# How to Plan for Your Future - Personal Finance for New Pathologists

March 14, 2022

**Julie McDowell:**

In this CAPcast, New-In-Practice Committee members Doctors Alan Brown and Jacqueline Rasinski discuss common financial challenges, including common pathology practice structures, as well as the importance of balancing debt, savings and expectations. This episode was adapted from a new and practice committee roundtable discussion, originally recorded on November 12th, 2021.

**Alan Brown:**

We are now recording this College of American Pathologist's new-in-practice session. And to lead us off, I would like to introduce Dr. Weston Rothrock. Dr. Rothrock, please come on and take us into our content.

**Dr. Weston Rothrock:**

Hey, thanks again and welcome everyone to this session. My name is Wes Rothrock. I'm an AP CP pathologist. Right now I'm a practicing Tampa, Florida and working as an associate medical director of a large lab and CLIA director of some smaller labs. And also joining us today we'll have Jacqueline Rasinski, who's a member of the New In Practice committee as well, and also a member of the Council on Education. She's an AP CP pathologist who's also a cytopathologist and she works at a hospital system in Dallas, Texas. And then we also have Alan Brown joining us. He is on the New In Practice Committee and is a hematopathologist. He is also in Texas. He's in San Antonio.

So today we're going to talk about some things about money, but the official disclaimer is the information presented today represents the opinions of the panelists and does not represent the opinion or position of the CAP. This should not be used as a substitute for professional assistance. The information in this presentation is provided for educational purposes only and is not legal advice. Jacqueline?

**Dr. Jacqueline Rasinski:**

Awesome. Thanks, Wes. I would love to frame this whole webinar today as a conversation that's aimed at normalizing conversations about money and personal finance. So especially for our demographic, meaning coming into your first attending job or the first couple of years in practice, there are more good uses for your money than there are dollars in your accounts, most likely.

There are student loans to pay off, down payments for a house, maybe you've been driving a crappy car for a long time. There are a lot of good uses for your money, and with compounding interest that Dr. Brown is going to talk about, there are just going to be more options out there. So how to prioritize is honestly not as important as doing your best to do something and start paying attention to money. So that is the frame for the conversation as I wanted to set it up. And as Wes already said, Dr. Rothrock, none of the three of us is a certified financial planner or an accountant or an attorney. So this is for your information and entertainment uses only really, and all self-describe as a hobbyist, a personal, financial hobbyist, rather than an expert. So how are our polls looking?

**Alan Brown:**

We're doing great. I'm going to go ahead and close the voting, and let's take a look at the results together. You'll be able to scroll through those on your own screen to keep up with Dr. Rasinski as she looks through them.

**Dr. Jacqueline Rasinski:**

This is so great. Okay. Are you currently in training? 72% of you said no, so congratulations, you made it through and are in your first or second grownup job. Do you have outstanding student loans? About half-and-half. Do you know your net worth? More than half of you do know what that number is. Not that your personal value as a human being on the planet is determined by that number, it's not, but it's good that you know what that number is. Good job.

Number four. Do you have a written financial plan? 80,20. 83% say no. That's interesting. Full disclosure, I do not either. I'd like to and it's on my long list of to-dos. When do you plan to retire? 60 to 70 is half of this group. So everyone's planning to stay in practice for a long time. Who handles the finances in your house? 90% of you said yes and that's probably why you're here. 10% said spouse or significant other. And then how do you learn about managing money? All of the above, but mostly from the internet. So very cool. All of us are here because we want to learn. So in the spirit of learning more, let me turn it over to Dr. Brown.

**Alan Brown:**

Thank you Dr. Rasinski. Hello everyone. I hope you're having a great day. My name's Alan Brown. Like Dr. Rasinski, I'm also a financial hobbyist and occasional buffoon, but I'd like to start off the conversation by especially looking at the next slide, which touches base on the most common financial worries or anxiety provoking situations for us. It's a little bit different for doctors, especially those coming out of training. I'm sure we're all familiar of the very dramatic up and downs of residency and fellowship and then being launched into an attending career where suddenly you have a lot more money than you're used to using or used to managing, and then finding that it's still not enough often to cover everything. So the most common woe that Americans face is spending more than they earn, and I think that's very close to home, especially in the modern internet era where you are never more than one click away from something to buy.

