenters for their effort, to potentially serve as first draft for an article for submission to a medical journal, to let residents and potential residents see the high standard achieved by their peers and expected of them, and by no means least, to contribute to better patient care.

David Edelman, MD
Program Director
The Detroit Medical Center

and

Professor of Surgery
Wayne State University School of Medicine

Transitions:
Protecting Assets

Jeffrey Janowicz, MD

Emergency Medicine
Detroit Receiving Hospital

Grand Rounds presentation

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Introduction

There are six core competencies according to the ACGME—patient care, systems-based practice, and so on—but I believe there should be a seventh: **financial literacy for physicians**. Residency programs rarely address it, yet it's essential. Residents should use their collective influence to ensure financial topics are part of their education. When you begin your career as an attending physician, you face critical financial decisions for which most of us never received formal training.

Why Surgeons Need Financial Planning

Surgeons are likely to earn high incomes, so your financial strategy must be very different from someone making $40,000 a year. Today, we'll cover disability insurance, life insurance, and essential legal arrangements such as wills and trusts. I'll deliver two talks: the first covers asset protection (insurance and legal basics), and the second—longer and possibly more interesting—focuses on broader financial planning. Think of this entire discussion as "Protecting the Asset," where the "asset" is you. Enormous resources have gone into your training—your own costs for undergraduate and medical education, plus the substantial funding CMS provides for your residency. You are, in effect, a valuable investment.

Demographic trends also favor surgeons: by 2034, there's projected to be a shortage of surgeons, which should help offset some downward pressure on wages from CMS reimbursement limits. This is good news for your future earnings potential.

Malpractice Insurance Basics

Although malpractice coverage isn't our main theme, you need to understand its two major types:

1. **Occurrence-Based**
   Occurrence-based insurance covers incidents that happen during the policy period, regardless of when a claim is filed. For example, if you leave your current position for another and a claim arises from a case handled under your old policy, the old insurer covers you as long as the incident occurred while that policy was active.

2. **Claims-Made**
   Claims-made policies only cover you if the claim is filed while the policy is in force. Once you leave your employer, you no longer have coverage for incidents from your previous practice unless you purchase **tail insurance**. Tail insurance is a one-time cost that extends coverage for a set duration (e.g., 3, 5, or 7 years) after your original policy ends.

Because occurrence-based insurance is seamless, it's typically more expensive. Claims-made insurance can be cheaper initially, but you must pay for tail coverage, which can be costly.

Policy Limits

Your policy will usually list two numbers, for example, "$1 million / $3 million." The first number ($1 million) is the per-claim limit; the second ($3 million) is the total amount the insurer will pay in a single year for all claims. Some attorneys argue for higher coverage limits (e.g., $1 million / $3 million), while others suggest lower per-claim limits (e.g., $200,000 / $600,000) might deter large claims. In practice, you typically sign onto whatever plan your employer has chosen.

Other Types of Insurance

Whole Life Insurance
Whole life insurance covers you indefinitely; part of your premium is invested, and you can draw from it while still alive. However, whole life policies often come with higher fees. Many physicians opt to invest independently and simply purchase **term life insurance** (described below). Insurance agents may push whole life plans because they are more profitable for the company, but I generally recommend against it.

Umbrella Insurance
Umbrella coverage supplements your standard homeowner's or auto policy. For example, if your home policy covers personal liability up to $500,000 but you are sued for $2 million (perhaps from a serious injury on your property), an umbrella policy might cover the difference. Experts often recommend umbrella insurance to high-income earners. Personally, I choose not to carry it, as I find the premiums aren't worth it for my situation—but many financial advisors say you should have it.

Long-Term Care Insurance
Long-term care (LTC) insurance can cover in-home care, assisted living, or nursing home costs, which many people eventually need. If purchased young (e.g., in your 30s), LTC insurance can be relatively inexpensive. One example is a 30-year-old paying around $360 per year for a policy that provides a $6,000 monthly benefit for up to three years, with a 90-day waiting period. Over 40 years, you might pay around $15,000 in premiums, but the policy could pay out significantly more if you require extended care. I personally do not carry private

LTC insurance, relying on my employer's group coverage while I'm employed. My rationale is to build sufficient assets to cover such needs later in life.

