

# Financial Planning for Medical Science Liaisons

Welcome to your financial journey as a MSL! This presentation will guide you through essential financial strategies to help you build wealth while managing your student debt, allowing you to focus on what matters most.



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# Meet Your Presenter

Welcome! I'm Caleb Pepperday, founder of Advanced Practice Planning, LLC. My firm was created to help PA's like you build lasting wealth.

A little more about me:

- Certified Financial Planner (CFP®)
- Chartered Financial Consultant (ChFC®)
- Husband of a PA-C
- Specialize in helping PAs and other medical providers
- Fee-only financial advisor
- Featured in publications like CNBC, MarketWatch, Fortune, and more.

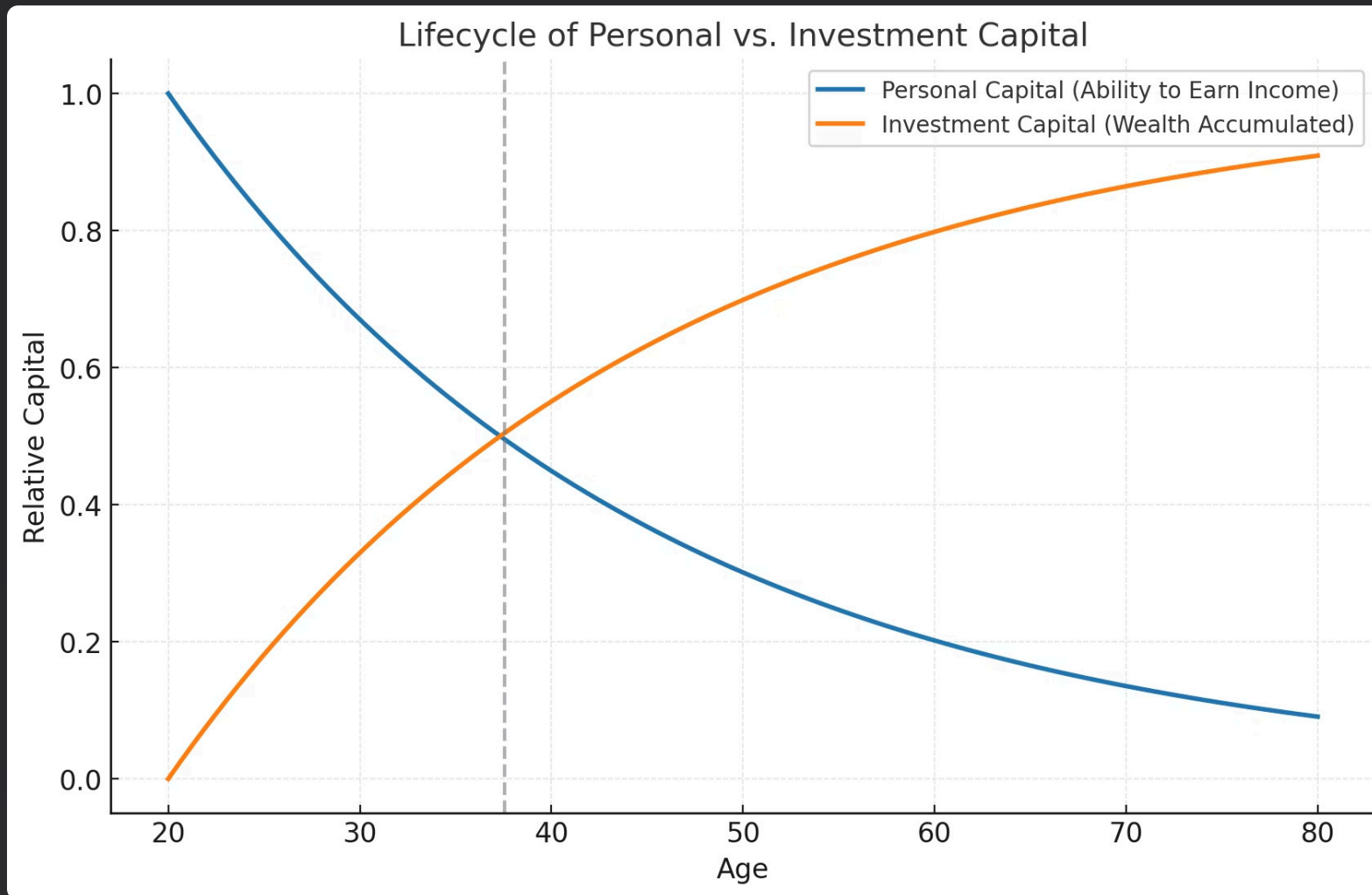
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# Why Financial Planning Matters

Financial planning builds a bridge from your current income to lasting financial security. Early in your career, your most powerful asset is your "personal capital" (i.e. your earning potential). As you become more experienced, this personal capital evolves into "investment capital," creating sustainable wealth that works for you.