Second is living for the now, spending all your money as it comes in and not necessarily putting the effort or sometimes wee bit of suffering into saving for retirement and often putting off that five week European vacation or that brand new Lexus so that you can retire earlier or retire more comfortably. The third is an eternal debt cycle. Credit cards, for many of us student loans, that are very difficult to pay off, especially if we're spending more than we're earning, are also compounding in interest. So they're increasing in value themselves, though it's not in your favor. Poor usage of money and anxiety are also frequent situations that we suffer from. I think one thing I wish I would see more in high school education is financial independence and awareness. Unfortunately, that's not widespread in our public system, but we often are given a lot more money than the rest of the world, but we don't necessarily get taught in the tools to manage it.

And so, hopefully in this discussion we can allude to some of those. I'm sure many of you are going to be well aware of these and well-versed in them. Hopefully we'll have a really good discussion afterwards. And as Dr. Rasinski said, I think bringing these to the forefront, trying to face them more head on with excitement and preparation, rather than anxiety, is a much better way to broach situation of finances in our lives. If we could go to the next slide, please.

Some rules to live by, at least for me. I thought these were fun ways to express them. Compounding interest is the passive genius that is investing in a compounding interest account, which most of them are. Many of our investment accounts that look at commodities, stocks, mutual funds, bonds, will often roll over any compounding interest and reinvest them, which is an excellent way to passively make more money on the dollars that you're putting in long-term retirement, especially retirement accounts, but long-term investment accounts. Use every dollar. As Dr. Rasinski said, try to spend less than you make. It took me a minute to interpret the carrot there, but spend less than you make. And for the residuals, for any extra, which some would say is 10%, some would just say should be as high as 30%, put in an investment account that earns money, makes money for the future and makes your life a lot more enjoyable in the long run.

Spock it. We talk about a lot of day trading and these on and off fad based investments. Crypto is possibly one of them that will have a slide on that to discuss what crypto is at the end, but try to remove emotion. Don't invest in a coffee shop because you like the coffee. Try to look at all the metrics that are out there using the different investment platforms and make an investment that appears both value, intense quality and diversifies your accounts. And that brings us to the fourth item, is diversify. Don't put all your eggs in one basket, as they would say. I wouldn't buy one stock, and that's the beauty of exchange traded funds or ETFs which are an investment platform, well, that trades like a stock, but is actually diversified, usually to a specific sector made up of many different stocks between usually about 20 and several hundred.

So there's hundreds of different ETFs out there and they add the benefit of, at least sector-based diversification. Now if the entire tech sector goes down, your ETF may go down with it, but it's a little more stable and pre diversified than a single company stock. Age appropriate. Really think where are you investing and where are you planning to retire in your lifespan. It could be five years, it could be in 50 years, and obviously, your decisions need to be based on that. So have an idea of when you're thinking of retiring, it's always a moving target. Life throws many curve balls at us, but it's good to have an idea and move from it, rather than be in the constant state of surprise and sporadic living.

Anticipated major expenses. So this is always important. Are you having kids? Are you buying a house? Do you have significant healthcare expenses? Will you be taking over the care of your parents at a certain point? These have deep personal and cultural relations, and obviously, take a big part of financial planning. And then quality, value, growth focused investments. Those are three sides of investment qualities or factors, and looking at things that really have a good balance of all three often tend to be good long-term investments.

Typically, quality looks at a stock or a company or any investment that is anticipated to grow in value or grow in buying power over time, whereas value typically yields good returns at low cost. Trying to find a balance between all three can be very, very difficult, but it's certainly something to look for. Could I look at the next slide please? Compounding interest. I think we all get it, but having an account that regularly rolls in, the interest you've gained on the principle, basically rolls it into the principle and makes interest on that. Prior interest compounding can happen at different intervals, it can be real time or it can be annual and everything in between. But compounding interest and utilizing compounding interest accounts is extremely important for your long-term financial wealth. If I could see the next slide, please.

Insurance. I'm not going to go into a lot of detail on insurance, but I wanted to do a quick slide on it. Number one is not insurance, it's an emergency fund, which we'll revisit in a later slide. Emergency fund is a fluid cash account that is untouchable outside of an emergency, essentially. It should be kept outside of your day-to-day living expenses. It should not necessarily be valued into your retirement accounts. That is separate. It is really to keep you off the street if an emergency happens. And I strongly recommend, at least the goal of building one. Even a little bit matters. But ideally, for individuals like us that want to have a very stable lifestyle without too many significant physical alterations to our financial state, a six to 12 month fund is ideal. We'll talk about that more later.

