

## **If You Live Like a Doctor when You're a Student, You'll Live Like a Student when You're a Doctor!**

When I was an undergraduate at Baylor University, Kraft macaroni and cheese went for 10 cents a box; when I was in law school at Southern Methodist University, it had gone up to 15 cents; when I was at Parker College of Chiropractic, it was 35 cents; and now that I'm working on my MBA at the University of Dallas, the same dish goes for 69 cents on "special." I remember those prices, because they show the upward trend on tuition, books, fees, room and board over the years.

I was fortunate to work my way through all of my higher education without having to take out many loans, but every day I see how many chiropractic students who seem to think that school loans don't have to be paid back until "some time way off in the future."

If you are still in school, start pinching pennies like there's no tomorrow! The word from every school administrator, lender and those dealing with chiropractic students after they get out of school is that the average chiropractic graduate has a mountain of debt well in excess of \$100,000. Contrary to what most folks believe, it is far easier to leave school with a six-figure debt than to walk into a six-figure income.

While the interest rates seem low, the amount accumulates quickly, so if you don't borrow the funds now, you won't have to pay them back later on.

I often use the analogy that my doctors are like my entertainment clients: They are talent, by and large, and not business people. Serious mismanagement of loans while in school can seriously jeopardize your ability to maintain your license once you graduate, because if you are delinquent on the repayment of your loans, the state licensing authorities are required to not renew your license until the arrearages are made up, or some sort of repayment schedule is approved. If you think about it, not even the IRS can prevent you from getting or keeping your license to practice, but the lenders, via the boards of examiners, can do just that.

With tuition going through the roof, even the thriftiest chiropractic students will generally have to borrow some funds to finance their professional education. When you graduate, you will generally have a minimum monthly debt repayment in an amount equal to the "Rule of 125," which means that you can expect to owe \$125 per month for every \$10,000 you owe. For instance, if you owe \$50,000, your payments will be \$625 per month, an amount that would generally be acceptable under most new-graduate income structures. If, on the other hand, you owe \$120,000, the monthly debt service skyrockets to \$1,500 which, combined with taxes; housing; transportation; clothing; and oh, yeah - eating - means that in most instances it will be virtually impossible to break even for the first several years of practice.

Recent graduates for whom I have reviewed employment contracts are starting out in the \$40,000-per-year range: not enough to service high student loans and raise a family. Since student loans are not dischargeable in bankruptcy, you shouldn't put off reviewing just how much these loans are building up while you're still in school.

It seems as if student budgets invariably grow to accommodate what students want, as opposed to

what they need. Remember, just because your school says it's okay to borrow a certain amount of money doesn't mean that it's in your best interest. Students must be aware that borrowed money is not really their money. It is so tempting to use credit while you are in school, because you generally don't feel any sense of sacrifice at that time, and you are working on the theory that future earnings will cover your student indiscretions.

Wrong!

While tuition, books and fees are pretty well fixed, you can eliminate a lot of spending by living close to campus so that you don't have to worry about transportation; you don't need cable TV; and you don't need a cellphone to run up charges.

Remember, every dollar you can avoid borrowing today means that you will save more than one dollar in repayment costs tomorrow. You can start by establishing a monthly budget and by putting the proceeds of any loans into a money market account, drawing interest, then transferring those funds (only when needed) to pay for school costs.

Working while in school is difficult, but not impossible, and I have found over the years that students who work about 20 hours a week seem to be more focused than those who do not.

When it comes time to begin repayment of school loans, the quicker you can do it, the better. You can visit with an accountant or your banker to see just how much difference an early, short-term payout will cost you, as opposed to a longer-term, lower monthly payment. For comparison, a \$100,000 loan amount paid out over 10 years at eight percent will cost you \$1,266.76 per month, with a total interest amount of only \$45,593; over fifteen years, your payment will be \$955.65, with total interest amounting to \$72,017; and over 20 years, your monthly payments would amount to \$836.44, with an astounding amount of interest totaling \$100,746 - more than the original amount of the student loan!

When you begin making repayments, keep track of every single, solitary piece of correspondence pertaining to your loans. Here's why: Noteholders buy and sell loans on a daily basis. Always use a personal check for these payments, since they are much easier to get copies of when it comes time to prove you have made your payments in a timely fashion. If you send off your payment Monday, and it arrives there Wednesday, and Tuesday your note is sold to a new party, you can bet your bottom dollar that when your check arrives, the old company will deposit it, and almost certainly won't notify the new noteholder of its receipt, nor turn those funds over to the new party, so that you won't get credit for your payment with the new guys!

It's a pretty wicked scheme, and I have seen this happen countless times over the years. It takes many months to try to remedy this nefarious situation. My nephew sent in a payment for over \$6,000 to pay his note off early, and to this day, he hasn't gotten credit for it, even though we have the original cancelled check showing it was properly endorsed and paid to the original noteholder. I finally told all parties to simply go ahead and file suit against him, because that would give me the opportunity to expose them for just what they are. That was three years ago, and they have apparently abandoned any further attempts to scam him.

There are several services you can utilize to figure out how to best juggle your debt and repayment, including:

- Access Group [www.accessgroup.org/students](http://www.accessgroup.org/students) (click on "loan calculators")
- Sallie Mae [www.salliemae.com/calculators/repayment.html](http://www.salliemae.com/calculators/repayment.html)
- FinAid! [www.finaid.org/calculators](http://www.finaid.org/calculators)
- U.S. Dept. of Ed. <http://loanconsolidation.ed.gov/borrower/borrower.shtml>

Here are some thoughts that bear serious consideration, not only for student loans, but also for your general financial well-being in the future.

- Do not allow credit card debt to accumulate: either pay the full amount each month, or pay cash for purchases. You shouldn't be paying interest on the purchase of candy bars.
- Pick out no more than two credit cards, and use them wisely; cut up the rest.
- Make sure that you fully comprehend the terms and conditions of all loans, not just the ones covering credit cards.
- Pay all bills prior to their due dates. This will eliminate the chances of getting hit for late fees and excess interest.
- Borrow only the amount you have an immediate need for. Never borrow for a "just-in-case" scenario, because you will inevitably find some place to spend it.
- Start keeping accurate financial records now, if for no other reason than the IRS is always looking for high-profile professionals to crack down on. If you get your financial records in order now, it will be easier to continue the process as your income grows and you face increasingly complex financial situations.
- Keep track of your credit history by reviewing your credit reports at least every six months. It is amazing how screwed-up credit reporting services can get.
- Develop a monthly budget now, and that should include an amount set aside on a regular savings basis. Five dollars saved today is five dollars more you'll have tomorrow!
- All situations requiring use of your financial resources should be carefully considered. Never hesitate to ask for input. Usually a CPA, attorney, or financial consultant will be more than willing to spend some time with you, on the theory that if they help you now, you will return to them for further advice when you've got more money at stake; they can then charge you.
- Figure out what you want, how you are going to get it, and when you need to apply yourself to the furtherance of those goals. Write them down and keep them handy so that you won't lose sight of what you have spent all those years getting an education for.

Understanding your loans is your best ally. Know the true cost of what you are spending. Carefully research your repayment options, so that when the time comes for you to live like a doctor, you won't have to live like a student!

*Rodney Phelps,JD,DC*  
*Dallas, Texas*  
[dresq@aol.com](mailto:dresq@aol.com)

NOVEMBER 2001