# Understanding Your Paycheck

- Let's assume you're single and your income is \$150,000/year residing in California
- Roughly 25% of your paycheck will go towards Federal, Medicare & Social Security (aka FICA tax), and State Tax
- Your net income after taxes = \$112,500/year or \$9,375/month

## The 50/30/20 Rule

For a \$9,375 monthly take-home pay:

- \$4,687 for needs (including student loans)
- \$2,812 for lifestyle expenses (fun money)
- \$1,875 for savings/investments

Pro tip: Reverse budgeting makes the 50/30/20 method much easier. Pay yourself first each month (savings and student loans), then what's left over can be spent on housing and living expenses.

# Building an Emergency Fund



## Your Financial Safety Net

As a MSL, aim for 3 if single (6 months if married or have dependents) of essential expenses in a high-yield savings account.

**\$28,125**

**Target Amount**

Based on \$9,375 monthly expenses for 3 months

**\$1,171**

**Monthly Contribution**

To reach goal in 24 months

Your emergency fund should be saved in a place that you can earn interest over time without taking on risk. An example of this would be an FDIC insured High-Yield Savings Account (HYSA) . A quick Google search can help you find the HYSA with good terms.

# Student Loans: Managing Your Debt Strategically



## Assess Your Loans

- Identify federal vs. private, interest rates, and terms. Use the NSLDS database for federal loans.
- Your NSLDS File can be downloaded under your studentaid.gov login.
- Your private loan terms and conditions will be found with the individual lender you choose.



## Choose Your Strategy (federal loans)

- Standard Repayment (10-years)
- Income-Driven Repayment Plan (potential for lower payment and future forgiveness if you're not going the PSLF route).
- Public Service Loan Forgiveness (10 years at non-profit)
- Aggressive Payoff (highest interest first)



## Optimize Payments (Private Loans)

- There is little payment relief when it comes to private loans. If you have an interest rate of 5% or higher, review your refinancing opportunities (SoFi, Laurel Road, Earnest) are all good places to start looking. Rates will continuously change. Just because it may not make sense to refinance now, doesn't mean it will be like that forever.
- If going for faster payoff, consider making extra monthly payments and/or using financial windfalls like bonuses to put towards your debt.

Note: There are many changes being made to the student loan repayment plans currently. There are changes happening every day that can impact your repayment strategy. The best way to stay up to date is to follow along at <https://studentaid.gov/>.

# Insurance Essentials (Beyond Sales Pitches)



## Disability Insurance

### Priority: High

- About 30% of people ages 35–65 will face a disability lasting at least 90 days—and 1 in 7 will be disabled for 5 years or more.
- Employer coverage alone, will likely not be enough to protect you.
- Secure individual disability own occupation coverage in addition to your work short & long-term disability coverage to get to a total replacement income of ~60%.
- Individual Disability Coverage Cost: Likely a few hundred dollars a month.



## Health Insurance

### Priority: High

High-deductible plan with Health Savings Account (HSA) if young/healthy. 2025 HSA contribution limits:

- \$8,550 for family plan coverage
- \$4,300 for individual plan coverage

Traditional PPO if you have ongoing medical needs.



## Term Life Insurance

### Priority: Medium

10-12× annual income if you have dependents. Much less if single. Largely avoid whole life/permanent insurance initially (there are more cost effective ways to build wealth).