Then insurance types. I have put these in the required and optional set. This is not a rule by any means, but health insurance that we work with regularly in getting paid for our jobs. Automobile insurance, which can be liability or comprehensive, depending on how nice your car is. Homeowner's insurance. If you own a home, if you rent, rental, or renter's insurance can be important to protect your valuables. And then malpractice is something that we all have to get, though some of us get it through our companies and some of us pay for it independently as sole practitioners or self-employed individuals. And then optional insurance is often more for peace of mind. If you look, there is insurance for just about everything out there. Long-term disability insurance or long-term income guarantee insurance is useful and certainly something I sought early in practice, because I was worried about having a mental breakdown. Luckily, that did not happen. And importantly, if you do think of getting disability insurance, long-term income guarantee, make sure that it covers psychiatric issues. Some of them don't.

Life insurance is more useful for your loved ones and your children and family than for yourself obviously, but there's two main types, term and global. For people in a younger, healthy situation, term is typically a better value, whereas later in life, near retirement, when you have some chronic health problems, global can be a better option. Umbrella insurance is like it says, covering a wider spectrum. Often, umbrella insurance is used for businesses. If you own a structure like a laboratory or if you own a home, essentially umbrella insurance will cover a liability on that home. So an example is, I have homeowner's insurance, which is through my mortgage company as an escrow account, and then I have umbrella insurance to help cover if someone drowns in my pool or if someone runs into my car while it's parked at my property, things like that. Umbrella insurance is a very cheap insurance that can go to very high values, especially if you're putting a lot of money in your property. Maybe something to look at.

One tip with insurance is, insurance companies almost always give you the market average, so a limit in how much you can claim per year or per case, and then a cost therein for the premium. A lot of times ,if you would like more coverage, say, instead of a $500,000 policy, you'd like a $1 million policy, it is very inexpensive to go up to that level, because you're essentially going over their market calculation, and so the premiums will go up fractionally compared to doubling if you significantly increase your insurance. So if you would really like to overprotect certain things, it often is not very expensive. If we go to the next slide please.

This is just a great cartoon from one of my favorite shows that you can be sold just about any insurance and it's important to hold back, maybe not sign the paper right off the bat, talk with your family and see if it's actually insurance that you need. Case in point, I have a very anxious spouse who has had us buy flood insurance despite the fact that we live on a hill and likely won't need it, but we feel protected in case there is a flood. Next slide please.

Tax sheltered accounts are going to be very important for your long-term wealth, especially toward retirement. A very quick definition for what a tax sheltered account is, and in very general terms, it's a monetary account that mitigates current and future liabilities. And that current and future is a term that we hear of often as Roth, whereas with a Roth it is on post-tax money and it grows tax-free. So when that money is withdrawn, you do not pay federal income tax on it. In fact, you've already paid it because you paid it when you put it in. Whereas pre-tax accounts, which are more traditional accounts, you don't pay tax on, they're pre-tax, so they come out before you get your paycheck and they grow, but are taxed under the federal income brackets once you withdraw them.

This is an important distinction, typically or historically, Roth accounts were reserved for people in lower income brackets in the aspiration that they would retire in higher income brackets and it would motivate them to invest to put money away to stabilize their savings and their financial situations in the current so that they could be wealthier in the future. And recently, Roth accounts have opened up to a wider array of income brackets, including physicians and many physician groups and hospitals and large companies offer Roth 401(k)s as well as Roth 403(b)s. They've slowly started to come out.

If you're wondering what a 401(k) versus a 403(b) is, that's the term in the tax code. The federal tax code is really just that is item 401(k) and item 403(b), but 401(k)s are typically for private companies. They cost a little bit more for the company to manage from a financial investment or financial advisor angle, but they are more flexible. So you can typically invest in stocks, ETFs, mutual funds, a wider array of investment products, whereas a 403(b) are typically for nonprofits and NGOs, and are cheaper for those companies because those companies are trying to save as many dollars as they can to use towards their initiatives, but have fewer investment vehicles.

So often a 403(b) will be an annuity, which is a type of insurance product, often guaranteeing a certain payout or they will be in a mutual fund. Those are typically the two main vehicles that 403(b)s offer, though they vary quite a bit, depending on how much the provider, the company, is willing to pay for their management. An IRA is an individual retirement account is what that stands for, and just like it sounds, it's up to you. There's a traditional and there's a Roth IRA. The Roth IRA is still restricted to a lower income bracket that most physicians when they're in attending practice cannot use, at least in the typical sense though, there's something called a backdoor Roth IRA, which we'll talk about shortly. But as a resident and a trainee, typically you can invest in a Roth IRA and I strongly recommend it.