Term Life Insurance: The Essential Policy

Why You Need It
Term life insurance covers you for a specified period (the "term"). If you die during that term, the death benefit is paid out to your designated beneficiary. This coverage is crucial because many surgeons are married or have dependents: mortgages, childcare, college expenses, or private student loans don't vanish if you die prematurely. Federal student loans are forgiven upon death, but private loans are not. Insurance helps ensure your family is not left with insurmountable financial burdens.

How Much Coverage?
Expert recommendations vary, but a rough guideline is:

- **No children**: coverage of ~5 times your annual income
- **With children**: coverage of ~10 times your annual income

Policies typically come in $500,000 increments. For many surgeons, a $3 million policy is reasonable if you have dependents.

Determining Your Family's Needs
Think about what you want your family to be able to do if you pass away—pay off a mortgage, cover childcare, manage student loans, or fund college for your children. You'll also want to ensure you have a "death plan" in place so loved ones know how the benefits should be used.

For instance, when I was 29, I bought a $2 million, 25-year term life policy. My thinking was that after 25 years, my mortgage and student loans would be paid, and my retirement investments plus kids' college funds would be well established. If I died in year 26, my spouse would still be financially secure from those assets. For those entering attending status now, $3 million may be more appropriate, given inflation and rising costs.

Cost Estimates
For a healthy 32-year-old, non-smoking surgeon:

- A $3 million, 20-year term policy costs around $1,000/year for a male and $810/year for a female.
- A $3 million, 30-year term policy roughly doubles that cost (about $2,000/year for a male), reflecting the higher likelihood of death over 30 years rather than 20.

Even at $2,000/year, that's around $167/month for $3 million of coverage, which is quite manageable on a surgeon's salary.

Death Benefit Rider
When choosing your policy, ensure it includes a death benefit rider, which can provide additional features or flexibility in how benefits are paid out.

Riders and Term Life Insurance Details

A **rider** is an add-on to your base insurance policy that provides extra features. One you definitely want in a term life policy is the **accelerated death benefit rider**, which pays out some or all of your death benefit if you're diagnosed with a

terminal illness. For instance, if you develop ALS with a life expectancy of six months, this rider can provide funds in advance for home care or home modifications rather than making you wait until death.

Shopping for Term Policies

Be sure to compare costs among different insurance carriers; premiums can vary even though the coverage is essentially the same. Also note that **tax implications** differ depending on who pays the premium:

- If your employer pays (and deducts it as a business expense), the death benefit you receive may be taxed.
- If you pay with after-tax dollars (an individual policy), the death benefit is typically untaxed.

It's also prudent to buy **life insurance for your spouse**, especially if you have children. Even a non-working spouse provides invaluable childcare; if that spouse passes away, you may need to pay for childcare services yourself. Because term policies are relatively inexpensive, a smaller policy for a non-working partner can be a worthwhile safeguard.

Children's Life Insurance?

Policies for children usually aren't necessary unless there is a specific medical or financial reason. While the death of a child is emotionally devastating, the child typically isn't contributing financially, so large policies aren't as relevant. Still, some parents buy small policies for peace of mind.

Disability Insurance: Protecting Your Earning Power

Disability insurance replaces a portion of your income if you're unable to work due to illness or injury—anything from a minor hand injury preventing a surgeon from operating to a serious chronic illness. There are two main types:

1. **Short-Term Disability** (less than two years)
2. **Long-Term Disability** (extends beyond two years)

Short-Term Disability (STD)

STD often covers parental leave or brief recoveries (e.g., knee surgery). It usually pays only a portion of your income and can be expensive for an individual to purchase. If you're planning to have children, compare your employer's parental leave benefits with the cost of buying an individual short-term policy. Some groups offer short-term disability that specifically covers parental leave, but it can be pricey.

