Orthopaedic Residency
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How to Get Into a Program and Succeed Once You’re There

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To Adele, whose never-ending support of my pursuits is a continuing inspiration, and to our children Taylor and Isabella, whose smiles provide me with the greatest joy I have ever experienced
Laith M. Jazrawi MD

To my parents, John and Joan, who have given me every opportunity in life and taught me the value of hard work.
Craig J. Della Valle MD

To my parents, Rashad and Sana, whose patience and support have been invaluable during my academic pursuits, and to all my senior residents during training, who taught me all those things about residency that were never written down...until now.
Basil Elbeshbeshy MD

To my loving family.
Kenneth J. Koval MD

To the orthopaedic residents and medical students with whom I have worked since 1984—for all they have contributed to my experiences as an orthopaedic surgeon and educator and for the stimulus for life-long learning that their questioning provides.
Joseph D. Zuckerman MD

Orthopaedic Residency:
How to Get Into a Program and Succeed Once You’re There

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Produced by William S. Green.
A note on Web addresses

Despite our best efforts to provide up-to-date Web addresses, you might eventually reach a broken link—a page that has been moved and renamed, or no longer exists. Unless the site's Webmaster has set up a redirection engine ("This page has moved... please find the new page at ______"), most likely you will end up staring at one of those disconcerting "Not Found" messages. If this happens, there are a couple of things you can do:

1. Access the site's home page and search from there. The fastest way to do this is to "back up" on the address. For example, if you go to
   www.training.nih.gov/student/srfp/catalog/index.asp
   and find yourself at a dead end, insert your cursor at the end of your browser's address field, backspace over everything until you are at the root directory ("home page")—
   www.training.nih.gov
   and press Enter or Return. This will bring you to the site's home page; from there you might be able to navigate to the desired page using hyperlinks or the site's search engine (if one is provided).

2. Use one of the general-purpose Web search engines. There are several good ones, including Altavista, Hotbot, Yahoo, Excite, and Google (our favorite). More about search engines can be found at websearch.about.com. One specialized medical search engine is www.mednets.com. Start your search for publications at PubMed:

Contents

Foreword
Joseph D. Zuckerman MD .................................................. ix
Preface ................................................................. x
Acknowledgments ...................................................... xi
Contributors .......................................................... xiii

Part I
How to Get Into an Orthopaedic Residency Program
1 Evaluation of the Applicant: The Program Director's Perspective
   Joseph D. Zuckerman MD ........................................... 3
2 Medical School: The Early Years
   Laith M. Jazrawi MD and Michael Dennis MD ................ 11
3 Medical School: Clinical Clerkships and Electives
   Craig J. Della Valle MD ............................................ 16
4 The Application Process
   Jeremy Idjadi MD and Craig J. Della Valle MD .............. 22
5 Letters of Recommendation
   Basil Elbeshbeshy MD ............................................. 34
6 Interviews
   Jeffrey Klugman MD and Debra Parisi MD ................. 38
7 Choosing a Residency Program: The Match
   Hargovind DeWal MD and David Chang MD ............... 49

Part II
Surviving and Succeeding in an Orthopaedic Surgery Residency Program
8 Internship
   Frank A. Loporace MD ........................................... 55
9 Conferencemanship
   Basil Elbeshbeshy MD ........................................... 62
**Contents**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Authors</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Residency Survival Skills</td>
<td>Basil Elbeshbeshy MD</td>
<td>65</td>
</tr>
<tr>
<td>11</td>
<td>Residency Etiquette</td>
<td>Daniel Polatsch MD and Laith M. Jazrawi MD</td>
<td>70</td>
</tr>
<tr>
<td>12</td>
<td>The Orthopaedic In-Training Examination</td>
<td>Laith M. Jazrawi MD</td>
<td>74</td>
</tr>
<tr>
<td>13</td>
<td>Research During Your Residency</td>
<td>Craig J. Della Valle MD</td>
<td>77</td>
</tr>
<tr>
<td>14</td>
<td>Fellowships</td>
<td>Craig J. Della Valle MD, Laith M. Jazrawi MD, F. Thomas Kaplan MD, Craig Miller MD, Jeffrey Richmond, MD, and Afshin E. Razi MD</td>
<td>83</td>
</tr>
<tr>
<td>15</td>
<td>Finances During Residency and Beyond</td>
<td>Harlan Levine MD and Jordan Simon MD</td>
<td>101</td>
</tr>
<tr>
<td>16</td>
<td>What to Do If You Don’t Match</td>
<td>Laith M. Jazrawi MD and Kenneth J. Koval MD</td>
<td>121</td>
</tr>
</tbody>
</table>

**Appendixes**

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Accredited U.S. Orthopaedic Surgery Residency Programs</td>
<td>123</td>
</tr>
<tr>
<td>B</td>
<td>Sample Personal Statements</td>
<td>141</td>
</tr>
<tr>
<td>C</td>
<td>Sample Curriculum Vitae</td>
<td>144</td>
</tr>
<tr>
<td>D</td>
<td>Sample Operative Reports for</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>Common Orthopaedic Procedures</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>Sample Postoperative Checks for Orthopaedic Patients</td>
<td>156</td>
</tr>
</tbody>
</table>

**Foreword**

The concept for this book was developed by our residents, and it was their drive and determination that brought it to a successful completion. Dr. Koval and I were enthusiastic from the beginning; with the completion of the project, our enthusiasm is greater. This text is truly a “how-to” guide—for medical students whose goal is to match to an orthopaedic residency program; for orthopaedic residents who want to both “survive and thrive” during training; and for residents who seek fellowship training in one of the subspecialties of orthopaedic surgery. While any one program differs somewhat from the others, I am sure that every medical student and orthopaedic surgery resident will find the information and advice presented here extremely helpful over a wide range of circumstances.

I congratulate all our residents who have dedicated their time and efforts to this text. They have produced a worthwhile guide—and have shown, once again, how truly outstanding they are.

Joseph D. Zuckerman MD  
Professor and Chairman  
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Preface

In conversation after conversation in which medical students sought our advice on how to pursue an orthopaedic residency, the authors were struck by how little information on this subject is available in print. We also realized that there is a similar lack of material on how to survive and succeed once a program has accepted you. Our own guidance in this respect we obtained informally, from our seniors, and although it was all extremely useful, it was in many ways incomplete.

This book was written to correct these deficits. The first part, “How to Get Into an Orthopaedic Residency Program,” includes advice on what you can and should do in medical school to increase your chances at obtaining a good residency position as well as chapters on the application process, letters of recommendation, interviews, and choosing a residency program (the “match”).