A traditional IRA is similar, but it's again, pre-tax dollars that will get taxed once you withdraw the money. There are limitations to the amount you can put in a 401(k) and a 403(b), as there are also limitations to an IRA with a Roth and non-Roth or traditional. That number doesn't change. So the Roth versus non-Roth is purely a tax status. It is not a cap. So the 2022 limits, which are rapidly approaching, for an IRA remain the same at about $6,000 per person, per year, whereas a 401(k) and 403(b) will go up. They went up by about $1,000 to $20,500 per year. A pretty nice chunk to put away per year. And then if you can get your employer to match, if you're self-employed, you're the employer and the employee, it looks like though this has not been finalized by the IRS, it'll be $59,000 per year combined.

So really finding an employer that will match any component, if not max of your IRA, is extremely beneficial to your long-term wealth. So definitely something to ask for in those fringe benefit discussions when you're seeking a new job. Health accounts, so these are fairly new, and HSA is the one that I really want to harp on. It gets me very excited. So we're all going to get older. I hate to break it to you, but we're all going to get older and we'll very likely have significant medical costs later in life. For the average American, it's about $220,000 over their lifetime. So a large expense at which we will likely have some form of insurance, but we'll have a deductible, we'll have high premiums, which will incur cost.

The wonderful thing about an HSA account is that they work a lot like a Roth 401(k). They have different limits, but they are pre-tax, sorry, so they're actually traditional. They're pre-tax investment that if they're used in the appropriate way for medical expenses, they are not taxed, that usage is not taxed. And if you don't use it, you can remove the money at the age of 65. It essentially works like a traditional account, so you do pay federal income tax, but you can use it like any other traditional retirement account. So it's a great way to basically tax-free all of your health expenses later in age without losing that money entirely.

The limits per year for an individual are $7,300, which doesn't seem like a lot, but it is paired with a high deductible health plan, and deductibles for those plans are about $2,800 per incident, and then the maximum out of pocket is usually $14,000. So you'll see that if you can save two years worth of your HSA in an investment account, which it typically goes into, you have your out of pocket expense covered. And then every year after, you'll likely be gaining in value in that account and will be able to save for your anticipated major health expenses.

An FSA or a flexible savings account is much more flexible. I'm not very creative. It is a smaller account and it is funded typically by your employer. It is a use it or lose it account. So essentially, it's encouraging you to be healthier every year, but if you don't use it by the end of the year, the employer takes it back and may use it to reinvest or to limit their losses for the year, but it never will go to you in cash. There is an interesting thing called an FSA store where you can go shopping.

Lastly is tuition accounts. The main one is a 529. There are a few others, but they don't have quite the same... The main benefit is the amount of investment that can be put in them. So anyone can put money into a 529 account, which is directed to typically a child or a minor. And these are great ways to, in a tax-free sense, at least the growth is tax-free, save money for your children, for your nieces and nephews, for your grandchildren, whoever. And so often, I give these as gifts to my cousins and nieces and nephews. There are a few other type of custodial accounts though, both the ones I've listed, the ESA and the custodial UGA or UTMA have contribution limits, which especially if you're trying to catch up on a 15 or 16 year old kid and get their college fund beefed up, may be difficult to do. So with all of these accounts, they are investment accounts and can benefit from compounding interest. And the key to compounding interest is starting earlier rather than later. So start now. If we go to the next slide please.

This is a Roth or not to Roth question. And I don't have a good answer for everyone. So there's this seesaw image which I think is very useful for a visual perception. On the left of the seesaw is where you are now. On the right is where you will be in the future. So if you're starting at a low income now and are in a low federal marginal income tax bracket, you want to put in post-tax dollars, which would be taxed at a lower rate in the anticipation that you will retire wealthier and will live on a higher annual income from your retirement accounts than when you invested. So that makes sense. Of course, taxes are only going to go up as we get older, at least, if I'm assuming I want to pay the tax now and live on a wealthier lifestyle later and not pay tax at that higher rate.

However, physicians are often highly paid and a lot of times are long-term income growth, from straight out of fellowship or training to retirement, doesn't change a whole lot. It's not quite a plateau, but it's a pretty even keel. And so often we're at a high tax bracket when we're investing at the beginning and we retire at a high tax bracket. Some of us retire in a very conservative or quiet house on the prairie sort of way. So we may be living off a lower income in our retirement than we had been working in younger in life. And then you are going to have paid higher taxes early than you needed to because your new future tax bracket and retirement will be lower than it had been. So it's an important conversation or consideration to have that not all of us think of. I still side for a Roth typically, but know that it's not all or nothing, that there's decision points involved. Either way, investing in a retirement account sooner rather than later is the right thing to do. Next slide please.

