

# Personal finance for medical residents

[Sociology](#)



The seminar on financial planning gave an overview of personal finance (income and spending), debt management, taxes, insurance, and retirement savings. Key information given during the seminar was on retirement plans available during residency, that residents have a choice either on going with the retirement account provided by the university (automatic enrollment) or county hospital (not automatic) or opt to invest in mutual funds, university-managed or from a mutual fund service company.

For the study, 52 or 84% out of 62 internal medicine interns of the University of California-San Francisco attended the 90-minute seminar. Immediately before the seminar, they were given a test assessing their financial literacy as well as a pre-intervention survey. After the seminar, the interns filled up the post-intervention survey, asking their opinion on whether such a seminar was valuable or not. In May 2004, two to ten months later, the residents were asked to complete the change allocation survey. Only 25 residents out of the 46 who responded attended the seminar.

Findings and implications: On financial literacy, the average score was 40% of a 20-question, multiple-choice test (the 2002 Vanguard/Money Magazine investor literacy test). This is equal to the general population's level of financial literacy and deemed by experts as showing inadequate knowledge in investing. Most interns also disagreed on the statement - "I have adequate knowledge of personal finance." Most had not enrolled or made asset allocation changes in their tax-deferred workplace retirement accounts: 87% had their pre-enrolled plan from the university hospital in the default savings account, and 76% had not enrolled in the county hospital's retirement plan.

On the importance of the seminar, all interns strongly agreed that the <https://assignbuster.com/personal-finance-for-medical-residents/>

seminar was valuable and felt it was worthwhile to replace a medical talk with personal finances seminar during their hospital rounds. After the seminar, interns strongly agreed with the statement, " After this talk, I plan to make changes to my retirement accounts." The effect though of a single intervention such as this seminar in the long-term is poor and authors suggest further educational opportunities for interns with regards to personal finance.

On changes in financial decisions, 16 or 64% of the 25 residents who attended the seminar reported switching out of the university hospital's default retirement savings account to a mutual fund investment account. In comparison, only 4 residents out of the 21 surveyed who did not attend the seminar reported doing the same. Also, 16 of the seminar attendees reported enrolling in the county hospital's retirement account compared to 7 non-attendees. Since 12 of the 37 attendees were not able to fill the investment allocation survey, a test was done assuming that all non-responders did not change their retirement accounts. Results of the test reveal that seminar attendees are still likely to change their accounts compared to non-attendees. The effect was at a statistical significance with the university hospital but not at the county hospital where residents do less than one-third of their rotations and where enrollment of retirement plans is not automatic. The effect with regards to the additional income of the switch to investment in mutual funds and the stock market is substantial and the authors calculated that at 3 years of residency alone - returns amounting from \$53, 000 at 6% annual return to as much \$251, 000 at 10% annual return could be achieved.