Part II, "How to Survive and Succeed in an Orthopaedic Residency Program," includes chapters on how to excel during internship, “conference-manship,” residency survival skills and etiquette, the Orthopaedic In-Training Examination (OITE), research during residency, postgraduate fellowships, financial considerations during residency, and advice on what to do if you don’t match in orthopaedics. Liberally strewn throughout both parts are recommended readings and important contacts, including Web addresses.

Among the appendixes are a complete listing of accredited orthopaedic surgery residency programs in the United States, sample personal statements and a CV, and representative operative reports and post-op checks.

We realize that the subject matter of this book is constantly changing and have made every effort to be as current as possible. We hope this book serves you well in medical school, during the application process, and throughout your residency.

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New York, June 2001

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Orthopaedic Surgery
How to Get Into an Orthopaedic Residency Program
When I was a visiting medical student during my fourth year, I was scrubbed with a hand surgeon. During the course of the surgery, the surgeon began to ask me typical medical student questions, initially focusing on anatomy and then moving on to what medical school I had attended, where I had gone to college, and where I had grown up. Then he paused, looked up at me, and asked me why I thought I should be accepted into their residency program. I have to admit, I was caught a little off guard. I had certainly contemplated that question before, but had never been asked it point-blank. I gave the usual responses: “I’m smart, I work hard, I’m honest…” The surgeon replied, “Yeah, but all our applicants are smart and hard-working.” I could tell he wasn’t satisfied with my answer, even though he didn’t comment further.

Later on, one of the residents who had been in the room offered me some advice that has served me extremely well ever since. He told me that the nature of residency training is basically a trade-off. You, the resident, make the attendings’ lives easier and take care of their patients, and in return they teach you the most valuable professional skill in your life, orthopaedic surgery. A much better answer to the question “Why should we accept you into our program?” would be: “Because, sir, when it’s two A.M. and I have a patient of yours in the ER or on the floor who has a problem, you can be sure that when I call you, you will get an honest and accurate account of the status of that patient and the patient’s condition and that when you tell me what needs to be done, you can go back to sleep with peace of mind knowing that I will get the job done by hook or by crook and won’t just have an excuse the next morning.”

The moral of this story is that those who are in a position to accept you and evaluate you are most interested in what you can contribute to the program by taking care of their patients, being reliable, not causing problems, being teachable, not being overly argumentative, and working well with others. Probably nothing annoys a chairperson more than having to call you into his or her office to “discuss some issue.” To avoid being in that position, adhere to the following 10 basic rules of residency survival and success:
Rule 1. No complaining—ever. Even when you are post-call with no sleep, doing 20 admissions, and have to hold retractors during a 14-hour spine case the next day. Remember how bad you wanted to be an orthopaedic resident when you were a fourth-year medical student? Let that drive you now. You will be measured by your resilience. Once you have a reputation as a complainer, it’s almost impossible to change it. No one twisted your arm to go into orthopaedics.

Rule 2. Fight the urge to be lazy. It’s 4:00 A.M. and you are just turning in for maybe an hour of sleep before morning rounds. You get a call about Mr. Johnson in room 406 with some increased pain from his fractured tibia, which you splinted the night before. It’s probably nothing and you can just tell the nurse to up his morphine from 6 mg to 10 mg, right? Can you take a chance and just go to sleep? Absolutely not. Get up and evaluate the patient. It won’t take more than five minutes to go to the floor, check the patient to confirm no evidence of compartment syndrome, and jot a quick note. When you do miss something—and you will eventually miss something—at least it won’t be on account of laziness. Besides, the quantity of sleep you miss will be more than made up for by quality of sleep, now that you have peace of mind.

Rule 3. Do more, not less. This is what gets you in good with your fellow residents and establishes you as a team player. When everyone on the team has the mentality of doing more than they have to, two wonderful things result. First, things don’t get missed. Second, guys who tend to get away with doing less are usually shamed into carrying their weight. Don’t get lured into scoring who is doing more on the team. Worry about your own effort and maximize it. This applies to clinic, too. You don’t want to be the guy known for displaying CAB (clinical avoidance behavior.)

Rule 4. Always be around. Even if you aren’t doing the case, stay and watch it. If you’ve got some reading to do, do it in the hospital. Don’t be out of sight. Every experience is a worthwhile one, so get as much orthopaedics as possible as a resident and there will be less to learn when you’re on your own as an attending.

Rule 5. Lower your expectations. Let’s say you get out of the OR at 8:00 P.M. Is this late or early? Well, that depends. If you had dinner plans for 6:00 P.M., then you are miserable. You’re anxious. You rush. You yell at ancillary staff for not turning over the room fast enough. You’re cranky with Anesthesia for insisting on a spinal and then taking 20 minutes to get it completed. Contrast this situation with the following scenario: You begin a front-back scoliosis at 1:00 P.M. and expect to be there until at least 10:00 P.M. Things just seem to go smoothly. You flip by 3:00 P.M. and start closing the back by 7:00 P.M. With anesthesia waking up the patient, you find yourself in the recovery room at 8:00 P.M. and you are pleasantly surprised and excited.

Bottom line: Go into every case expecting to get out a little later and you’ll seldom be disappointed. Go into every case expecting to get out early and you’ll seldom be happy.

Rule 6. Pimp downward, never laterally or upward. “Pimping”—for those unfamiliar with clinical medicine education—means asking questions to which you already know the answer. The nature of medical education is that it does not always accrete in one direction. That is, you might expect that a third-year resident knows everything a second-year knows plus a certain amount more. In fact, sometimes a junior resident may have been exposed to some case or rotation that the more senior resident has not experienced. Even when this is the case, it is inappropriate for the junior resident to pimp the senior resident. It’s generally not even appropriate to pimp laterally—at your own level.

Rule 7. Be nice to ancillary staff. No yelling. Even aside from just taking it upon yourself to act civilly, being pleasant to the ancillary staff often has the potential to produce dramatic political reward. As long as five years may seem, as residents we are still, for all intents and purposes, just passing through the hospital. And even within those confines, you may be on certain rotations for only a few months at a time. So consider this scenario. You’re on the adult reconstruction service with a certain attending who’s been working with the same OR staff for several years. Let’s say you are having a “personality conflict” with a certain circulating nurse in that room, the same nurse who is with this attending for every case. Whose side do you think he’s going to take? Yours? Why? Just because you’re both members of this pseudo-fraternity called Orthopaedics? You couldn’t be more wrong. Long after you’re no longer on this attending’s service, he’ll still be depending on that nurse. And don’t think he isn’t going to back the right horse. Same holds true for secretaries. And don’t think that being nice to the x-ray techs isn’t without reward. They can make your life miserable if they want to. You’re not the first resident to pass through, and you certainly won’t be the last.