A bit on health savings accounts. Again, these are very limited in their use. They need to be designated health expenses, which is typically licensed providers in a medical setting that you would typically bill to an insurance company if you had a traditional insurance account. These are the contribution limits. I have the 2022 limits for a family boxed in red. And I did misspeak, I said that the individual was $7,300 and that was actually the family amount. So the individual for 2022 is $3,650 and the family is $7,300. And that can be a couple it does not need to require any children. There is no dependent built out in this account like there is in the FSA. Can we see the next slide please?

And again, this is a compounding interest graph. So ideally, you want your HSA account to be in an investment account that is being put into a growth and compounding interest vehicles, like ETF stocks, mutual funds, bonds, well bonds, not so much, and grows in value over time so that your HSA account does not only represent the cash you've put in, but that it actually has some compounding interests. Great. And so there is definitely a limitation to the amount you can put in an HSA per year. Again, that's $7,200 for a couple or family. Next slide please. This is a very simple image of where we were and where we've gone. So a traditional insurance plan had a high premium, you paid a lot for it and you almost paid nothing out of pocket for medical expenses. It covered everything and you were very, well, insured, whereas now it's split a little bit so you have a bit more autonomy.

You pay a lower premium every month, so you have less money out of pocket every month, but the idea is that you take that extra money and put it in an HSA account that grows, has compounding interest, is under your supervision and control, which some of us like, some of us don't. And so, that's where this high deductible health plan, the HDHP and the health savings account, balance out from a traditional gold level plan. Whereas the HDHP would be the bronze level or the very high deductible, as some would say, catastrophe care insurance plans. Next slide please.

FSAs. Briefly, they're employer sponsored. I believe I've said most of this. You don't pay taxes on them, they're not actually part of your income. They're, again, from the employer. And at the end of the year, if unused on December 31st of that calendar year, they go back to the employer. There is certain limits to them. I believe the maximum for a family with dependents is $5,000 and there's a lot more flexibility when you have dependents. So these are really good accounts for people with children. Certainly, a big fringe benefit for employers trying to hire people that may or may not have children, especially if they do. And one thing I discovered in building these slides is that there is an FSA store, which is full of some interesting stuff. It's a very flexible account.

As long as there's some derivative of health benefit or happiness or psychologic support and mental wellness, typically it can be covered, though the FSA store is a really nice place to go explore and see what you can use that account for. Again, it's a use or lose it account. So your employer is putting that money in your account, and if you don't use it by the end of the year, it's gone. It's a benefit that you've not utilized. It's not per se an investment account, it does not help you with your retirement or wealth, but it is some extra change you can use to make your life more comfortable and healthier. Next slide please.

Emergency funds. I just went through the typical reporter sequence of why emergency funds and why I harp on them so much. What is it? It is a liquid cash account, so not bound, not in investments or certificates of deposit. It needs to be able to be withdrawn quickly within a matter of hours or days and available to you in the case of an emergency. It's in the word, emergency. It should be in an insured FDIC account so that it doesn't disappear. I don't recommend keeping your emergency fund in cryptocurrency, though I'm on the fence. I'm an early investor with crypto, but it is not the place for an emergency fund yet. Why? It helps protect your lifestyle and your overall assets. It prevents you from going into large levels of debt collection and bankruptcy in many situations and it can protect you from large unexpected expenses. It's similar to a savings account but it is focused on a reserve for unexpected expenses and it needs to be liquid and rapidly accessible.

Who should have one? Everyone should, especially if you have anything to lose. If you own a car and have a payment, if you have a mortgage on a house, if you have debt that you carry on credit cards, if you're married or have kids, that is certainly one thing that is a major financial burden or financial concern for Americans and people across the world, is finances in marriage and that trying to keep finances stable but also being honest and transparent with each other is extremely important to your financial success as well as your romantic success. How? Realistic estimates of total expenses. So really sitting down tabulating what you're spending every day or every month, looking at what doesn't have to be paid. Can your mortgage be put in a lower rate?

For example, a 30-year mortgage refinance instead of a 15-year mortgage? Can your student loans be put in forbearance? Can your credit cards be balanced, transferred to another credit card with a six-month zero interest period? Things like that. So getting a realistic number that is not too low, but not egregiously high, for six months. Eventually, it'll be 12 months. And then any residuals from that will go into your long-term investments accounts, which will add to your wealth. It's off limits, so it really should not be utilized for buying a car if you don't have to have one. It shouldn't be used for paying for trips and vacations or dinners. I think you get it, but it just needs to be a protected account for emergencies. Next slide please.

