

Scripting Your Financial Future: A Student Pharmacist's Guide to Money Management

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Your Financial Pharmacist

Disclosure Statement

Tim Ulbrich, PharmD is an owner of the following entities that have a relationship to the information being presented in this session:

- Your Financial Pharmacist Planning LLC
- YFP Tax LLC

November 6, 2015



Park222

Total Current Balance: **\$0.00**

All Loan Details

Loan	Current Balance	Interest Rate	Due Date
1-03 Stafford - Subsidized	\$0.00	4.700%	No Due Date
1-05 Stafford - Subsidized	\$0.00	4.700%	No Due Date
1-07 Stafford - Subsidized	\$0.00	4.700%	No Due Date
1-08 Stafford - Unsubsidized	\$0.00	4.700%	No Due Date
1-10 Consolidation	\$0.00	1.875%	No Due Date
1-11 Consolidation	\$0.00	1.875%	No Due Date
1-12 Stafford - Unsubsidized	\$0.00	2.320%	No Due Date
1-13 Stafford - Unsubsidized	\$0.00	6.800%	No Due Date
1-14 Stafford - Subsidized	\$0.00	6.800%	No Due Date
1-15 Stafford - Unsubsidized	\$0.00	6.800%	No Due Date
1-16 Stafford - Subsidized	\$0.00	6.800%	No Due Date

I WAS A CONFUSED, TRAPPED
PHARMACIST LIVING PAYCHECK
TO PAYCHECK



Debt Free Story



**A six-figure salary is
NOT a financial plan**

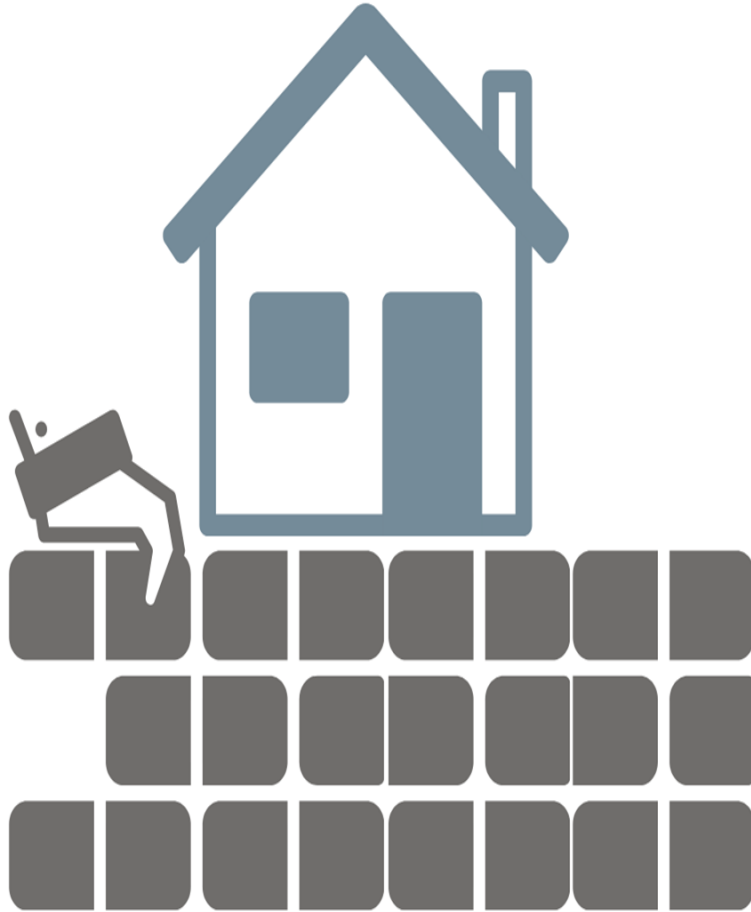
Poll Question!

What is your top financial concern?

Learning Objectives

- Define short- and long-term financial goals
- Establish a spending plan (budget)
- Explain important considerations for building an emergency fund
- Define the available student loan repayment options
- Define tax-advantaged retirement accounts

Key takeaway: Building wealth, achieving financial independence and living a 'rich' life is dependent upon having a strong financial foundation



Checklist for a strong \$ foundation

- Developing a monthly system
- Knocking out the baby steps
- Having a student loan repayment plan
- Preparing for the catastrophic
- Having a plan for long-term investing

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Zero-Based Budget

Total Income



Total Expenses



\$0

Key Features of ZBB

- Every dollar has an assignment
- Should be set up before month begins
- Unique every month

1. Determine take-home pay



Your monthly income you actually receive

2. Determine essential expenses



Necessities like housing, food, transportation, insurance, minimum debt payments

3. Determine discretionary expenses



Things that are nice to have. Think lifestyle –eating out, entertainment, vacations

4. Determine disposable income and allocate

Money left over after all expenses paid for that goes toward your top financial goals

Case Study

- 1st yr. post grad
- \$120,000 / year
- \$6,500/month net pay

It's April and she wants to create a budget
for May

#1 Financial Goal = Pay down Student Loans (\$150k)

#2 Financial Goal = Fund an IRA (\$6,500)

#3 Financial Goal = Down payment on house (\$60k)