Rule 8. Scrub on everything. When you think of it, five years is not an awfully long time to learn the trade you will be practicing for the rest of your
career. And the truth is, this is the last time you will ever operate on someone else’s dime, so to speak. Only a fool would not take advantage of an opportunity like that. Not only does it serve you educationally by gaining as much experience as possible, it also establishes your reputation as a hard worker. In addition, since surgical skills continue to develop with experience, you may also establish a reputation for having competent hands in the OR.

**Rule 9. Don’t be a pig.** You are there with other residents who also need surgical experience. Make sure cases are divided equally. And that doesn’t mean you do the cases that go during daylight hours and then “give up” the cases that start after 5:00 P.M. Learn to share.

**Rule 10. Get the job done.** Remember when we talked about understanding the point of view of the attending and what his or her concerns really are? Well, here in lies the payoff. Your seniors don’t want to hear why you couldn’t find Mr. O’Brien’s x-ray or why Mrs. Faust has no IV access. No matter how sound your excuse is in your own mind, it’s still an excuse, and people generally don’t like to hear excuses. If the tech won’t shoot an axillary view, go position the patient yourself (see Rule 2), or make nice to the tech and convince them how heroic it would be if he or she were the only tech who consistently gets that ever-elusive axillary view (see Rule 7). This is the bottom line. This is what you will ultimately be judged on.

**Creating a literature filing system**

Copious information on the techniques and principles that you learn during your residency reside in the orthopaedic literature. Indeed, most of the pimping, at least by senior residents, is based on their familiarity with that literature. You should therefore create an organized filing system for storing articles that you can then review for conference preparation. Start by asking senior resident to suggest which articles you need for conference preparation. This will include classic articles, review articles, and more recent articles describing clinical outcomes. Organized the articles by topic. The table of contents of *Campbell’s Operative Orthopaedics* is a good model outline for organizing your files. When it’s time to review for a case or conference, you will have these articles handy and not have to waste time searching for them.

**Recommended books for your personal library**

**General**


Use this as your main reference. This four-volume set has almost everything. Best bang for the buck.

**Survival Skills**

**Trauma**


**Anatomy/surgical approaches**


**Tumor**


**Shoulder**


**Elbow**


**Total joint arthroplasty**


**Hand**


**Pediatric orthopaedics**


**Review**


**Miscellaneous**

*Orthopaedic Knowledge Update* (OKU) and OKU specialty series books, published by the American Academy of Orthopaedic Surgeons.
As a young physician you are likely at a disadvantage when it comes to personal financial management. Even if you received the best medical education in the world, chances are that your training did not equip you with the tools necessary to address the business realities of the practice of medicine and your financial well-being. As a resident, you are focused on your clinical responsibilities and often lack the time or inclination to concern yourself with such issues as debt management, obtaining necessary insurance protection, establishing a systematic savings program, or contributing to your retirement plan. Suddenly, on completion of training, you are faced with the necessity of establishing a financial plan. At that moment, you realize: you are in your 30s, 10 years financially behind your peers in other professions, and have lost a significant amount of time and money you may never regain. This chapter is designed to provide you with a basic understanding of the financial planning process and help you avoid making costly mistakes that could have been avoided had you taken a few basic steps early in your career.

Establish a budget
Establishing a budget is the first step toward successful money management. The key to developing a budget is to determine how much you can afford to spend each month, given your available resources and expenses. The fundamental rule of budgeting is simple: keep your expenses at or below your level of income.

Determine your goals. You cannot establish a workable budget without first making a list of goals that you would like to accomplish. These goals might include paying off your medical school loans, purchasing a home, buying or leasing a car, having adequate insurance, or building an investment portfolio. Describe each goal as specifically as possible, and rank them in order of importance.

Review your current resources and estimate your income. Now that you have determined your goals, you need to know what financial resources are available to help you achieve them. These resources might include your
salary, your spouse’s salary, and monetary gifts as well as current savings and investments. During your residency, in most cases, your salary will constitute the majority of the resources available to you. Calculate this as a monthly figure from which you will subtract your monthly expenses as calculated below to determine the amount of money (if any) you can commit on a monthly basis to achieving your financial goals.

**Estimate your expenses.** If you have been keeping receipts and balancing your checkbook, you should have a reasonable idea of how you spend your money. Start with your fixed expenses—utilities, insurance premiums, car payments, loan payments, etc.—that must be met every month. Then factor in variable expenses: food, clothing, recreation, and other goods and services. Again, express this as a monthly figure.

**Analyze the numbers.** Once you have subtracted your estimated expenses from your estimated income, you will know the amount of money (if any) you can commit, on a monthly basis, toward reaching the goals you defined earlier. Now allocate a percentage or dollar value to each goal based on the importance and time frame you have assigned to accomplish each one. This is often the most difficult step in creating a budget.

**Make the numbers work.** If your budget fails to balance on the negative side, you have two choices: increase your income or reduce your spending. If you are still unable to balance your budget by increasing your income or reducing your expenses, there are a few more options to consider: restructure your debts, revise your goals, or, as a last resort, use credit.

**Establish an emergency fund.** This is a fund to be used for unforeseen or overlooked expenses. During residency training, fees for board exams and licenses, travel expenses, and other educational expenses can cost thousands of dollars. While you might be tempted to whip out the plastic to make these purchases and figure out how to pay if off later, establishing an emergency fund will allow you to pay for them without incurring more debt.

And this is not to mention those rare emergencies (including disability) that can put your entire financial position in jeopardy. The size of your emergency fund is a personal decision; a suggested range is from two to six months’ salary. Put this money in a savings account and let it sit there.

**Credit cards**

Although using credit cards may be a reasonable way to finance your vacation or pay for unexpected expenses, it can often lead to overuse if used to pay for regular expenses. In fact, as a resident physician, you may receive numerous solicitations promoting credit cards with low introductory interest rates, generous spending limits, and cash-advance privileges just by signing your name.

Unfortunately, as a result, many senior residents graduate with large outstanding credit card balances. It is best to keep your credit balances paid in full each month to avoid paying interest charges. If you must carry a balance, at least use a card with the lowest possible interest rate or find one that will allow you to transfer your current debt to it. At the same time, be aware that having too many credit cards open can reduce your future ability to qualify for a mortgage or other loan. Banks view your available credit as outstanding debt even if you have never charged anywhere near all you could! Therefore, if you would ordinarily qualify for a $100,000 bank loan and have the ability to charge up to combined $15,000 on your credit cards, you might only qualify for an $85,000 loan. The more credit you have access to, the larger the problem you might have in the future.

If credit cards are too dangerous for you because of a lack of self-discipline, consider using a debit card that draws directly on your bank account. Although you do not enjoy the benefits of having the instant short-term loan features of a credit card at your fingertips, you retain the convenience of not having to write checks for everything or carry around a lot of cash.