This is a financial pyramid or a hierarchy. There is a ton of these out on the internet and they're all a little bit different. This I thought was built closest to my lifestyle. And you can see, right in the middle there is getting to your savings, really getting into a more stable financial state for long-term growth. Essentially a foundation on which you can build your wealth on is, in this case, a three-month cash reserve. I think that's a little too tight, especially given the market for finding a new job as a pathologist is not quite a three-month market. It's typically a little bit longer. So make sure, say, in the worst case situation, you lose your job or your practice closes, you're able to find a job and live on that emergency fund during that period of time. Next slide please.

Credit cards are not an emergency fund. This is partly because they're not great for conserving your usage of money, but they also grow on compounding interest against you, to your detriment. So do not use a credit card as an emergency fund. Certainly, credit is a tool of last resort in emergency situations, but it does not replace an emergency fund. Next slide please. Couple of side items. These are two fun topics that I thought I would touch on, though I am no means an expert on either of these or any of the content that I'm discussing today. Next slide please. First side item is a backdoor Roth. These are at least currently legal and often recommended or encouraged. I don't know if encourage is the right word, but an option provided by your financial advisors. They're a great way to sneak or hide an extra $6,000 under the mattress, if you have an extra $6,000 laying around at the end of the year.

So in the past, what I've done, is if my emergency fund is a little bit above what it needs to be for essential expenses, I will squirrel away $6,000 in December, before the end of the calendar year, into a traditional IRA account, which does not have, obviously, the income limitations that a Roth IRA does. Roth IRAs, again, are typically for people of lower income brackets. So since I'm a high earner, I can put it in a traditional but not a Roth, at least in the standard sense. Put in the amount in a traditional IRA and then fill out a specific form. The form is an 8606 that needs to be completed before the end of the tax year. Typically, put together by your financial advisor, though I believe people can do it independently and then it becomes a Roth. And so it is on post-tax dollars, so you have to pay tax on that amount that gets converted into a Roth, but that amount grows tax-free.

So basically, it's a loophole that allows a high earner to put amounts, the limits, in a Roth IRA, when they would otherwise not be allowed to. It's typically something that people do at the end of the year when they have extra money lying around that could grow under a more protected tax situation. And again, Roth or not to Roth is a discussion or a consideration that you need to have based on what your retirement outcomes are and what your perceived trajectory with your income bracket is going to be over your life. Next slide please. Cryptocurrency. This is a lot, text on a slide. I tried to pack in a lot on it, which was maybe a little ambitious, but there's several ways to obtain cryptocurrency. Most of us now buy on an exchange like Coinbase, but buyer beware, this is still unregulated. Many cryptos come out that are complete scams and disappear overnight, stealing millions of dollars from people that have bought into them with actual dollars.

It's a fiat currency like the US dollar, the euro, the pound. It's not backed on any physical asset. I cannot go to a bank and say I have $10, give me $10 worth of gold. It is purely a limited production of code that is representative of a currency. Though, the backing is a bit interesting or a bit different than what we're used to with the traditional US dollar. Blockchain is the key feature of cryptocurrencies. We'll have a slide next that goes into it in more details, but essentially tracks the code which represents the piece of currency or the bill over a transaction ledger. With that nodes, nodes are basically individuals on the internet that recognize and transcribe or record the transfer of that asset.

It's a little bit difficult to tell if cryptocurrency, Bitcoin is the best example of this, if it's an asset, a commodity or a currency. I think bitcoin is becoming more and more of an asset that generates value because it is so resource limited, a lot like gold, whereas Solana or Ethereum are handled a little bit more like currency, but where those will grow in the long run, I have no idea. Valuation is highly speculative, but those are some factors that come into play. Federalization is probably something in the future, and slowly, especially small, developing countries are bringing crypto into their mainstay as a federal representation.

Actually, El Salvador is notorious for the Chivo Wallet, which is a crypto exchange. So basically, they're creating the platform on which to use crypto as a currency. They're not necessarily making the crypto or sourcing it, they're just allowing the transaction. There are many challenges, especially with the stability and valuation. And it is rife for exploitation, so buyer beware. Next slide please. This is the key to why crypto is, I think, a long-term reality for us, is blockchain ledger technology. So essentially, every dollar in crypto that I give to someone else is being documented by usually anonymous participants. They call them nodes, that is tracking the transfer of that money. They don't know where exactly it went. They don't know it's me giving it to Sam, but they know that this user sent it to this user. So it is trackable and secure. However, the biggest thing is that it can still be hacked.