Step 1: Determine Take Home Pay		
\$6500		
Step 2: Determine Essential Expenses		
Expense	Amount	Balance
Rent	\$1500	\$5,000
Renter's Insurance	\$25	\$4,975
Utilities	\$100	\$4,875
Groceries	\$350	\$4,525
Car Payment	\$400	\$4,125
Gas and Tolls	\$150	\$3,975
Personal care/healthcare	\$100	\$3,875
Student Loan Payment	\$1500	\$2,475
Life insurance	\$30	\$2,445
Disability Insurance	\$100	\$2,445
Liability Insurance	\$15	\$2,430
Car Insurance	\$80	\$2,350
Cell Phone	\$100	\$2,250
Internet	\$50	\$2,200
TOTAL	\$4,300	

Step 3: Determine Discretionary Expenses

Expense	Amount	Balance
		\$2200
Professional Memberships	\$75	\$2,125
Clothing	\$200	\$1,925
Restaurants/Entertainment	\$300	\$1,625
Netflix/Hulu/Cable	\$75	\$1,550
Total	\$650	

Step 4: Determine Disposable Income and Allocate Toward Goals

$$\$6500 - (\$4,300 + \$650) = \$1,550$$

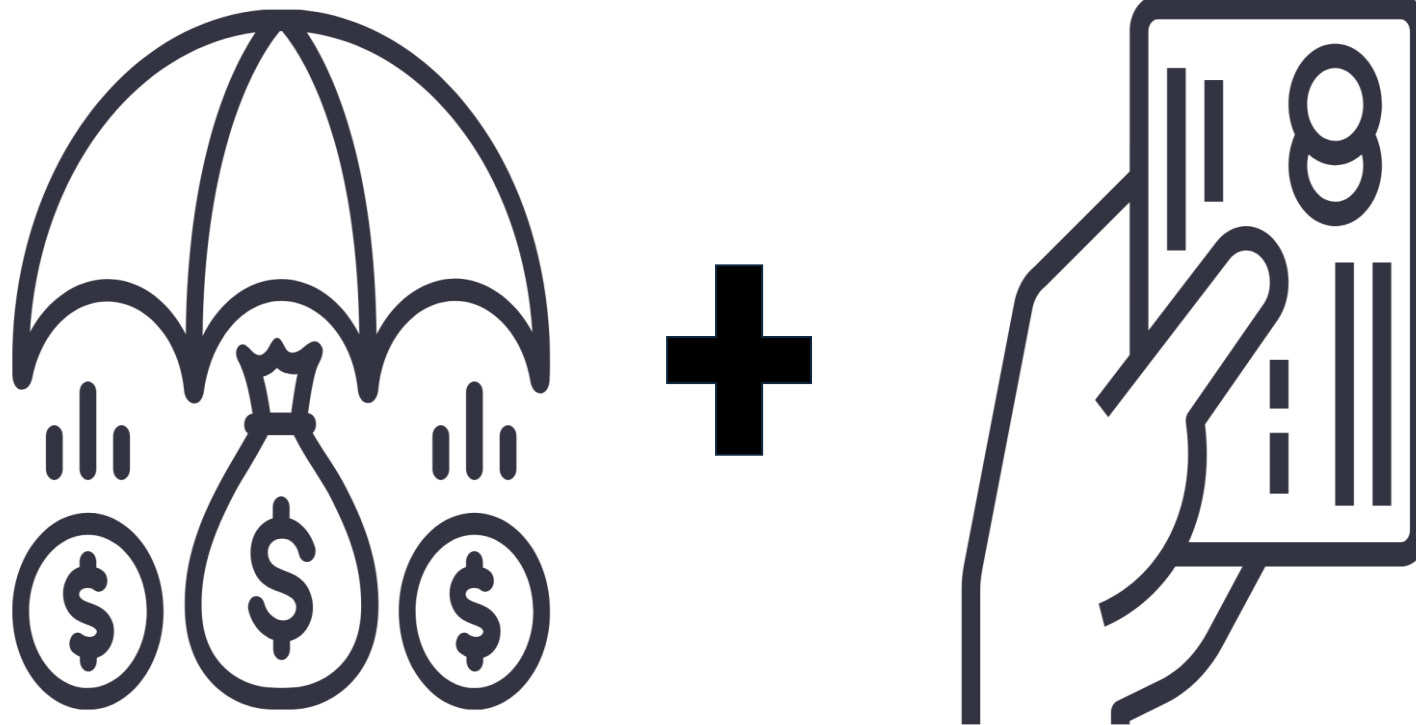
#1 FG – Pay off student loan	?	?
#2 FG – Fund IRA	?	?
#3 FG – Down payment	?	?

Step 3: Determine Discretionary Expenses		
Expense	Amount	Balance
		\$2200
Professional Memberships	\$75	\$2,125
Clothing	\$200	\$1,925
Restaurants/Entertainment	\$300	\$1,625
Netflix/Hulu/Cable	\$75	\$1,550
Total	\$650	
Step 4: Determine Disposable Income and Allocate Toward Goals		
\$6500 – (\$4,300 +\$650) = \$1,550		
#1 FG – Pay off student loan	\$1100	\$450
#2 FG – Fund IRA	\$450	\$0
#3 FG – Down payment	0	0

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- **Knocking out the baby steps**
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Knocking out the baby steps



Emergency Fund 101

- Goal = Protect your financial plan *when* an emergency happens and work from a position of financial strength
- Target = 3-6 months worth of essential expenses
- Vehicle = Long-term savings account, money market account, etc.
- Tip = separate from checking account and label as emergency fund!



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Poll Question!

How much was the median
debt load for pharmacy
graduates in 2010?