Long-Term Disability (LTD)

Long-term disability is crucial because you'll still face mortgage, student loan, and everyday living costs even if you're unable to work. Many reputable insurers (Ameritas, Guardian, Mass Mutual, Principal, Standard) offer similar base coverage, but **definitions of disability** differ among policies. Some provide an "own occupation" definition, which pays if you cannot perform the core duties of your chosen specialty—even if you're able to work in a different capacity.

Guaranteed Standard Issue (GSI)

As a resident or fellow at the DMC, you may be able to purchase disability insur-

ance before graduating without a medical exam (GSI). If you have health concerns or a risky family history, GSI can save you from higher premiums or rejection later. You can typically select from $2,000, $5,000, or $7,500 per month in coverage. After leaving residency, GSI may no longer be available, so it's worth considering before you move on to an attending position.

Applying for LTD

When you apply for a policy, the insurer verifies your income, often using your employment contract if you haven't started your attending job yet. Expect questions about your personal and family medical histories. For larger policies, lab work and exams (possibly at your home) are common. If you're pregnant, it can be both difficult and expensive to secure new coverage, so plan accordingly. Premiums are "non-cancellable" as long as you continue to pay them, and coverage can continue until age 65 or 67. Surgeons can often buy up to $30,000 per month of coverage, though it's more expensive for women (about 50% more) due to higher claim usage.

Deciding How Much Disability Insurance to Buy

This depends on many factors, including your health, lifestyle, family history, and comfort level. Premiums can be substantial, but the peace of mind may be worth it, particularly given the relatively high claim rate physicians experience. When comparing policies, remember:

- **After-tax vs. pre-tax**: If you pay premiums with after-tax dollars, your benefit is usually tax-free. If your employer pays (pre-tax), the benefit is taxed when received.
- **Risk profile**: If you rock climb or have a family history of serious illness, you may want more coverage.

Important Riders (Add-Ons)

- **Own Occupation Rider**: Ensures you receive full benefits if you can't perform the key duties of your specialty, even if you can still work in another role.
- **Partial Disability Benefits Rider**: Pays if you can only work part-time due to a condition like MS.
- **Cost of Living Adjustment (COLA) Rider**: Increases your monthly benefit each year (commonly by 3%) to keep pace with inflation. You might drop this later in your career if it no longer offers enough benefit relative to its cost.
- **Future Increase Option Rider**: Lets you increase coverage later (e.g., from $5,000 to $10,000 per month) without a new medical exam. This is helpful if you can't afford a high level of coverage right away.
- **Supplemental Benefit Term Rider (Student Loan Rider)**: Pays extra (e.g., $2,500/month) for up to 10 years to cover student loans. Often it's simpler to just buy a larger base policy (e.g., $13,000/month instead of $10,000/month) that covers all expenses, not just loans.

Additional Points on Disability Insurance

Disability benefits are often subject to taxation, depending on who pays the premiums. With life insurance, carriers typically pay out once you die, but dis-

ability insurers often scrutinize every claim closely. If you're disabled at age 32 and could collect $15,000 per month until age 67, that's millions of dollars in potential payouts. Insurers may search for ways not to pay, so choosing a **reputable** company is even more important for disability insurance than for life insurance.

Also keep in mind that you can **over-insure** yourself. Although high monthly benefits might look appealing, premiums can be prohibitively expensive. Sites like [LeverageRx] and [White Coat Investor] are great resources if you want to learn more about physicians' disability policies.

State Variations and Discounts

Not all states allow "own occupation" coverage, but Michigan does, and it's portable if you move out of state. You also have access to certain resident discounts that can significantly reduce your premiums if you purchase coverage before completing residency. The DMC, for example, offers **guaranteed standard issue** (GSI) disability insurance in your final year of residency or fellowship without requiring a full medical exam or labs.