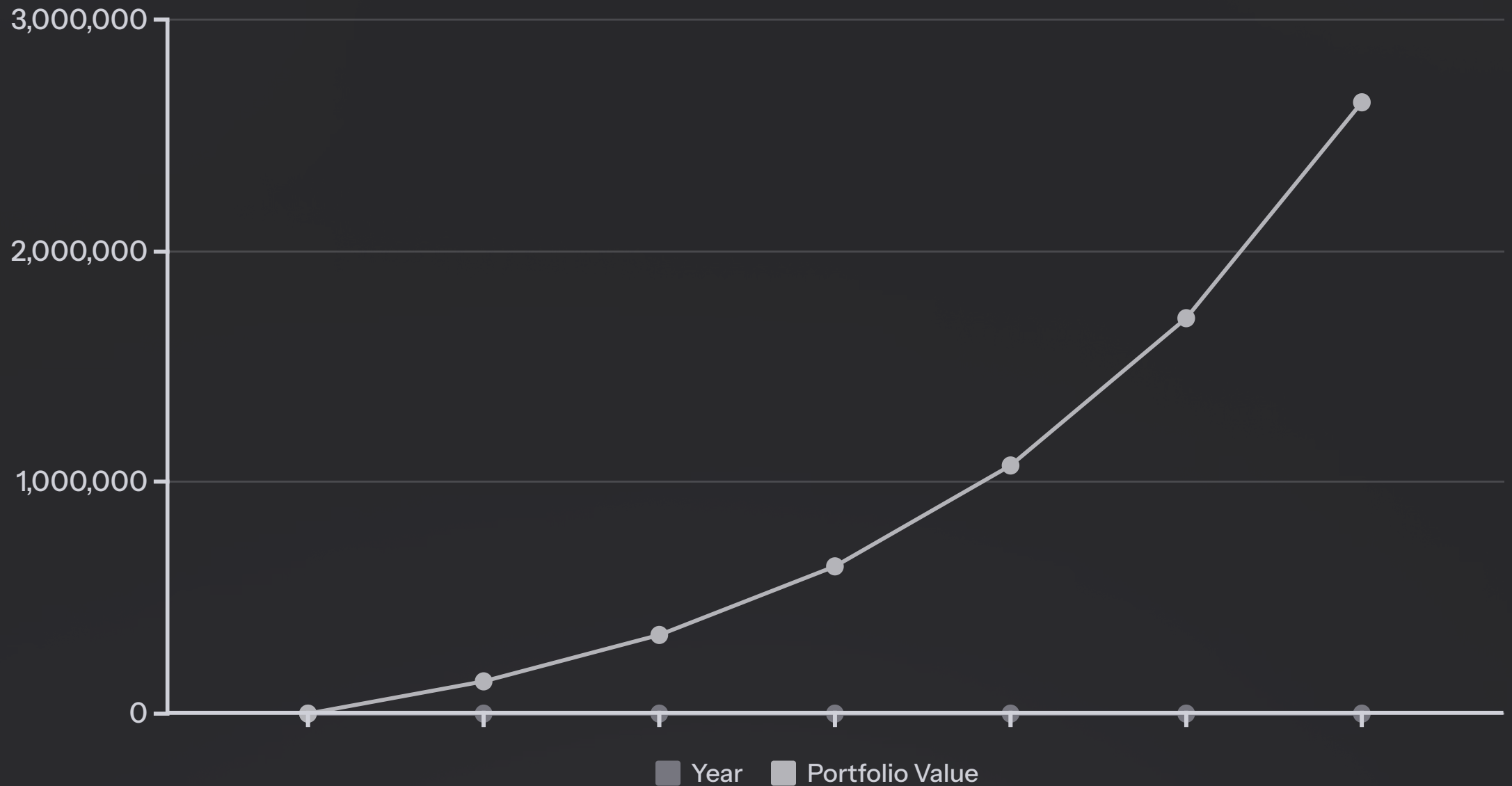
- Ex: If you have kids and make \$100,000/yr, you should consider a \$1,000,000, 30-year level term insurance policy.

# How Much Do I Need to Retire?

- The general rule of thumb is 25x your current yearly expenses.
- If you spend \$100,000/year, then you would theoretically need \$2,500,000 in investment assets to support this level of spending in retirement.
- 4% is widely considered a safe withdraw rate from a portfolio. 4% withdrawn from a \$2.5mm portfolio, would produce \$100,000/year in replacement income that you could live on.
- This rule isn't without it's flaws.
  - Ex. it doesn't take into account future income from Social Security, rental real estate, other passive income, etc.
  - It doesn't account for different spending at different life stages (go-go years vs. no-go years).

# Investment Growth Over Time

This chart illustrates the potential growth of an investment portfolio over 30 years, assuming a monthly contribution of \$1,875/month and an average annual return of 8%.