Amount Borrowed to Finance PharmD Education

\$160,000
2022



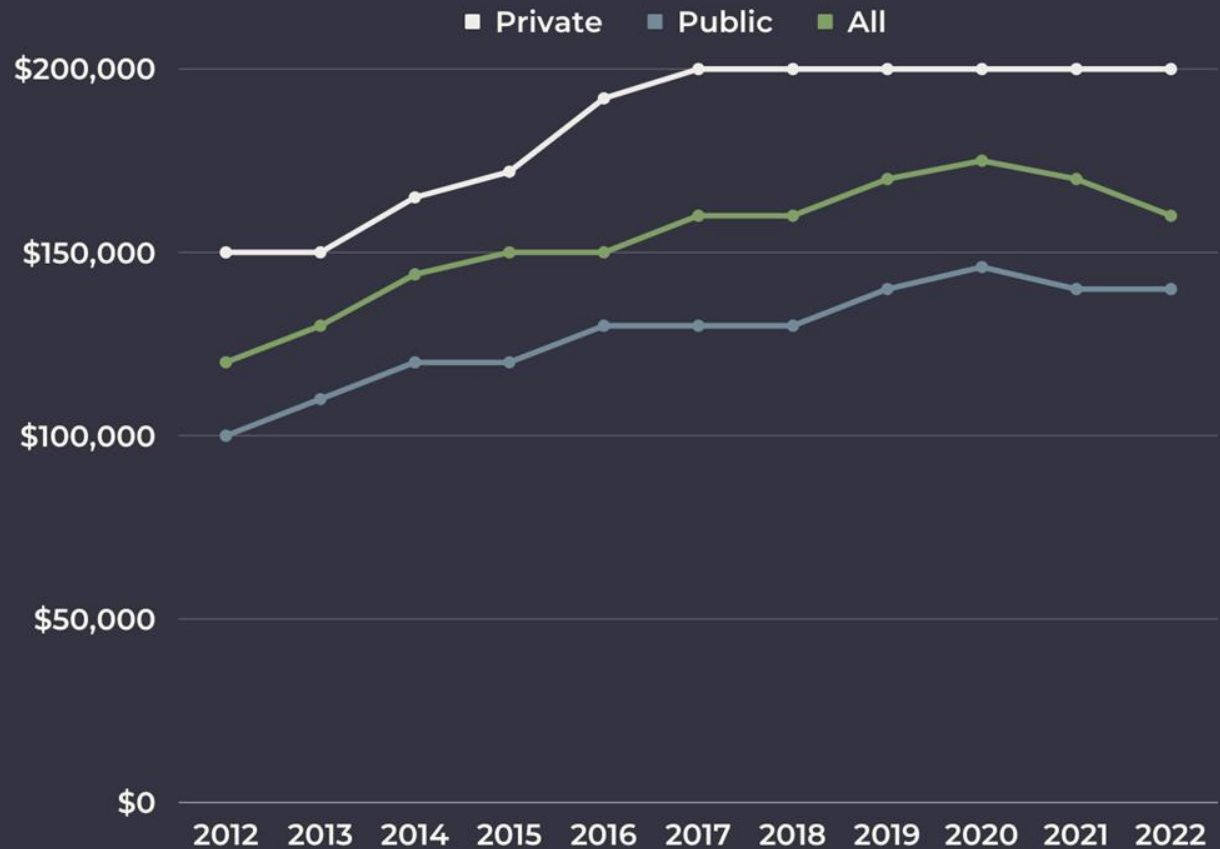
\$15k

since the high in 2020



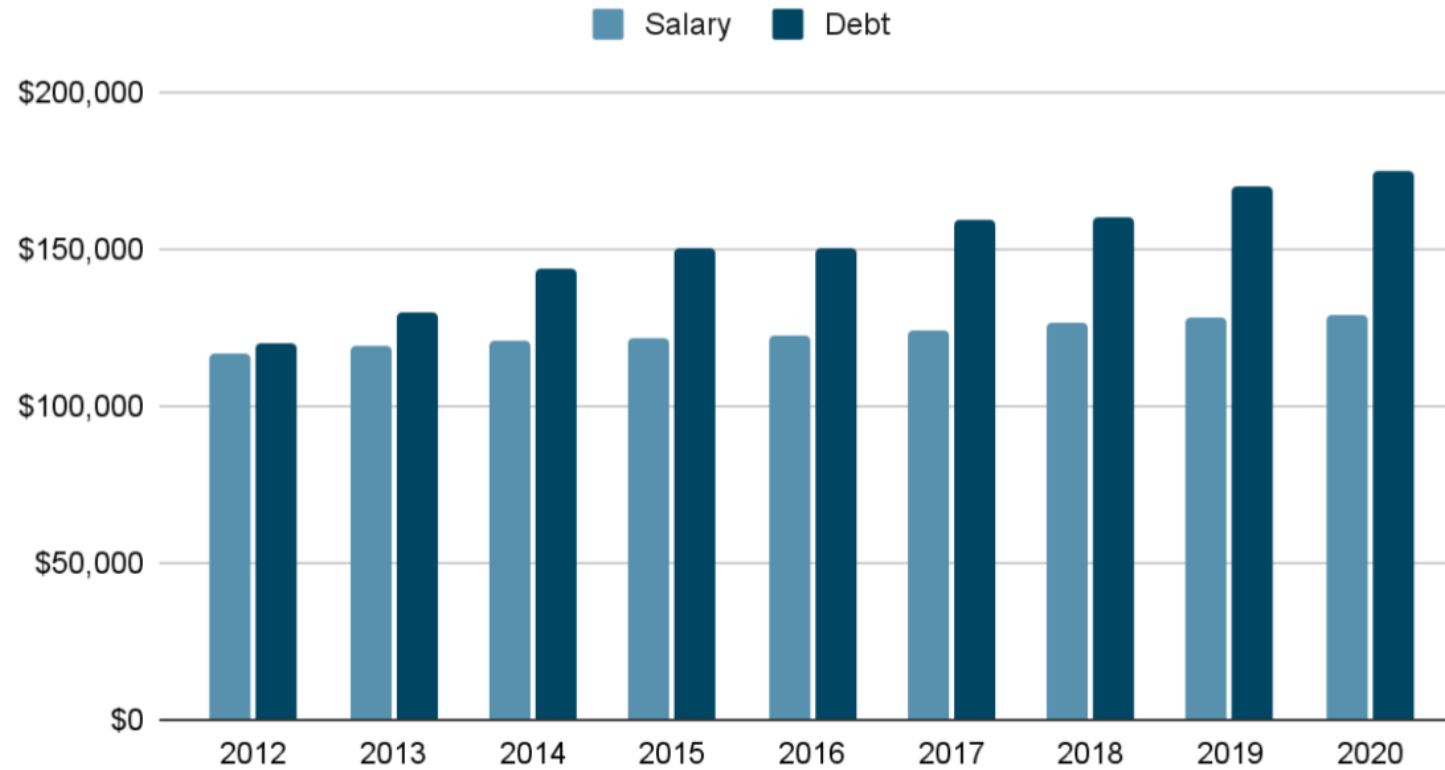
\$40k

since 2012

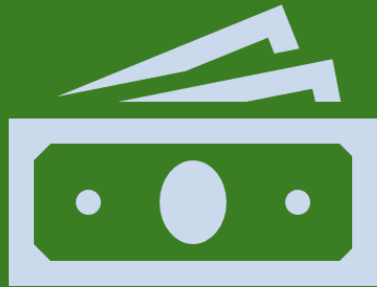


<https://www.aacp.org/categories/graduating-student>