Some companies offer a mental health or substance abuse exclusion rider, which reduces premiums by waiving coverage for those conditions. Decide carefully: signing that waiver forever excludes mental health or substance abuse claims from your benefits.

Many physicians can't afford robust disability insurance while still in residency. One strategy is to **lock in discounted rates** before graduation, then start the policy on July 1 when your attending salary begins. This often includes setting up your medical exam and paperwork in advance but timing the policy's effective date to coincide with your new job.

Typical Coverage and Costs

Most policies:

- Have a 90-day elimination period (shorter elimination periods tend to be very expensive).
- Offer some form of "own occupation" definition.
- Include partial disability riders (residual disability), cost-of-living adjustments (COLA), or future-increase options.
- Rarely include student loan riders (physicians usually prefer a higher overall monthly benefit rather than a loan-specific add-on).

Disability insurance is costly, especially if you want high monthly benefits. The "Cadillac plan"—with COLA, future-increase options, and residual disability coverage—can easily be $5,000/year out of pocket for a female physician seeking $5,000/month in coverage (about $3,400/year for a male). Buying $15,000/month would triple that expense to $15,000/year, making employer contributions a valuable supplement.

Some policies let you choose between **graded** (lower initial premium, higher later) or **level** (the same premium every year) pricing. **Level premiums** generally save money long-term if you can afford them up front.

Remember that premiums depend on:

1. **Your Health**: Changes in your health can raise costs if you add coverage later.

2. **Family History**: A new diagnosis in a close relative may increase your risk group.
3. **Gender**: Premiums are roughly 50% higher for women than for men due to higher claim frequency.

Ideally, you want your total coverage to meet your needs when combined with any group policy from your employer. Once you're ready to retire, you can drop disability insurance altogether.

Payment Schedules: Many companies charge monthly but may offer discounts (5–10%) if you pay once per year in a lump sum.

Wills and Trusts

Even though it might seem far off while you're a resident in debt, you will likely have a **high net worth** in the future. Protecting your spouse, children, and accumulated assets begins with establishing a **will** or **trust**.

Wills

A will is a legal document naming beneficiaries and guardians for minor children. However, wills go through **probate court**, which is:

- **Public**: Anyone can access the records.
- **Expensive**: Often 10–15% of an estate's value goes to legal and court fees.
- **Time-Consuming**: Families may wait months or years for distribution.

Trusts

A trust can **bypass probate** and provide detailed instructions on how and when beneficiaries receive assets, often with "spendthrift" provisions to prevent large lump sums at age 18. You select a **trustee**—an individual or institution—to manage and disburse funds. Trusts also let you incorporate tax-avoidance strategies (e.g., AB trusts) if estate tax laws become less favorable in the future.

Establishing a trust involves:

- Multiple meetings or emails with an attorney.
- A detailed review of assets, family arrangements, and preferences.
- Possible future revisions (e.g., if your chosen guardian's circumstances change).

A trust for a married couple might cost around $3,000 initially, which is steep for residents but more affordable once you're an attending. If that's not feasible right away, at least set up a simple **will**—particularly if you have children—and then transition to a trust later.

Q&A Highlights

- **Tail Insurance**: Statutes of limitations vary by state and type of case (pediatrics, for example, can have longer windows). Many surgeons buy a 5–7 year tail, though OB/GYN and pediatrics sometimes need even longer.
- **When to Buy Disability Insurance**: Purchasing before finishing residency can secure discounts, even if you activate the policy at the start of your attending job. Michigan's policies are portable, but this may differ in other states.

Transitioning to Attending-Level Income and Building Wealth

Watch Out for Social Security Overpayment in Your Final Residency Year

If you graduate this year and transition to an attending salary mid-year, be aware of your **Social Security tax** contributions. You pay 6.2% on income up to the Social Security wage base (around $176,000 for 2025). For instance:

- During the first half of the year, you'll earn roughly $66,000 as a resident, paying about $2,000 in Social Security tax.
- After starting your attending job on July 1, you might earn up to $176,000 by year's end, paying another $11,000 in Social Security tax.