**Credit reports**

In the United States, three agencies maintain histories not always agreeing in every respect with your financial history (see below). Financial institutions access these histories when you apply for a loan or credit card; they are similarly used by potential employers, landlords, and home sellers. You thus should always be aware of the information contained in your credit report. If upon review you find information that is outdated, incorrect, or misleading, you should contact the credit-reporting agency as soon as possible. If the disputed information is found to be incorrect, the lender or information provider must notify all credit-reporting agencies nationwide to correct the information in your file. If the negative information proves to be correct, you still have the right to insert a brief commentary (100 words maximum) about the entry on your credit report. Sometimes the problem is nothing more than you have been confused with someone else with the same name or similar Social Security number.

To obtain a copy of your credit report, contact the following:

- Trans Union Reporting Company
  800) 888-4213; www.transunion.com
- Experian (Formerly TRW) Credit Company
  (888) 397-3742; www.experian.com
- Equifax Credit Reporting
  (800) 685-1111; www.equifax.com
Loan consolidation
If you have several loans outstanding, consider a consolidation loan which is a single loan designed to pay off your existing debt. One obvious benefit is you have to make only one monthly payment for all your debts. Another reason to consolidate is to lower your monthly payments by gaining access to extended repayment. Consolidation is not for everyone, however. You must keep careful track of your monthly payments as well as of the total repayment amount of your new loan. Loan consolidation is extremely complicated and changes almost on a daily basis. Evaluate your options thoroughly before making a decision.

Helpful resources
Association of American Medical Colleges
(202) 828-0400; www.aamc.org
Student Loan Marketing Association (SallieMae)
(800) 522-1245; www.salliemae.com
U.S. Department of Education, Consolidation Department
(800) 557-7592; www.ed.gov/offices/OSFAP/DirectLoan/consolid.html
MoneyMatters
This is the American Association of Medical College’s educational debt management e-mail list server, with discussions designed to help residents better manage medical student loan portfolios.
www.aamc.org/stuapps/finaid/debtmgmt/moneymat.htm

Insurance Coverage
Purchasing adequate insurance protection is a fundamental component of a physician's financial plan. The purpose of insurance is to protect against risks that would be financially devastating to you and/or your family. In purchasing any type of insurance, a few general guidelines apply. For example, don’t insure yourself against misfortunes that you can afford to pay for yourself. Also, “broader is better”; that is always choose a policy that covers as many misfortunes as possible, and carefully examine any policy that excludes coverage in particular areas. Finally, check the financial ratings of any insurance company whose policy you are considering.

The following are policies that you should consider for your insurance portfolio:

Malpractice insurance
While your residency program will cover your malpractice needs while you are in training, it is still important to understand the differences between an occurrence and a claims-made professional liability insurance policy so that you can make informed decisions once you are in private practice.

The occurrence policy. This is a comprehensive policy that protects you for alleged acts of malpractice during the policy period, regardless of when they are reported to the insurance company even years after the policy has expired. Occurrence rates are subject to change at the beginning of each policy year and vary by specialty, location of practice, the policy limits you choose, and the number of claims filed against you previously.

The claims-made policy. This type of policy covers you for alleged acts of malpractice which either occur or are reported to the insurance company while the policy is in force. If your claims-made policy is canceled, you are given an additional 60-day period in which to report claims to the insurance company against your canceled policy. After that time, unless you purchase reporting endorsement (“tail”) coverage, you will not be protected. Premium rates for the claims-made policy, while calculated based on the same factors as the occurrence policy, are less expensive in the beginning and increase annually as the policy reaches maturity.

Helpful contacts
Medical Liability Mutual Insurance Company
(800) 683-7769; www.mlmic.com
Physicians’ Reciprocal Insurers
(800) 632-6040; www.medmal.com
The Doctors’ Company
(800) 421-2368; www.thedoctors.com
Medical Malpractice Insurance Association
(212) 962-0210; www.mmiany.com

Disability insurance
Your ability to work and earn future income represents your most valuable asset. It allows you to repay your debt, accumulate wealth, and develop a lifestyle for yourself and your family. For that reason, you should purchase a disability policy as early in your career as possible.

Disability insurance can be purchased on either an individual or group basis. Group insurance is usually provided by your employer or purchased individually from a sponsoring medical association. Although initially low in cost, group policies have several limitations. They can be canceled, rates increase as you get older, and premiums are subject to adjustments based on the claims experience of the entire group. Moreover, group and association contracts often contain restrictive definitions of disability as well as less generous contract provisions.
Insurance companies base their rates on several factors, including age. The younger you are when the purchase is made, the lower the cost of the insurance. Additionally, most insurance companies offer “step rates” that allow young professionals to pay lower premiums while they are establishing their careers.

Generally, insurance companies issue disability coverage equal to approximately 60% of your income. However, “special limits” are provided to senior medical students, interns, residents, fellows, and newly practicing physicians. These “special limits” allow them to purchase benefits in excess of what their current earnings would normally allow.

Your disability policy should have these features:

**Noncancellable and guaranteed renewable policy.** The insurance company cannot cancel, increase the premiums, or change any provision in this kind of policy. Therefore, once you own a policy with liberal definitions and contract provisions, you are guaranteed that it will remain that way, even if the issuing company no longer offers similar policies in the future.

**“Own-occupation” definition of disability.** This provides protection against the loss of your ability to perform orthopaedic surgery. Under this definition, you would collect full benefits if you could no longer perform orthopaedic surgery, even if you returned to medicine in some other capacity, such as teaching or doing research. Although difficult to find, particularly for orthopaedic surgeons, a policy with this clause is advantageous. Check to see how long the “own-occupation” coverage lasts. Many policies have shortened the time such benefits will be paid. Ideally, you want to purchase a policy with the longest “own-occupation” period.

**Residual disability rider.** This rider pays benefits based on your loss of income due to a disability, rather than the loss of your ability to perform orthopaedic surgery. There are many afflictions that could reduce your effectiveness and, therefore, your income, but still allow you to work in your occupation. With combination coverage (“own-occupation” with a residual rider), you would collect full benefits if you could not perform orthopaedic surgery and continue to receive benefits, proportionate to your loss of income, if you returned to orthopaedics on a limited basis. There are a few points to watch for with combination coverage: the residual rider should pay benefits even if you never suffer a total disability, and benefits should be payable to age 65.

**Cost-of-living adjustment (COLA) rider.** This rider is designed to help your benefits keep pace with inflation after your disability has lasted for 12 months. This adjustment can be a flat percentage or tied to the Consumer Price Index. Ideally you want a COLA that is adjusted annually, on a compound interest basis, with no “cap” on the monthly benefit. Although important, if cutting the cost of coverage is an issue, this might be the first optional rider to consider excluding from the policy.