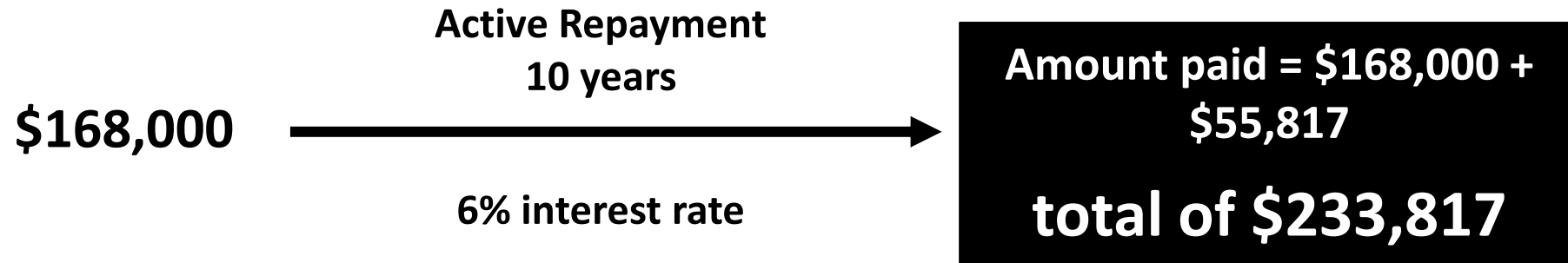
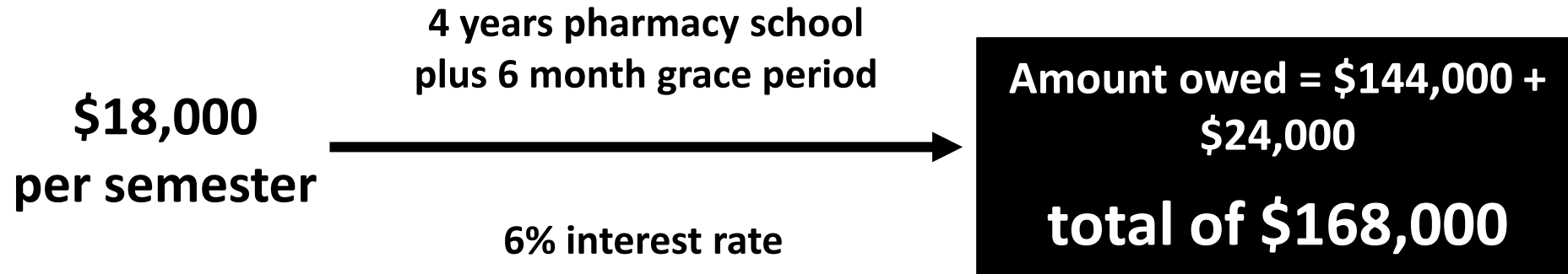
Graduating Debt Load (AACP) vs. Median RPh Salary (BLS)



Total Cost of Loans



- Total outstanding balance
- Interest rate
- Loan term or anticipated time to payoff



Total Cost of Loans

Federal Loans are either...