That could lead to an overpayment for 2025. When you file your 2026 taxes, ensure you get refunded for any excess Social Security contributions. The IRS may catch this automatically, but double-check to avoid leaving money on the table.

Why You'll Become Wealthy—and How to Handle It

As a resident, your **effective tax rate** may only be 10–12%, but that rate will climb significantly when you begin earning an attending's salary. You can expect:

- **Higher income** (potentially $350,000–$400,000 or more).
- **Higher taxes** (federal, state, Social Security/Medicare, potentially local).

This paper focuses on strategies to reduce your tax liability, grow your wealth, and aim for a substantial retirement portfolio—ideally $5–$10 million. Many colleagues say that saving that aggressively is "too much," but I disagree. If you plan to retire early, or simply want to enjoy a comfortable lifestyle in retirement, you'll need a large nest egg—especially given inflation.

Common Financial Pitfalls for Physicians

1. **Assuming You're Naturally Good at Investing**: Physicians often overestimate their financial savvy.
2. **Spending Too Soon**: For instance, jumping straight to a $1 million home right after residency.
3. **Not Saving Early**: Failing to let time and compounding do the heavy lifting.
4. **Ignoring Taxes and Fees**: Not understanding how taxes or investment fees impact net returns.
5. **Becoming "Numb" to Debt**: Decades of student loans can create complacency about taking on more debt.
6. **Declining Salaries in Some Specialties**: Government reimbursement changes and other factors can reduce your income over time.

First Big Paycheck Reality Check

Many attending positions pay once a month. In July, you might earn a gross $29,000, but **40% or more** will vanish to taxes:

- ~25% federal
- State income tax

- Social Security and Medicare (7.65% if you're an employee, 15.3% if you're self-employed)
- Possible local taxes (e.g., 1.1% in Detroit)

Even after taxes, you'll be in the **top 5%** of U.S. wage earners. But your net worth might still be negative due to student loans, so build a plan to climb out of debt and accumulate assets.

Setting Goals for Your First 10 Years Post-Residency

A good benchmark is **$1.5 million in net worth by 10 years out**. How?

1. **Eliminate Student Loans Within 10 Years**
2. **Contribute Heavily to Retirement**: Aim for $50,000–$70,000 per year. In 10 years, that could grow to $1 million or more.
3. **Build Home Equity**: After a decade, you'll have paid down a substantial portion of your mortgage.

Most wealth-building happens through **consistent saving** and **compounding**. While it's true some stocks (like Nvidia) have soared dramatically, no one can reliably pick those winners in advance. Slow and steady investing—targeting annual returns of ~6–15%—is your best bet.

Employment Types and Tax Implications

- **Employee (W-2)**:
    - Lower tax burden: your employer pays half of Social Security/Medicare.
    - Taxes withheld automatically.
    - Benefits like retirement contributions, malpractice coverage, and health/disability insurance are often included.
- **Independent Contractor (1099)**:
    - You pay both employer and employee portions of Social Security/Medicare (15.3%).
    - Must handle quarterly tax estimates and buy your own benefits.
    - Potentially higher pay to compensate for these costs.

If you're comparing a W-2 offer to a 1099 contract, factor in employer-paid benefits. For example, if your employer contributes $143,000 in total annual benefits (retirement, health, malpractice, etc.) and you work 1,600 hours a year, that's effectively $89/hour you'd have to make up if you become an independent contractor.

Government Programs: Social Security and Medicare

Social Security

You'll pay 6.2% on wages up to a certain cap (about $174,000 in 2025). Your eventual benefit is based on your 35 highest-earning years, and for anyone born after 1960, **full retirement age** is 67. You can claim as early as 62 or as late as 70, but your monthly benefit adjusts accordingly (about 8% increase for each year you delay beyond 67). Benefits can also be partially taxed (up to 85% is counted as taxable income).