**Future purchase option rider.** This rider is a must for young physicians. It offers the ability to increase your disability coverage, regardless of your medical condition, as your income rises.

**Life insurance**

Life insurance provides income for your family in the event of your death. A life insurance policy is a contract with an insurance company that will pay the beneficiary or beneficiaries a sum of money when the insured dies.

If you are single, you should consider purchasing life insurance if: you owe someone money, or someone will be responsible for continuing to make payments on your behalf even after your death. For example, if a friend or family member had given you a personal loan to help you financially, they run the risk of losing that money in the event of your death. Purchasing a life insurance policy to insure that obligation is handled is something reasonable to consider. The same holds true for a family member or friend who has cosigned for a loan on your behalf. In the event of your death, they would still be responsible for any remaining loan balance.

You are concerned about your future health and/or insurability. Your state of health is what allows you to purchase life insurance. The premium is a secondary concern. If you have a history of illness in your family, you might be concerned about that affecting your ability to purchase life insurance in the future should you develop the same or similar medical conditions. If this is the case, consider buying life insurance when you are young and healthy.

You know you will have a need for it at a later date and can afford it now. You have an extremely high income potential and will probably get married and have children. If you have the disposable income now, you can lock into lower rates based upon your age and state of health today.

If you are married, have children or have an outstanding mortgage on your residence, you should purchase enough life insurance to allow your family to maintain the lifestyle to which they have become accustomed.

**Types of life insurance**

**Term life.** Term insurance is usually the most appropriate for residents. It allows you to purchase a large death benefit to meet your family’s financial needs while minimizing your (initial) premium outlay. Term life insurance is pure insurance. When you purchase a term policy, you are buying coverage
for a specified period of time. If you die within the “term” of the policy, the
corporation will pay the death benefit to your beneficiary or benefi-
ciaries. Term insurance is most commonly sold with an annually renewable
rate or level rate for a specified number of years. Although term insurance
may be appropriate for short-term needs, it can become cost-prohibitive, as
premiums will increase significantly with age. Depending on the policy pur-
chased, you may be able to convert your term life insurance policy to a per-
manent life insurance policy that provides lifetime protection and cash value
accumulation.

Whole life. In addition to providing a death benefit, whole life policies
build cash value. When you purchase a whole life policy, you traditionally
pay a fixed premium for the life of the policy. Part of your premiums go to
the insurance company to cover the cost of the death benefit element of the
policy, while the balance is invested in the insurance company’s general
account. The cash value on a life insurance policy accumulates on a tax-
deferred basis and is generally exempt from claims of creditors (including
malpractice claims). You can access the cash value by surrendering the policy
or taking the funds needed in the form of a policy loan. The level premi-
num, guaranteed rate of return, and guaranteed death benefit make this an
attractive choice for some life insurance buyers. To others, this type of pol-
icy does not offer enough premium flexibility or investment control.

Variable life. While whole life insurance provides a guaranteed rate of
return that is determined by the insurance company, a variable life policy
allows you to decide how your premiums are invested by selecting from
among a variety of professionally managed portfolios. These generally
include stock, bond, money market, and fixed accounts. Premiums are gen-
erally fixed for the life of the policy, but the cash value depends on the per-
formance of the investment accounts that you select. This type of policy is
best suited for someone who is willing to accept additional investment risk
in return for the potential reward of investment returns proportionate to
interests in money markets. Sellers of variable life will provide you with a
prospectus that includes a description of how the policy works. Request a
prospectus that contains more complete information, including charges and
expenses associated with the policy, and read it carefully before buying.

Universal life. This type of policy was developed in the late 1970s to off-
set some of the disadvantages of term and whole life insurance. Expense,
insurance, and maintenance charges are deducted directly from your premi-
ums, and the remainder is invested in the insurance company’s general
account. Most universal life policies contain a minimum guaranteed rate of
return. Returns over and above that rate vary with the performance of the
insurance company’s portfolio. Universal life does not allow you to decide
how your premiums are invested. As the policy owner, however, you have the
ability to vary the amount as well as the frequency of your premium pay-
ments. This type of policy is best suited for someone looking for the flexibil-
ity to change their premium payments if their financial situation changes.

Auto insurance
Auto insurance covers you for harm done to you and/or your property or
other people and/or their property while you are in or as a result of your
vehicle. The coverage that you need depends on the health insurance you
have, the car that you drive, the value of the assets that you need to protect
in the event you are held responsible for an accident, and the rules of the
state in which you reside.

Renter’s insurance
If you rent your living quarters, you should purchase this type of policy to
protect your personal property in the event of theft or damage/destruction.
Most policies have optional or automatic coverage for items stolen outside
your home and liability coverage in the event someone is injured in your
apartment.

Excess liability (umbrella) insurance
In today’s litigious society, no one is immune from a lawsuit. Injured parties
are commonly awarded judgments in excess of $1 million. If your assets are
insufficient to pay these claims, future earnings can be attached to satisfy the
debt. Fortunately, you can purchase an “umbrella” or excess liability policy to
extend the limits on both your homeowner’s/renter’s and automobile insur-
ance in the event you are sued for causing property damage or injury.

Insurance guidelines
• Don’t insure yourself against misfortunes that you can afford to pay
  for yourself.
• Broader is better. Choose a policy that covers as many misfortunes as
  possible. Carefully examine policies that exclude coverage in certain
  areas.
• Check the financial ratings of the insurance company or companies
  that you are considering.
Saving and Investing
As reimbursements for medical services have diminished over the last several years, physicians have become aware of the importance of saving and investing money to meet their financial goals. Doctors in previous generations could get by with minimal financial know-how and didn’t have to worry about saving money during their residency; today’s young professionals have almost no choice. Managing your finances is a complicated task, worsened by the limited time and financial resources available to you during training. By developing sound financial habits and establishing a long-term investment plan now, your efforts will ideally be rewarded in the future.

The basics
As discussed in preceding sections, there are certain priorities you must attend to before you begin to save and invest money. These include establishing a budget, creating an emergency fund, purchasing adequate insurance coverage, paying off high-interest debts, and possibly taking advantage of tax-deductible or tax-advantaged plans for retirement (discussed below).

While it may be tempting to spend all of your disposable income on luxury items, saving and investing even a small amount of money can produce significant returns over time. The table below illustrates how a $1,000 medical school graduation gift would grow assuming various hypothetical rates of return over several periods of time.

Regular and consistent saving and investing starting early in one’s career can yield large dividends down the road. Consider the following example of two physicians making monthly investments into a savings program. Doctor 1 begins his investment plan as a PGY-1 and saves $100 per month during his residency as well as during his first five years in practice. Doctor 2 begins his investment plan five years later, as an attending, and saves $200 per month.