Subsidized

Interest does not accrue while
in school, grace period, or
deferment

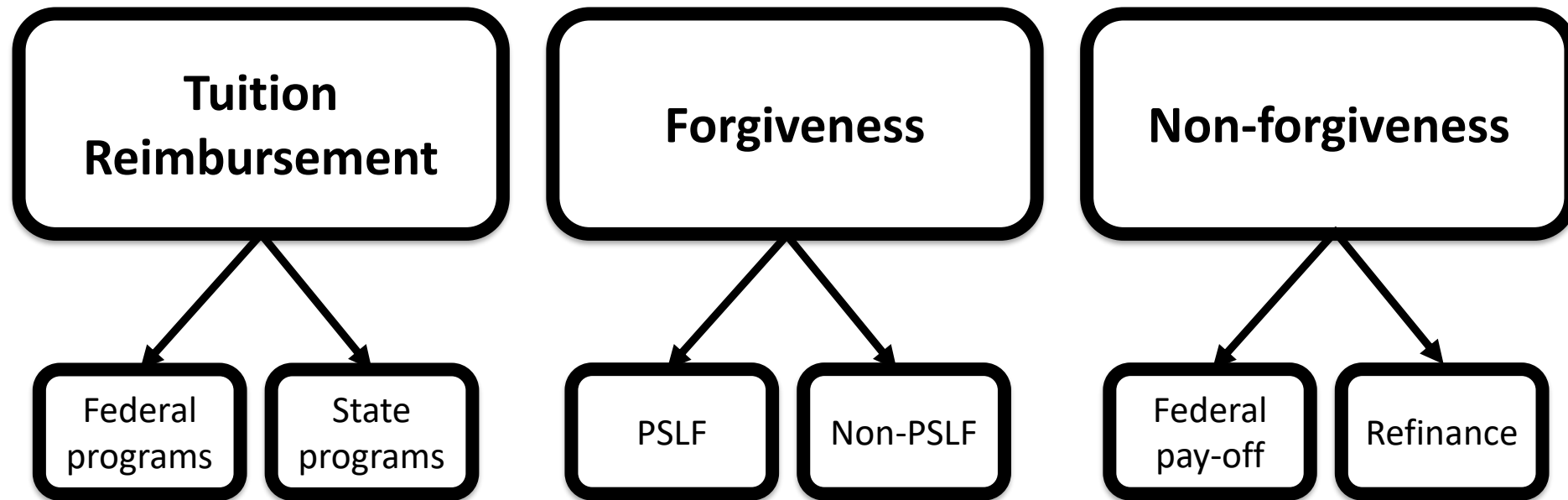
- Direct Subsidized (Undergraduate)
- Direct Consolidation
- Perkins

Unsubsidized

Interest accrues while in
school, grace period, or
deferment

- Direct Unsubsidized
- Direct Plus
- Direct Consolidation

Student Loan Payoff Strategies



Public Service Loan Forgiveness (PSLF)

- Work for the right type of **employer**
- With the right kind of **loan**
- In the right **repayment plan**
- Make the right amount of **payments**
- **Prove it**
- **Apply** and receive **tax-free** forgiveness

PSLF vs. Non-PSLF Forgiveness

	PSLF	Non-PSLF
Time to Forgiveness	10 years	20-25 years
Employer	Government / 501(c)(3)	Any
Type of Loans	Direct	Direct
Taxable Forgiveness	No	Yes
Monthly Payments	Based on AGI	Based on AGI
Repayment Plans	Income-driven	Income-driven



Listen on
Apple Podcasts



How Anna Got \$127k Forgiven Through PSLF



Episode 214



w/ Anna Santoro, PharmD

How 3 Pharmacists Had \$700,000 of Student Loans Forgiven



Episode 248



w/ Robert Lopez, CFP®

How One Physician Had \$550k+ of Loans Forgiven via PSLF



Episode 330



w/ Brenna Roth, MD, MPH

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- ✓ **Term Life**
- ✓ **Long-Term Disability**
- ✓ Professional Liability
- ✓ Homeowners/Renters
- ✓ Auto
- ✓ Health
- ✓ Umbrella

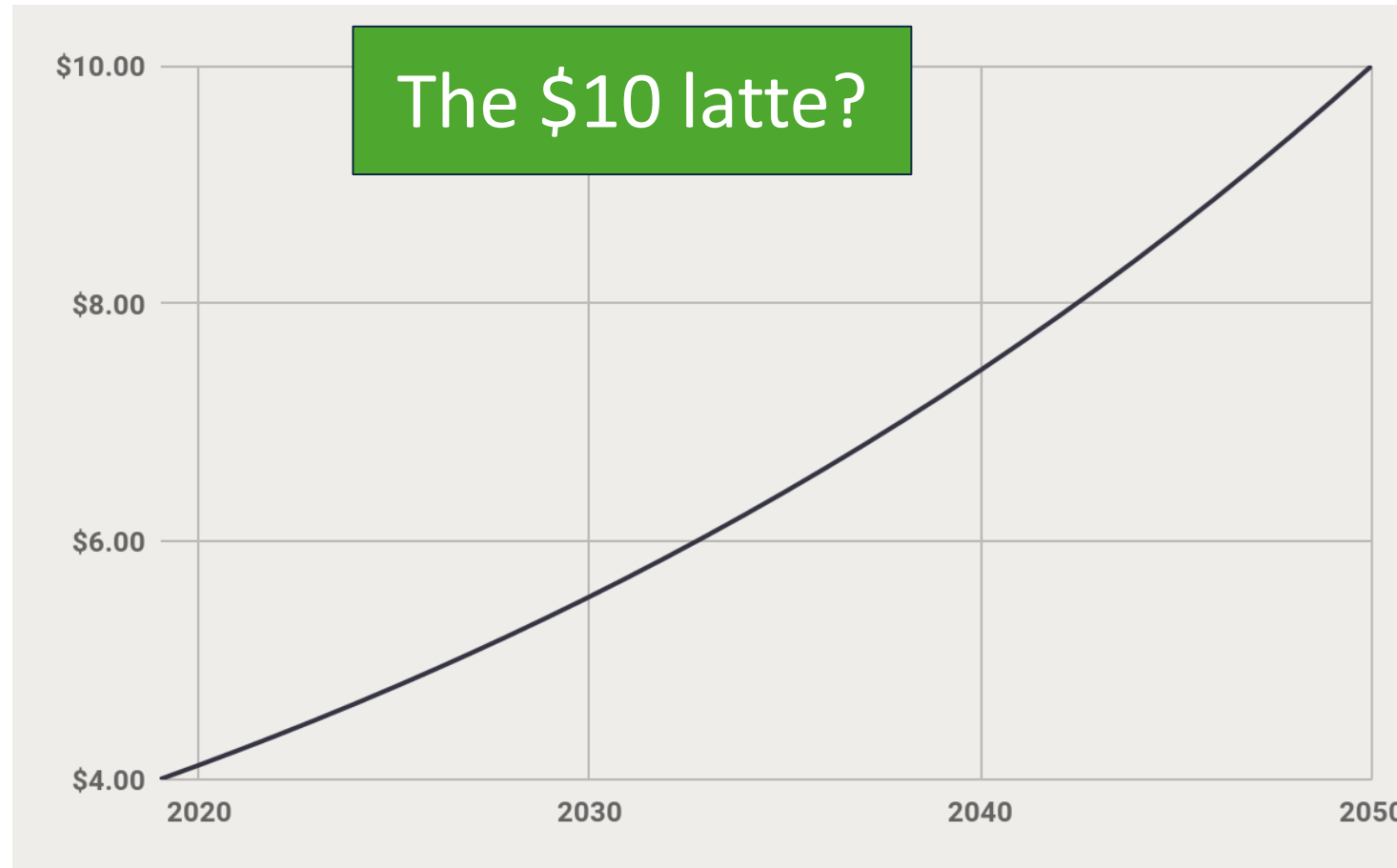
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Poll Question!