Many worry Social Security will be insolvent around **2033–2034.** While it won't simply vanish, Congress may adjust taxes, retirement ages, or benefit formulas. It's wise to plan for some reduction or delay in benefits.

Medicare

Medicare starts at 65 (unless you're disabled or have specific health conditions). It isn't free:

- **Part A**: Hospital coverage.
- **Part B**: Outpatient coverage (often around $500–$600 monthly premiums for high earners).
- **Part D**: Prescription coverage.
- **Advantage Plans**: Additional policies covering dental, vision, hearing, etc.

If you plan to retire before 65, you'll need to buy private health insurance until Medicare kicks in. Once on Medicare, expect monthly costs of ~$700 (combined premiums and supplemental/advantage policies). Taxes further reduce how much of your Social Security checks you'll actually receive.

Mortgages and Managing Debt

Beware Jumbo Mortgages

A **jumbo mortgage** is one exceeding $766,000. Such loans typically come with higher interest rates (0.25–1% above standard loans). If you also lack a 20% down payment, you'll pay **PMI (private mortgage insurance)**—another 0.5–1.5% of the loan. On a $1 million mortgage, that extra 1–2% could cost $10,000–$20,000 **per year**, potentially totaling hundreds of thousands over the life of the loan.

Estimating Monthly Mortgage Costs

A rough rule of thumb is **$600 per month for every $100,000 borrowed** at about 6% annual interest. So, a $500,000 loan costs around $3,000/month; a $700,000 loan about $4,200/month, and so on.

Refinancing

Interest rates may fluctuate. If you buy when rates are high (e.g., 6.5%) and later see rates drop to 4.5%, **refinance** to save tens of thousands in interest. Even if you pay $2,000 in closing costs, the long-term savings are worth it. Keep an eye on rates and don't hesitate to refinance multiple times if it's financially advantageous.

Understanding Taxes and Saving Strategies

Since the 2017 tax reforms, **most Americans now take the standard deduction** instead of itemizing. Many previously deductible items, like state and local income taxes, have been capped or eliminated, though there's ongoing debate about reinstating these. U.S. taxes are **progressive**: you pay different rates on different portions of your income, so your effective rate may be noticeably lower than your highest marginal bracket.

The Value of Saving

The average American saves only about 5% of income. Physicians, especially higher earners, can (and should) do much better. Setting aside $70,000 a year—about 20% of a $350,000 salary—allows you to build serious long-term wealth. In contrast, the mean retirement savings in the U.S. is around $280,000, and the median is only $88,000. This is insufficient for most people, let alone someone with a high-income lifestyle.

Aim for a retirement portfolio of **$5–$10 million** to account for inflation and to fund a comfortable, even early, retirement.

Tactics Wealthy Individuals Use to Save

Paying in lump sums can reduce your overall costs. You may receive discounts (5% or so) on annual home or disability insurance premiums by paying them all at once. Similarly, **paying cash** when possible can yield negotiating power—many people are happy to lower their price for a guaranteed, immediate payment.

Credit card rewards are a simple way to earn back 1–2% on everyday expenses, provided you pay the balance each month. **High-yield savings accounts** offer far better interest than traditional accounts if you maintain the required minimum balance.

Refinancing your mortgage when rates drop can save tens of thousands of dollars over time. Likewise, making **biweekly or extra principal payments** helps you pay off your mortgage faster and reduces your total interest.

Workplace Savings: FSAs, HSAs, and Retirement Accounts

Flexible Spending Accounts (FSA)

FSAs let you set aside **pre-tax** dollars for healthcare or dependent care. Key points:

- **Use It or Lose It**: You must spend the funds by the end of the plan year (or within a short grace period).
- **Dependent Care FSA**: You can contribute up to $5,000 annually. If you and your spouse both work and need childcare, this can save hundreds or even thousands in taxes, effectively reimbursing some of your childcare costs.