As you can see, even a consistent monthly investment can lead to substantial wealth accumulation over a long period, thanks to the power of compound interest.

# Investing Basics

## Investment Priorities

1

### 401(k) to Match

Capture full employer contribution (typically 3-6% of salary)

2

### HSA If Eligible

Triple tax advantage for healthcare expenses now or in retirement

3

### Roth IRA / Backdoor Roth IRA

\$7,000 annual limit (2025); income phase-out limits apply. You will likely be over based on your income.

4

### Remaining 401(k)

Up to \$23,500 annual limit (2025)

5

### Brokerage Account

No contribution and withdraw limits. Can be used for anything, not just retirement.

NOTE: Some of you may be eligible for programs like Employee Stock Purchase Plans. These can be valuable savings vehicles and would likely fit into the mix between maxing out your 401(k) and investing in a Brokerage Account.

# Restricted Stock Units (RSUs)

## 1 Grant Date

Your employer promises you a certain number of company shares.

## 2 Vesting Schedule

Most companies offer RSUs on a vesting schedule (either cliff or graduated)

- Cliff schedule = After 5 years, you will receive 1,000 shares of XYZ stock
- Graduated schedule = You will receive 1,000 over the course of 5 years of XYZ stock. 20% vests each year.
- Once shares are vested, you can choose to hold onto the shares or sell them immediately.

## 3 Taxation

- RSUs are taxed as ordinary income at vesting. No capital gains taxes are due (assuming you divest your shares immediately after vesting and they do not appreciate from vesting until sale).
- If you decide to hold onto the shares after vesting, any gain will be taxable according to capital gains rates.
- Short-Term capital gains rates are applied if shares are sold within a year of vesting
- Long-Term capital gains rates are applied if shares are sold more than one year from vesting.

Tip: Taxes are typically withheld when RSU's vest (at 22% if your income is under \$1mm, and 37% if income is above 37%).

**Caution!** This is just what's withheld and may not actually be enough to cover your tax liability.

# Incentive Stock Options (ISOs)

## 1 What ISOs are

Your company gives you the 'right' to buy company shares at a specific Exercise Date at a Exercise Price.

You are awarded the right - but not the obligation - to purchase the stock (i.e. you have to bring cash to the table to buy shares) at a determined price.

## 2 Vesting

- Typically, you don't receive the right to buy all of the shares in your ISO awards offer all at once.
- Ex. They may offer you the right to buy 1,000 shares (but only 250 share per year for for years) of XYZ stock at \$100/share.

## 3 Taxation

- ISOs are typically taxed when you sell the stock not at the exercise date.
- Tax treatment depends on how long you hold the shares before selling. Sale is also referred to as a 'disposition'.
- **Qualified dispositions** give you a more favorable tax treatment. To be a qualified disposition, you must meet *two* holding period requirements before selling the shares:
  - a. The sale must be more than one year from the exercise date (i.e. the date you purchased the shares).
  - b. The sale must be more than two years from the grant date.

If both of these requirements are met, the gain realized from the sale of the shares will be eligible for taxation at the lower long-term capital gains (LTCG) tax rate.

- **Disqualified dispositions** are when you sell the shares without meeting the requirements above. As a result you are taxed at ordinary income rates on the difference between the strike price and the current price.
- ISOs can trigger something called Alternative Minimum Tax (AMT). It's important to be aware of this and work with a professional that can help you navigate.

## 4 Example

- You receive the option to buy 250 shares of XYZ stock at \$100/share on 1/1/2025 and receive the right to exercise these options on 1/1/2026. On 1/1/2026, you do this and purchase 250 shares of XYZ stock with \$25,000 of your own cash. Let's assume, XYZ appreciates to \$125/share by 1/31/2027. You would have a Qualified Disposition and the total gain of \$6,250 ( $\$125 - \$100 = \$25/\text{share} * 250 \text{ shares}$ ) would be taxable at LTCG rates.

# Additional Resources

- [12 Smart Steps Every PA Wanting To Retire Early Should Know](#)
- [18 Things You Can Do Today To Level Up Your Finances](#)
- [Advanced Practice Planning, LLC Blog](#)
- LinkedIn: <https://www.linkedin.com/in/caleb-pepperday/>
- Instagram: [https://www.instagram.com/calebpepperday\\_cfp/](https://www.instagram.com/calebpepperday_cfp/)
- Housel, Morgan. *The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness*. Harriman House, 2020.
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