How much do you think you
need to reach financial
independence (FI)?

Why is Investing Necessary?

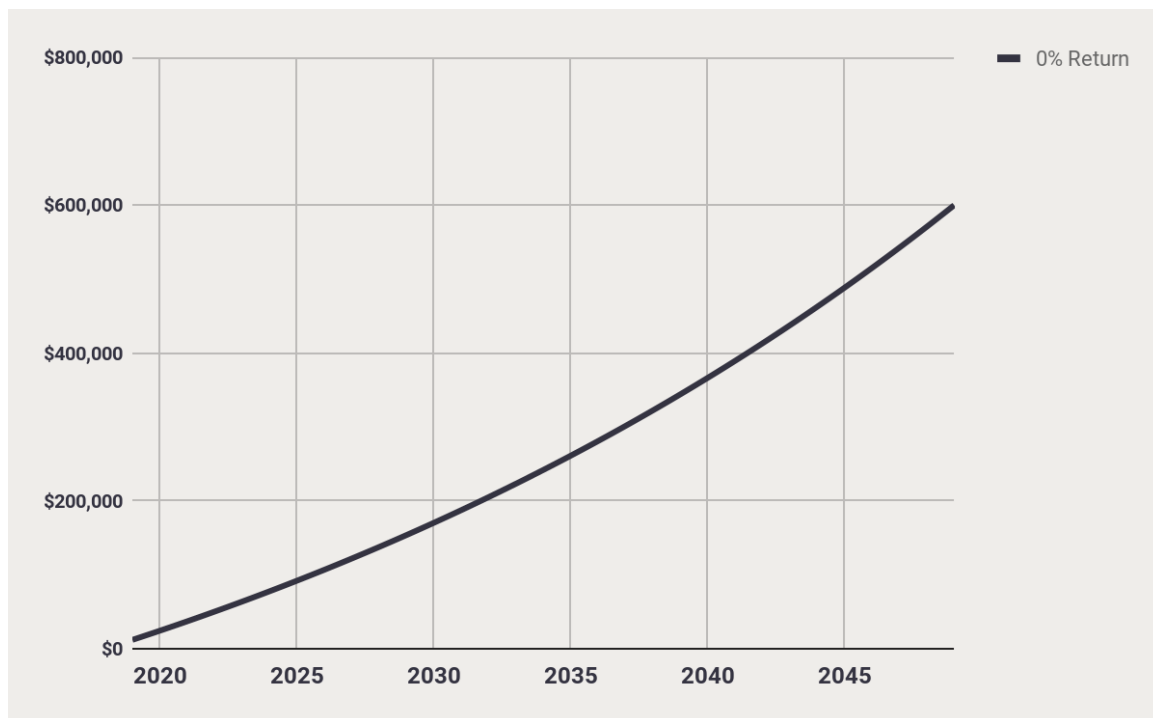


Saving WITHOUT Investing

Conservative Jane (Assumptions)

- \$120,000 income
- 3% COLA raises
- 10% contribution to retirement plan
- 30-year career

Saving WITHOUT Investing



Conservative Jane

At the end of 30
years, the nest
egg
=

\$600,032

“Compound interest is the eighth wonder of the world. **He who understands it, earns it ... he who doesn't ... pays it.**”