Health Savings Accounts (HSA)

An HSA is considered the **only "perfect" investment**: your contributions are pre-tax, the balance grows tax-free, and withdrawals for healthcare expenses are also tax-free. You can only open an HSA if you have a **high-deductible health plan (HDHP).** Contribution limits for 2025 are around $4,300 (single) and $8,550 (family).

Although most HSA holders contribute only a few hundred dollars, you can treat your HSA as a **long-term investment tool**:

- Invest the funds in mutual funds or other vehicles so they can grow at 6–8% (or more) annually.
- Use taxable income or other savings to cover current healthcare bills, letting the HSA balance compound.
- Keep in mind Fidelity's estimate that an average retired couple may need more than $300,000 for health-related costs.

You can use HSA funds to pay Medicare Advantage premiums later in life, which further enhances its value.

401(k)s and Other Employer-Sponsored Plans

A 401(k) lets you invest **pre-tax** income for retirement, with your employer often

matching or contributing additional funds. Because the money goes in tax-free, you pay taxes when you withdraw. Key ages:

- **59½**: Earliest you can typically withdraw without penalty.
- **73**: You must begin taking **Required Minimum Distributions (RMDs)** so the government can finally tax those funds.

Major 401(k) custodians include Vanguard, Fidelity, and BlackRock, each managing trillions of dollars in assets. For 2025, you can contribute up to **$23,500** yourself, and employers can contribute on top of that. Some plans (e.g., profit sharing, 403(b), SEP IRAs, or solo 401(k)s for independent contractors) allow total annual contributions up to **$70,000**. Over a 30-year career, consistently maxing out your retirement plan at ~6% growth could yield **$5–6 million**.

Roth IRAs and the "Backdoor" Strategy

A **Roth IRA** uses post-tax money that then grows and withdraws tax-free. However, high-earning surgeons usually exceed the income limit (around $236,000 for married couples). To bypass this cap, many do a **backdoor Roth IRA**:

1. Open both a Traditional IRA and a Roth IRA (both at $0).
2. Contribute $7,000 (or $8,000 if 50+) to the Traditional IRA in cash.
3. After a few days (once funds clear), convert it to the Roth IRA.
4. Pay taxes on any gains, which should be essentially $0 if you convert quickly.

You can also do this for a non-earning spouse, enabling you to contribute **$14,000–$16,000** a year. Invested at 6% for 30 years, that can grow to over $1 million.

College Savings: 529 Plans and Education Trusts

Raising a child can cost well over $300,000, especially in high-income households. College costs are also rising. Parents earning $100,000+ annually generally don't qualify for financial aid; need-based scholarships often go to lower-income families.

Prepaid Tuition vs. 529

Some states let you **prepay tuition** at current rates through an education trust (e.g., Michigan Education Trust). This locks in today's pricing for future semesters, typically with a 15-year usage window after high school graduation.

A **529 plan** is more flexible. Like a Roth, you contribute post-tax funds, which grow and withdraw tax-free if used for qualified education. In Michigan, up to $10,000 of contributions may be deducted against state income tax each year, saving 4.3% on that amount.

Worried about **over-funding** your 529? Under the **SECURE Act 2.0**, you can transfer up to $35,000 in leftover 529 funds into a Roth IRA for your child (spread over five years). This eliminates the risk of losing money if a child doesn't use all the funds for college.

529 Plans and College Savings

To open a 529, your child must have a **Social Security number**, so you'll need to wait until after birth. Setting one up in

Michigan is straightforward—just go to the state's 529 website and follow the instructions. You don't need to pay a bank or financial advisor to do this.

Example Approaches

- **"10 for 10 Plan"**: Contribute $10,000 a year for a child's first 10 years. With a 6% annual return, this could grow to $220,000+ by age 18.
- **"5 for 18 Plan"**: Contribute $5,000 annually for 18 years, reaching about $163,000 at a 6% return.