Original Investment: $1,000 Medical School Graduation Gift

<table>
<thead>
<tr>
<th></th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
<th>20 Years</th>
<th>25 Years</th>
<th>30 Years</th>
<th>35 Years</th>
<th>40 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>$1,276</td>
<td>$1,629</td>
<td>$2,079</td>
<td>$2,653</td>
<td>$3,386</td>
<td>$4,522</td>
<td>$5,516</td>
<td>$7,040</td>
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<tr>
<td>6%</td>
<td>1,338</td>
<td>1,791</td>
<td>2,397</td>
<td>3,207</td>
<td>4,292</td>
<td>5,743</td>
<td>7,686</td>
<td>10,286</td>
</tr>
<tr>
<td>7%</td>
<td>1,403</td>
<td>1,967</td>
<td>2,759</td>
<td>3,870</td>
<td>5,427</td>
<td>7,612</td>
<td>10,677</td>
<td>14,974</td>
</tr>
<tr>
<td>8%</td>
<td>1,469</td>
<td>2,159</td>
<td>3,172</td>
<td>4,661</td>
<td>6,848</td>
<td>10,063</td>
<td>14,785</td>
<td>21,725</td>
</tr>
<tr>
<td>9%</td>
<td>1,539</td>
<td>2,367</td>
<td>3,642</td>
<td>5,604</td>
<td>8,623</td>
<td>13,268</td>
<td>20,414</td>
<td>31,409</td>
</tr>
<tr>
<td>10%</td>
<td>1,611</td>
<td>2,594</td>
<td>4,177</td>
<td>6,727</td>
<td>10,835</td>
<td>17,449</td>
<td>28,102</td>
<td>45,259</td>
</tr>
<tr>
<td>11%</td>
<td>1,685</td>
<td>2,839</td>
<td>4,785</td>
<td>8,062</td>
<td>13,585</td>
<td>22,892</td>
<td>38,575</td>
<td>65,001</td>
</tr>
<tr>
<td>12%</td>
<td>1,762</td>
<td>3,106</td>
<td>5,474</td>
<td>9,646</td>
<td>17,000</td>
<td>29,960</td>
<td>52,800</td>
<td>93,015</td>
</tr>
</tbody>
</table>

Finances
during his first five years in practice. Although, their total investment outlay is the same ($12,000), Doctor 1 has accumulated almost 32% more money, or approximately $5,000.

<table>
<thead>
<tr>
<th></th>
<th>Doctor 1</th>
<th>Doctor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly contribution</td>
<td>$100.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Yearly interest rate</td>
<td>10.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Years of compounding</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Value after 10 years</td>
<td>$20,484.50</td>
<td>$15,487.41</td>
</tr>
<tr>
<td>Total investment outlay</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
</tr>
</tbody>
</table>

Before you can decide how you are going to put funds away for future use, you must realistically determine your immediate, intermediate, and long-term goals and the likelihood of needing access to your funds during these periods. In this context, saving can be defined as putting money away such that you can count on its availability should the need arise to make a withdrawal. Investing can be defined as putting money away into higher-risk vehicles such that you cannot count on either (1) your investment to be worth more then you originally invested or (2) that you will have immediate access to your money. While savings provides you with immediate and almost guaranteed access to your money, investing provides you with a higher rate of return over the long term. As many residents are living from paycheck to paycheck and do not have significant funds at their disposal, many financial advisors would advocate that you begin to save rather then invest. By saving you will begin to amass funds, watch them grow at a certain rate of return, and still have access to them should you find a need for the money.

Savings vehicles include savings accounts and money market funds. A savings account is a bank account that is usually federally insured and that pays a specified interest rate on your balance while offering immediate liquidity should the need arise. A money market fund is a specific type of mutual fund (discussed below) that invests in short-term debt instruments and provides relative safety and liquidity while yielding a low but relatively consistent interest rate generally slightly higher than savings accounts.

Once you have accumulated a large enough nest egg to meet your short and mid-term financial goals, you should begin to think about investing money in vehicles that provide the opportunity for higher rates of return then those afforded by savings vehicles. As mentioned above, however, the potential higher rate of return comes at the expense of a higher risk of losing some or all of you investment and/or not being able to sell your investment when you need access to your funds.
Common investment choices include Treasury securities, mutual funds, stocks, bonds, and real estate. A well-diversified portfolio usually contains a combination of these as well as other investment vehicles. Using this approach, spread your capital among a number of different investments to protect yourself from a significant drop in any one of them. Studies show that diversification helps eliminate a large portion of the risk associated with investing. This is the reason why mutual funds have become so popular among investors.

U.S. Treasury securities

U.S. Treasury securities are essentially loans you make to the federal government. While they typically yield only marginally more bang for your buck than a bank savings account, they are the safest investment you can make simply because they are backed by the full faith and credit of the United States government.

There are three types of these securities: Treasury bills (“T-bills”), short-term securities that mature in a year or less from their issue date; and Treasury notes and bonds, which pay a fixed rate of interest every six months until your security matures, at which point you are paid their par value. Treasury notes mature in more than a year, but not more than 10 years from their issue date, bonds more than 10 years from their issue date.

You can buy Treasury bills, notes, and bonds for a minimum of $1,000, and they are transferable: you can sell (and buy) them in the securities market. You can even buy them directly from the U.S. government online, entirely cutting out the middleman:

www.publicdebt.treas.gov/sec/sectrdir.htm

Before you disparage these securities for their unexciting yields, consider the advice of the venerable investment firm Merrill Lynch (askmerrill.ml.com): “U.S. Treasury securities offer the highest degree of creditworthiness available. That’s why U.S. Treasuries should be the foundation of any well-diversified investment portfolio.”

Stocks

Stocks are equity securities, meaning that when you buy shares of stock in a corporation, you become one of its owners. In compensation for the additional risk this entails, you potentially stand to gain more than from most fixed-interest investments.

You can make money from stocks in one of two ways: the issuing company shares its profits with you in the form of dividends, or you can sell your stock for a greater amount than you paid for it.

Stocks can cost any amount. A stock’s price reflects its market value or the amount other investors are willing to pay for it. Many factors, such as general economic conditions, as well as the outlook for the specific company or industry, can influence investors’ attitudes. A stock’s price can also increase or decrease in anticipation of future events that might affect the company, such as changes in management, changes in government regulations and laws, and new product developments.

Why invest in stocks?

• Strongest long-term performance
• The opportunity to beat inflation

Bonds

Bonds are debt securities. Unlike stocks, which make you a part owner of a company, buying bonds makes you a creditor. Bonds are essentially loans that you make to corporations or governments. Bonds are called “fixed-income” securities because they offer a steady stream of interest income.