Crypto can still be stolen just like, well, not just like, but like a regular dollar, just in a slightly different way. And the actual backing of cryptocurrencies can be highly variable and also can basically fall out of the bottom where people that are generating the code, the source code for the crypto, may generate more code than is necessary, flooding the market and devaluing the crypto. They may keep a large amount of it for themselves and basically sell it off in exchange for dollars, and then disappear making the crypto continue to lose in value. So lots of risks, but it's interesting topic that I don't think is going to go away. Next slide please.

And this is a bit where the trajectory of Bitcoin is going. I'm just alluding that it may be a bit of a bubble. So the gray line represents the current change of value of Bitcoin from the start of trading, and then on the lower right in the blue, orange and yellow shows other sectors that have gone through massive loss of value, basically bubble bursts. And so, this may be an interesting time for Bitcoin, so invest with caution. Next slide please.

This may or may not be a quote by Albert Einstein. I'm not sure I believe it, but again, harping on compounding interest, use it to your advantage. Don't pay it. Thank you. And I think that's my last slide. Awesome. Thank you all very much for your time. I hope this was at least thought-provoking, if not a little bit educational.

**Dr. Weston Rothrock:**

Awesome. Thank you very much Dr. Brown, Dr. Rasinski for sharing all that content with us and we certainly appreciate it. And it looks like there have been several questions asked in the chat, and I'll look at those now. Someone has asked about the 403(b) and a 50% match. Is that good?

**Alan Brown:**

I don't participate in a 403(b) currently, but at least in my experience and exposure, my spouse is part of a 403(b). That is a good match.

**Dr. Weston Rothrock:**

Right. All right, cool. Seems like someone had answered that, offered that feedback. And I think I would agree. A lot of it, seems like there's different schemes that use at different places. Sometimes it'll be 50% match. If you put in 10, they put in five. I've heard of other schemes as well. Place one time, where you have to put in 9% to get 3% or 4% from your company. So it will vary, depending on the location.

Let's see. We also have concern about, I've heard this term fiduciary advisor. Could one of you guys talk just briefly about what a fiduciary advisor is versus other types and how to identify one of those?

**Alan Brown:**

I'm not sure I'll get the definition perfect, but my understanding of a fiduciary advisor is one that is supposed to be fair and balance, not selling you financial products to their gain. So they should be representing your best interest and not trying to sell you products that make them money.

**Dr. Jacqueline Rasinski:**

And I just pulled up, I put a reference in the chat. This is an archives of pathology article that was written by Dr. Mills and Dr. Chan Pho. And on their first page, 'fiduciaries are legally and ethically bound to act in the client's best interest.'

**Dr. Weston Rothrock:**

That sounds desirable.

**Dr. Jacqueline Rasinski:**

It's crucial to choose one who is labeled a fiduciary. So if you want to read more about technically what that means and then which credentials go with the fiduciary designation, that link, that reference is in there.

**Alan Brown:**

And every time I engage a financial advisor, it's one of the first questions I ask them. If they're squirrely about the response, you should probably move on.

**Dr. Weston Rothrock:**

Sounds like sound advice. I like that. All right. And we had a question about HSA contributions. They're capped each year, but they can roll over. Is that true? Is that how that works?

**Alan Brown:**

That's true. I'm sorry I didn't make that clear. They roll over and so you can put a lot away in an HSA over your lifetime.

**Dr. Weston Rothrock:**

All right. And I had a question that came up. You may have answered this, but I missed it. What happens upon your debt if their funds left in that account? Does it roll to someone else? Does it fall away.

**Alan Brown:**

Would be part of your estate as any other investment account, they will have to pay taxes on it, but it will go to your executor.

**Dr. Weston Rothrock:**

All right. Excellent.

**Dr. Jacqueline Rasinski:**

I think it's state legislation, varies by state too. There are different protection for assets, depending on the state that you're in, so that's something to look into.

Also, I'd like to say there's not one right answer to any of these questions. We're not pretending that there's only one right answer. And so, there are extremes where you don't want to fall outside the 95th percentile with what you're doing. You don't want to put all of your portfolio into cryptocurrency, but if you put a single digit percentage of your total assets into cryptocurrency, then it's not speculative, it's not scary.

**Dr. Weston Rothrock:**

That's an excellent point. All things in moderation. So then, we've also had a question posed, how do you determine the tax bracket you will be in when you retire? I feel like that's a huge question. If you guys can tell us that, then we're good.