The sooner you invest, the more you benefit from compounding. Some parents frontload the account early (e.g., deposit $70,000 before the child is even four) and let it grow tax-free. Under the **SECURE Act 2.0**, any leftover up to $35,000 can roll into a Roth IRA for your child, spread over five years, so overfunding a 529 is less risky than it once was.

Investing Basics

Market Returns and Compounding

Historically, if you leave investments in the market for at least 15–16 years, you're very likely to come out ahead, although past performance doesn't guarantee future results. Market dips happen (e.g., 2008, COVID-19), but overall, the long-term trend is upward.

Compounding is crucial. Once you hit $1 million, it's easier to reach $2 million, and so on. The first big milestone can feel slow, but subsequent millions can accumulate more quickly because of growth on a larger principal.

Mutual Funds and Index Funds

Most employer-sponsored retirement plans let you choose from mutual funds, target-date funds, index funds, and sometimes bonds or foreign funds. A **target-date fund** adjusts its stock/bond mix as you approach retirement. These can be simpler but often have higher fees than index funds.

Index funds track broad market indexes (e.g., S&P 500) and have:

- **Low costs** (because they are passively managed).
- **Broad diversification** (hundreds of stocks).
- Performance that generally matches the market—often better than actively managed funds over the long run once fees are accounted for.

Watch Out for Fees

Financial advisors might charge around 1%, which compounds into huge losses over decades. Index funds often have fees as low as 0.05% or even lower. Studies repeatedly show that low-cost index funds may outperform the majority of actively managed funds over long periods.

Tax Treatment of Various Accounts

- **HSAs**: Triple tax-advantaged (pre-tax contributions, tax-free growth, tax-free withdrawals for medical expenses).
- **Roth IRAs/529s**: Double tax-advantaged (post-tax contributions, tax-free growth, tax-free withdrawals for qualified uses).
- **401(k)s/403(b)s**: Pre-tax contributions, taxed as ordinary income upon withdrawal.

- **Brokerage Accounts**: Triple tax-disadvantaged (post-tax contributions, ongoing taxes on dividends/capital gains, and taxed again at withdrawal if short-term).

A sensible investment order is:

1. Maximize your (and your spouse's) **workplace retirement** plans.
2. Fund your **HSA**.
3. Contribute to **backdoor Roth IRAs** and **529** (if you have kids).
4. **Brokerage account** is last, once you've used the more favorable tax-advantaged vehicles.

Early Retirement Considerations

- **59½**: Age at which you can withdraw retirement funds (401(k)/IRA) without penalty.
- **65**: Medicare eligibility.
- **62–70**: Social Security can start as early as 62, but delaying can boost monthly benefits.

If you want to retire at 56, for instance, you'll need a cushion (e.g., a brokerage account or other liquid assets) to cover the gap until you can tap your 401(k) at 59½ or enroll in Medicare at 65.

Practical Advice for New Attending Surgeons

- **Delay Home-Buying**: Consider waiting a year or two to save a proper down payment and avoid jumbo loans and PMI.
- **Choose Your Partner Wisely**: Child support or alimony can derail even the best financial plans, so discuss finances before marriage.
- **Cash Is King**: Use cash for discounts; maintain a **high-yield savings account** for large lump-sum expenses.
- **Start Saving for Kids Early**: The time value of money is powerful.
- **Stay Informed**: Spend a few minutes daily skimming business news titles (e.g., on CNBC).
- **Don't Stop Investing**: Once debts (like student loans and mortgage) are cleared, you can invest even more.

Above all, **be patient.** After a few years of making $20,000–$30,000 a month, your basic living expenses will likely stabilize, and you'll have significant surplus income. By consistently saving and investing $50,000–$70,000 or more annually, you can grow your portfolio into the $5–$10 million range over the course of your career.

Remember, if you have questions or need guidance, seek out knowledgeable colleagues or reputable financial resources. With steady discipline and good habits, you'll be surprised how quickly your net worth can climb.

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