Bonds generally pay higher income than short-term investments, such as money market funds, certificates of deposit (CDs), and savings accounts. For this reason, placing a portion of your investment portfolio in bonds has become popular. Investors often use the income generated to help meet current living expenses.

Why invest in bonds?

• Income
• Diversification
• Long-term appreciation potential

Mutual funds

Mutual funds are a particularly good starting place for residents and younger attending physicians. When you invest in a mutual fund, you are depositing money into a large pool of capital that is invested on behalf of you and other fund investors by a professional money manager who constructs and maintains a portfolio of stocks, bonds, and other securities. While you do not make any individual investment decisions in any given fund, you have wide latitude in which mutual fund(s)—even type of fund—in which to invest.

When you invest in a mutual fund, you can earn money in any or all of three ways: (1) by capital appreciation: the share price of your fund rises as the holdings in the portfolio increase in market value; (2) by capital gains:
your fund sells securities in the portfolio for a cash profit, which is then distributed to fund investors; and (3) by dividends: the securities in your fund’s portfolio earn interest or pay investors dividends.

Each mutual fund has a specific objective or strategy that dictates, in general, what types of securities are to be included in its portfolio. Mutual funds are sold by prospectus, which includes a description of how the fund operates. Request a prospectus that contains more complete information, including charges and expenses associated with the fund, and read it carefully before investing.

There are thousands of mutual funds available. Many mutual fund companies offer several mutual funds, which they call their “family of funds.” Mutual funds can be bought through brokerage firms, banks, or directly from the mutual fund company. Get additional information on them by speaking with your financial advisor or accessing investment-related Web sites. Narrow your choices by eliminating funds that do not meet your investment objectives. You may also want to diversify among several mutual funds. Before purchasing a fund, compare its past performance with those of other funds over the same time period and with the overall performance of the stock market. Also take into consideration the reputation of the fund family and fund manager(s). After all, you are essentially hiring these people to manage your money. Finally, remember that past performance is not a guarantee of future results.

**Why invest in mutual funds?**

- Professional money management
- Diversification
- Variety of investment choices
- Low minimum initial investment required
- Liquidity

The following are some of the many types of mutual funds:

**Stock mutual funds**

**Stock mutual funds.** These are mutual funds that invest in the stock (equity) of companies. These funds have specific charters or goals as their investment objectives and will invest in companies to try and achieve these goals.

**Income funds.** These funds invest in stocks (and bonds) of companies that consistently provide its investors with income in the form of a dividend. These funds are usually suited for older investors who seek to to live off the income from these investments.

**Growth funds.** These seek long-term appreciation by investing in established companies that the fund manager believes are poised for growth or increase in share price. Some growth funds limit their investments to specific sectors of the economy. They are generally less risky than aggressive growth funds.

**Balanced funds.** These seek a combination of growth and income. These funds comprise a mix of stocks (for growth) and bonds (for income) to reduce volatility. They are the most conservative option for stock fund investors.

**Growth and income funds.** These attempt to achieve both long-term growth and current income. They generally invest in companies that have stable histories and have consistently paid dividends, giving them potential for appreciation. They tend to underperform when the stock market is rising—in a “bull market”—but can outperform the market during a falling or “bear” market. They might be a good choice for a conservative long-term investor. These funds are typically less risky than growth funds.

**Aggressive growth funds.** These seek maximum capital gains by investing in smaller, less-established companies that fund managers believe might be the leaders of tomorrow. They are often more volatile than other growth funds, since they invest in companies that entail more risk than larger, more-established firms.

**Why invest in stock mutual funds:**

- Historically higher rate of return than bond mutual funds
- Diversification ideally less risky than individual equity investments

**Bond mutual funds**

Bond mutual funds, which invest primarily in bonds, are generally considered less risky and usually have a more consistent (but lower) rate of return than equity (stock) investments.

**Money market funds.** These seek safety of principal and current income by investing in short-term debt securities, including Treasury bills (“T-Bills”), CDs, and commercial paper. Although some securities in these funds are insured or guaranteed by the federal government, the funds themselves are not. They generally offer the lowest returns, but are the safest of all fund types. Most money market funds also offer check-writing privileges. For these reasons, money market funds were included in the savings section above.

**U.S. government income funds.** These seek current income through investments in Treasury and other U.S. government agency securities. Although the securities in these funds are insured or guaranteed by the federal government and/or its agencies, the funds themselves are not. They offer moderate current income as well as a high level of safety.
Tax-free (municipal) bond funds. These seek income that is exempt from taxes on a federal level by investing in bonds of state and local governments. In many cases, it may be double tax-free (federal and state) or even triple tax-free (federal, state, and local). As with other types of bond funds, the principal may fluctuate with interest rate changes. Although some securities in these funds are insured or guaranteed by the federal government, the funds themselves are not.

Corporate bond funds. These seek high current income by investing in investment-grade corporate bonds. The risk level of bond funds varies according to the objectives of the fund. These funds may offer higher returns than money market, U.S. Government income, or municipal bond funds, as the risk level associated with them is somewhat higher.

High-yield bond funds. Commonly referred to as “junk bonds,” these seek to maximize current income by investing in financially troubled firms. They offer the highest potential returns to compensate investors for their willingness to accept greater risk and price volatility by investing in companies that are relatively unstable.

Global and international mutual funds

Many investors use mutual funds to expand their portfolios to include worldwide markets.

Global and international funds. These offer diversification into international stock markets. International funds only invest in foreign stocks. Global funds can invest in both foreign and U.S. stocks. Risks, returns, and objectives of individual funds will vary within each category.

Emerging markets funds. These seek long-term capital appreciation by investing in stocks of developing economies around the world. The risks of international investing include higher volatility and fluctuating currency values. Political and economic instability are common where these funds invest.

Regional funds. These seek long-term capital appreciation by investing in stocks of a particular region, such as Europe, the Pacific Basin, or Latin America. These funds can be more volatile than other international investments, as they are not diversified among as many economies.

Fund with special objectives

Index funds. These attempt to match the performance of a particular index. An index fund might try to mirror the returns associated with the S&P 500, Dow Jones Industrial Average, or the NASDAQ index.

Precious metals funds. These invest directly in precious metals or in stocks of companies that mine precious metals. Most of these funds limit their investments to gold and gold bullion or to shares of stock in gold-mining companies.

Sector funds. These invest in specific industries or sectors of the economy. Examples include healthcare, technology, and financial services funds. While they may be diversified in a sector, they lack broad diversification. Each fund buys stocks in a single sector, so the risk level is greater—and so is the potential for gains.