**Alan Brown:**

That really that depends on you. Are you planning to pay a mortgage? That's a big expense. Are you're going to take your grandchildren to Disney World every year or are you going to retire to a cabin in the woods and live off campfire and reading novels all the time? Basically, what are you anticipating your lifestyle to be like when you retire? What do you want to do that will factor into your expenses and how much you need to live on? Typically, it's lower than our working life, but not necessarily always, especially if we want to take rock and roll cruises every two weeks.

**Dr. Jacqueline Rasinski:**

And one other thing, if you have a mix of taxable and Roth type accounts and 401ks, then once you're done earning an income when you retire and you're not getting W-2 income anymore, you're able to mix up which accounts you're pulling from in order to determine your own tax rate, your own tax bracket. So that's something that's actually within your control. And White Coat Investor has a lot of really good resources on how to set your own tax rate in retirement doing that.

**Dr. Weston Rothrock:**

I will say, I've heard also some charitable organizations will help you with that. They're these required minimum distributions from some of the tax deferred accounts, but if you contribute directly to those, it comes off of your income, so you can adjust your bracket in that way as well, even if you have to take distributions out of your accounts.

**Dr. Jacqueline Rasinski:**

I'll answer this question. I see something about resources. I think Alan also, Dr. Brown had a bunch of resources that was going to be either a slide that you can come back to or maybe you can just put those in the chat.

About resources, I'm a huge fan of White Coat Investor, Jim Dahle, who's emergency medicine, and he's been blogging in his blog posts and forums where people are posting things into a podcast. And so, I'm a busy mom and working full time and in a private group on a partnership track, so I don't have time to do a ton of reading, but I have Audibled his book. He's got a book that's White Coat Investor, and then he has a free podcast that's excellent. So you can, by topic, just search for things that you're interested in and that's just a podcast that's White Coat Investor. I think he came and spoke to the residents forum and stuff, so yeah, that's White Coat Investor.

**Dr. Weston Rothrock:**

Several good resources there. And this slide deck will be posted on the CAP website and New-In-Practice page, and then also just listed under the webinars category as well. If you'd like to go back in and reference this later, these will be available there.

Let's see. Looking for other questions to come up. Anything else? Thank you for the Google Doc, the budget you can fill out on your own. Maybe just one last question for Dr. Brown and Dr. Rasinski, is there a way that you can keep motivated? How does it work for you when you see this money, that you're like, "I could spend this right now and buy whatever," versus put it away and hopefully have 10 times that much later. Is there a trick you use or a rule of thumb how much you let yourself spend for fun now, versus, say, for later?

**Dr. Jacqueline Rasinski:**

Do you want to go first, Dr. Brown?

**Alan Brown:**

Sure, I'll go first. So for me, I have very little control. I'm quite impulsive and I have very fancy tastes, so I take it away from myself before it even hits my account, right after it hits my account, basically. So I automate as much of my retirement distributions as possible, so that it can even get to me in time before it gets put in the appropriate account.

And then, it's useful to have a breakdown in your head. Is 70% of my income usable and 30% dedicated to retirement and savings, things like that. It can be very helpful, though I don't have a hard and fast percentage that I split on.

**Dr. Weston Rothrock:**

Awesome.

**Dr. Jacqueline Rasinski:**

I'll say the same exact thing. I have automated where my paycheck goes every month. And then just like Dr. Brown, I don't think about it. I don't have fancy taste in things. Generally, if I buy things that are nice, they get broken by my kids, but in the same... Every dollar has a job, right? This dollar is going to building wealth, so that's paying off debt or going into a retirement account. This dollar is paying for childcare. And so every dollar just has a job and I know what those jobs are, so I don't have to think about it.

**Dr. Weston Rothrock:**

Excellent. All right. Thank you both very much. And looks like we've reached basically the end of our time with you all. Thank you so much for joining. We hope you found this information useful and this is something that we use, your CAP membership dollars, to help develop programs like this and keep a website up and keep a presence and provide educational materials for the members.

So thank you so much for joining us today, and please take the survey that'll come out later and let us know what you thought. Thanks so much.

**Julie McDowell:**

As mentioned at the beginning of this episode, this discussion was originally recorded on November 12th, 2021 as part of the New-In-Practice Committee Roundtable sessions. For more information or resources from the CAP New-In-Practice Committee, please visit cap.org, click on 'member resources' and choose 'new-in-practice' from the dropdown menu.

Thank you for listening to this CAPcast. To listen to other episodes, find us on the MyCAP app, available for CAP members as well as SoundCloud, Apple Podcasts, Stitcher, Google Podcasts, and Amazon Music. Just search for CAPcasts from the College of American Pathologists on these apps. Once you find our podcast, be sure to click the subscribe button, so you don't miss any new CAPcast episodes.