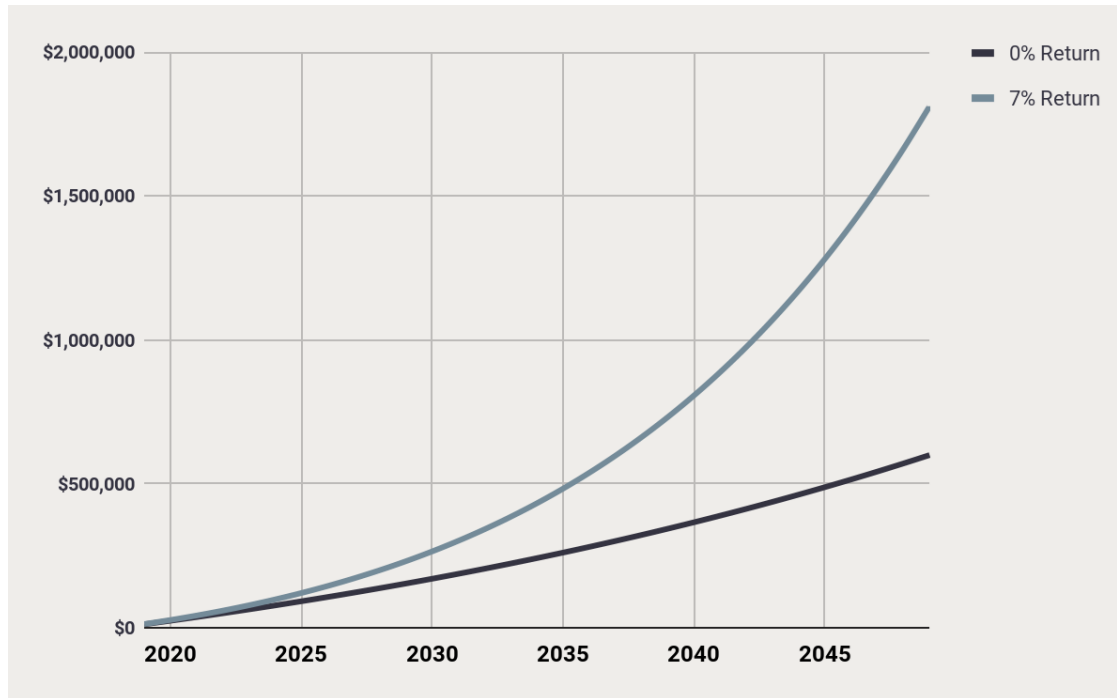
-Albert Einstein

Saving WITH Investing

Calculated-Risk Jane (Assumptions)

- \$120,000 income
- 3% COLA raises
- 10% contribution to retirement plan
- 30-year career

Saving WITH Investing



**Calculated-Risk
Jane**

At the end of 30
years, the nest egg

=

\$1,812,055

Effect of Delayed Savings

Assumptions

- Median pharmacist pay \$126,000
- 2% increase in income per year
- 15% of income invested
- Average annual rate of return of 6%
- No match
- Planned retirement age of 60