Financial advisors

During your residency you will most likely be contacted by several individuals offering various types of financial services and products. Although the financial decisions that you make during residency will not be complex, it can be to your advantage to establish relationships with reputable financial advisors early in your career. This way, as your financial situation becomes more complicated, you will have access to professional advice from individuals you already know and trust.

Following are the various types of financial professional whose services you may want to buy and what they can do for you:

Certified Public Accountant (CPA). Certified Public Accountants provide you with advice on tax matters and help you prepare and submit your income tax returns to the Internal Revenue Service. Keep in mind that not all accountants are CPAs. CPAs must meet stringent continuing education requirements and are regulated by states as well as their profession’s code of ethics.

Personal Financial Specialist (PFS). Personal Financial Specialists are CPAs who have demonstrated both knowledge and significant practical experience in the area of personal financial planning.

Certified Financial Planner (CFP). Certified Financial Planners have completed a series of courses in investments, insurance, taxes, estate, and retirement planning. They have also passed a comprehensive exam. Additionally, CFPs must have at least three years of planning experience and meet stringent continuing education requirements.

Chartered Financial Consultant (ChFC). Chartered Financial Consultants have credentials similar to CFPs. ChFCs have completed a series of courses and exams covering financial, insurance, and estate planning subjects. Additionally, ChFCs must have at least three years of planning experience and meet stringent continuing education requirements. Most ChFCs are also insurance agents.

Chartered Life Underwriter (CLU). Chartered Life Underwriters are insurance agents who have completed comprehensive educational courses and demonstrated expertise in different areas of estate and insurance planning. This designation is specifically designed to enhance the knowledge of people employed in the life insurance industry.

Chartered Financial Analyst (CFA). Chartered Financial Analysts have expertise in investing and portfolio management. They have passed three exams based on
investment principles, applied financial analysis, and investment management. Additionally, CFAs must have at least three years of experience in the investment decision-making process. They are typically found in the equity research and/or portfolio management community.

Questions you want to ask a prospective financial or tax professional include the following:

**How much experience do you have working with young physicians?**

**What is your educational background and area(s) of expertise?**

**How long have you been in your occupation?**

**Do you hold any professional designations?**

**What type of investments or financial products do you recommend most often?**

**How are you compensated for your time?**

**How often will you contact me to review the financial products and/or services that I might purchase from you?**

Finding a manager(s) with whom you are comfortable is a time-intensive process. Start by identifying those managers who are familiar with the investment types you prefer, have a proven track record, and with whom you share an investment philosophy.

If you choose to manage your own investments, start small and practice. Investing is a time- and labor-intensive skill that takes years to learn. You need to be aware of the variety of investment options available to you and the risks associated with them. Start by reading basic texts on investing and beginning with small amounts of money. Realize that not all your investments will be successful. With practice, however, you should be able to build a well-balanced and diversified portfolio to help you achieve your financial goals.

No single portfolio is ideal for all investors. While a portfolio of stocks and stock mutual funds is probably ideal for younger attendings (and possibly for residents who have managed to accumulate significant savings), physicians nearing retirement might want more of their assets in income-producing investments such as U.S. Government securities, municipal bonds or corporate bonds. When deciding how your investments should be allocated, remember that the more risk you are willing to accept, the greater the potential returns in the long run.

**Recommended reading**


**Finances**


**Saving for retirement**

Most residency programs will have some form of retirement plan. The most common is a 403(b) or tax-sheltered annuity (TSA), which is a plan offered by nonprofit 501(c)(3) organizations to their employees. Within prescribed limits, these plans allow you to make tax-deductible contributions toward your retirement. You simply inform your employer what amount of your income you want withheld and how it should be invested among available choices. A bonus is that this deduction is made from your gross wages—i.e., before withholding taxes are calculated—and so your paycheck is reduced by an amount that is less than the amount of your contribution. Additionally, as your investments grow, they are not subject to income taxes. At retirement, withdrawals are taxed as ordinary income. (If you withdraw the funds prior to age 59½ and do not meet certain conditions, you may be subject to a 10% IRS penalty for early withdrawal.)

**Individual retirement accounts (IRAs)**

*Traditional IRA.* Ever since individual retirement accounts (IRAs) were created, they have been an important part of one’s retirement planning portfolio. Traditional IRAs allow you to make annual contributions of up to $2,000, which may be fully or partially tax-deductible. Your traditional IRA can be invested in stocks, bonds, mutual funds, or other qualifying investment vehicles of your choice. Your traditional IRA investments also grow tax-deferred. That is, you only pay taxes when you withdraw funds from the account, typically at retirement age. All withdrawals are then taxed as ordinary income. (And, as above, you are usually penalized if you withdraw funds before age 59½.) If you are looking for a retirement savings vehicle with immediate tax savings during your residency, this might be the right choice for you and your family.

*Roth IRAs.* Roth IRAs also allow you to make annual contributions of up to $2,000 toward your retirement. Unlike the Traditional IRA, however, your contributions are not tax-deductible. The compensation is that when you withdraw the funds at retirement, they are not subject to income taxes. This can be advantageous to young physicians whose tax bracket will almost certainly be higher at retirement. Therefore, the Roth IRA will provide you with
more income at retirement than the traditional IRA. There are specific income limitations for eligibility to contribute to a Roth IRA. Your income will undoubtedly exceed them once you complete your residency or fellowship. If you are looking for a retirement savings vehicle with distinct tax advantages during retirement, this might be the right choice for you and your family. If you have been saving for retirement in a traditional IRA, you may be eligible to convert your existing accounts to a Roth IRA.

Whether you choose to participate in a tax-sheltered annuity, traditional IRA, or Roth IRA is a personal decision based on many factors. While contribution limits are higher in a TSA, they are generally more restrictive in that you are limited to the investment choices made available by your employer. Additionally, all contributions to a TSA must be made through automatic payroll deduction. You can establish and contribute to an IRA effective for the previous tax year, however, at any time between January 1 of the current year up to the tax filing deadline.

**Employment contracts**

Whenever you are asked to sign an employment contract, hire an attorney to review the it before you sign. The attorney should have significant experience in both drafting and negotiating physician employment contracts. If you do not know one, ask your colleagues or contact a medical or bar association and ask for referrals. Expect the attorney to you with an engagement letter that specifies his or her fee arrangement. Most attorneys bill on an hourly rate. The attorney’s invoices should include a breakdown of charges, including the date the service was provided, a brief description of the service, and the number of hours or minutes spent working on your behalf. Although some young physicians feel that they cannot afford to hire an attorney, the truth is that you cannot afford not to hire an attorney. Do not assume that your future employer has your best interests in mind. Once you find out whether this is the case, it may be too late!