Age 25

• \$2,619,609

Age 30

• \$1,837,529

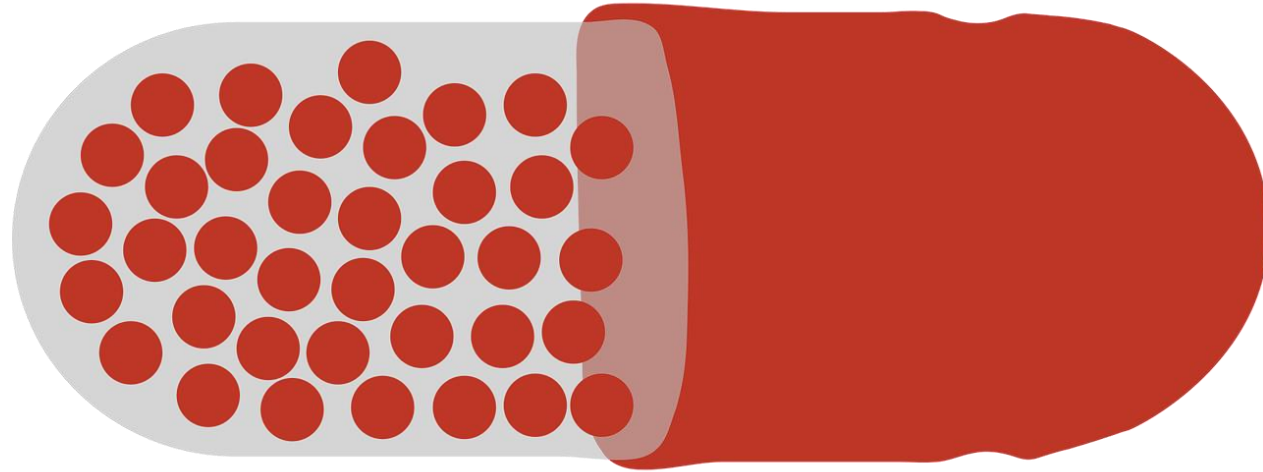
Age 35

• \$1,254,140

Age 40

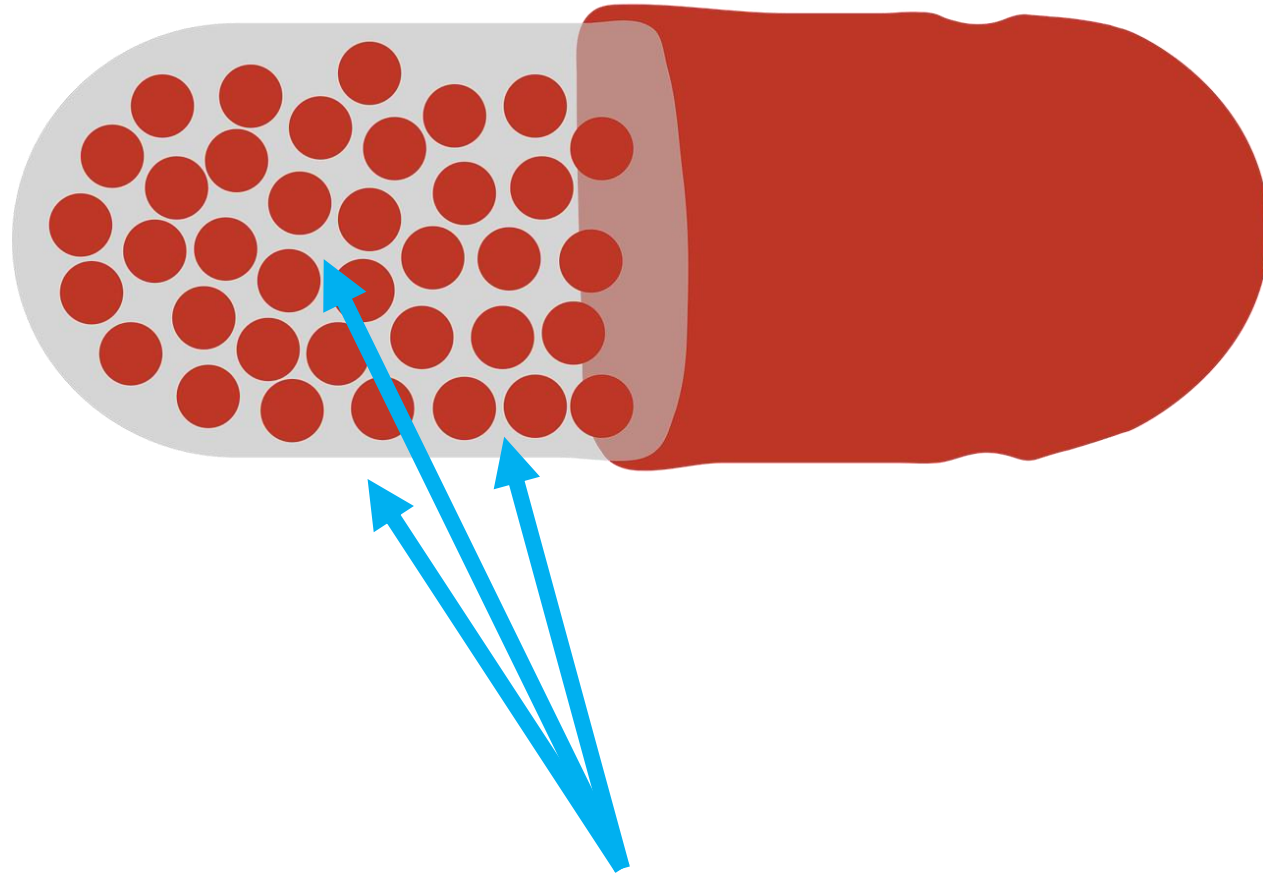
• \$822,394

Capsule = Tax-favored account



401(k), TSP, IRA, HSA

Beads = Investments



Stocks, Bonds, Mutual or Index Funds

Tax-Favored Retirement Accounts

Employer Sponsored Retirement Plan

401k, 403b, or TSP
Set up through your employer

Traditional

\$23,000/year

Roth

\$23,000/year

IRA

Set up through Vanguard,
TD Ameritrade, T. Rowe Price, etc.

Traditional

\$7,000/year

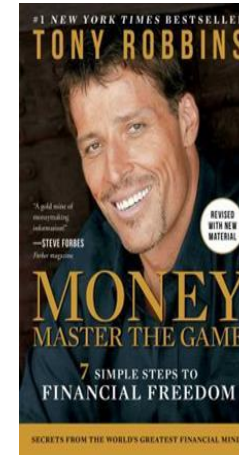
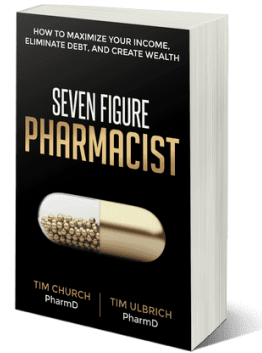
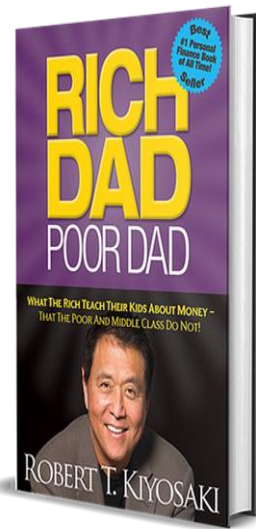
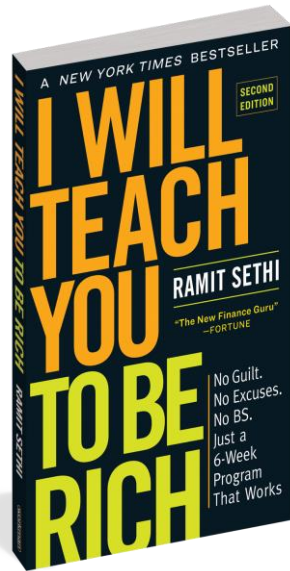
Roth

\$7,000/year

Common Investing Mistakes

- Investing before plan for high(er) interest rate debt
- No purpose or goal with investments
- Using taxable accounts out of order
- No emergency fund in place

What else can I be doing?!



Need More Information?

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OPA Annual Conference & Trade Show
April 5-7, 2024

