

Financial Planning Issues for Dental Students

Let's Face It — Dental School Is Expensive

Take control of your money management now and stay on track for a bright financial future.

Dental School Debt and Your Future

Class of 2000 *\$118,515

Class of 2013 \$215,145

Annual ADEA Survey of Dental School Seniors

For every \$10,000 you owe, it can be another \$110 in monthly payments.

The more you borrow today, the more future earnings you will need to repay the loan.

Online calculators can help you assess your monthly and total loan repayments. Check out:
Success.ADA.org/calculators

**Adjusted for inflation to 2013 dollars; actual amount \$87,605.*

Note: This publication is intended to provide general background information on financial planning issues to dental students. It does not constitute policy of the American Dental Association, nor is it intended to provide legal, accounting or financial advice. Appropriate professionals should be contacted for such services.

Real Talk from New Dentists



"I was really surprised by the expense of dental supplies and equipment. Students receive enormous discounts on their materials and tools in school, so when you start purchasing products for your own practice, you start to realize why today's practices have high overhead."

*Edgar Radjabli, D.D.S.
University of Maryland
Class of 2010*



"As a student I was concerned about my loans, and I researched programs that offered loan repayment after graduation. Today I'm working for an FQHC (Federally Qualified Health Center). I earn a good salary as well as loan forgiveness, and I'm working to pay off my loans as quickly as possible while still enjoying life as a new dentist!"

*Rachel Dasher Hymes, D.M.D.
Medical University of South Carolina
Class of 2010*

The ADA New Dentist Committee serves as the voice of the new dentist within the ADA. Students are welcome to reach out to their new dentist representatives at any time. Learn more at **[ADA.org/newdentist](https://www.ada.org/newdentist)**.

Loan Forgiveness and Repayment Programs

The *Dental Student Loan Repayment Programs & Resources* provides information on federal and state programs that offer student loan repayment assistance, often in exchange for services in a healthcare shortage area. Access the document in the financial resources section of **ADA.org/student** or request it from **studentaffairs@ada.org**.

This Will Go on Your Permanent Record

Keep Track of Each Individual Loan:

- Lender's Name and contact information
- Balance
- Repayment terms and status
- Grace period information

Stay in Touch:

- If you change your address, email, or phone number, tell each lender right away
- Open and read all correspondence from lenders
- Late payments and non-payments affect your credit score

And Remember:

- Make payments on-time, every time
- Check your credit report for accuracy



Most credit agencies keep your credit history for seven years, so it's easy to see how a poor credit history could affect future efforts to buy a practice or purchase a home.

You can get a copy of your credit report by sending a written or online request to any of the following agencies:

Equifax

800.685.1111

equifax.com

Experian

888.397.3742

experian.com

Trans Union

877.322.8228

transunion.com

Under the FACT ACT amendments to the Fair Credit Reporting Act, consumers are entitled to one free Personal Credit Report in a 12-month period from each agency.

For more information, or to request your free annual report online, visit **annualcreditreport.com**. To maximize this benefit, you may request your credit report from a different agency every four months. And remember, it's much easier to damage your credit score while in school than to improve it!

Understanding *Delinquency* and *Default*

Delinquency is late payment.

Default typically means 270 days of repayment delinquency. In addition to putting your credit at great risk, it could jeopardize your license in some states.

“The government has nearly boundless powers to collect student loans, far beyond those of most unsecured creditors. The government can garnish a borrower’s wages without a judgment, seize his tax refund, even an earned income tax credit, seize portions of federal benefits such as Social Security, and deny him eligibility for new education grants or loans. Even in bankruptcy, most student loans must be paid. Unlike any other type of debt, there is no statute of limitations.”

National Consumer Law Center, *The Student Loan Default Trap*, NCLC.org, July 2012.

Bottom Line: If you can’t repay your loans for any reason, contact your loan provider *immediately*. You may be able to put your repayment on hold temporarily. Deferment options vary and it’s not available to defaulted loans — so understand the terms of your loan before you sign a loan agreement.

Student Loan Contract Analysis

The ADA offers a free student loan contract analysis service to student members. Contact the ADA legal department at **studentloananalysis@ada.org** to receive a written analysis — in plain language — of your student loan contract prior to signing it. The service is available to all pre-doctoral and post-doctoral student members.

Search *Student Loan Contract Analysis FAQ* on **ADA.org** for details.

Compound Interest — A Snowball Rolling Downhill

All that interest begins to accumulate interest which, in turn, accumulates interest in a process known as *compound interest*. Compound interest is like a snowball rolling down a snowy hill, getting bigger and bigger as it goes.

Repayment schedules for two different student borrowers paid over 10 years.

	Student A	Student B
Amount Borrowed	\$85,000	\$100,000
Length of Loan (Years)	10	10
Interest Rate	6%	6%
Monthly Payment	\$943.50	\$1,110.00
Total Amount Paid over 10 years (120 months)	\$113,220	\$133,200

As you can see, the larger the loan, the greater the impact on Monthly cash flow. Many students are tempted to lower their monthly payments by extending the terms of their loans, for instance changing from a 10-year repayment schedule to 15 years.

Repayment schedules for two student borrowers paid over 10 and 15 years.

	Student A	Student B
Amount Borrowed	\$100,000	\$100,000
Length of Loan (Years)	10	15
Interest Rate	6%	6%
Monthly Payment	\$1,110.00	\$844.00
Total Amount Paid over 15 years (180 months)	\$133,200	\$151,920

While the monthly payments are smaller, the total amount paid is much larger. Remember, compound interest is like a snowball rolling down a hill; the longer it rolls, the bigger it gets!



Don't Assume a Comfortable Income Solves All Problems

"Ben Utley, a financial planner in Eugene, Oregon, whose clients are almost all physicians, says he doesn't believe that doctors necessarily make more mistakes than the public at large. But if they make three or four times as much money as the average person, their mistakes are going to be much more noticeable."

"They may have an extra \$50,000 annually on an after-tax basis," he said. "If there is no financial plan, that money tends to wander off."

Ron Lieber, "Investment Advice for Doctors: First Do No Harm," *New York Times*, August 26, 2011.

Status Updates for Your Money

According to a 2012 survey* by the American Institute of Certified Public Accountants (AICPA), 54% of 18-34-year-olds check their social media accounts daily, while only 17% check their bank balances daily.*

Why is it smart to check your financial accounts regularly?

- **Verify your balance(s)**
This makes it easier to know if you can accommodate discretionary spending.
- **Verify transactions**
The earlier you identify unusual activity, the greater the likelihood you can do something about it.
- **Verify that you are on-track**
to meet your financial goals.

Technology has made it easier to check your accounts regularly as you can request transactions at the ATM, view records online with a secure connection or access info on your smart phone.

Tip: Set a monthly reminder on your calendar (electronic or paper) to review your financial accounts.

*AICPA Survey: Just 17% of Young Adults Check Bank Accounts Daily," *Reuters*, April 25, 2012.

A Lifetime of Financial Preparedness Starts with a Single Month

You already know dental school is full of challenges. Getting admitted into this competitive program wasn't the finish line, instead it was the beginning of a whole new batch of hard work that marks the journey from being a student to becoming a dentist.

Fortunately, you don't have to learn everything in one gulp. Learning to care for patients is a gradual process — every day you learn something new that builds on what you learned yesterday. You have probably noticed that it's difficult to catch up if you fall behind. *Slow and steady wins the race.*

What is true for your studies is also true for your finances. Just as you should never ignore your coursework and hope to cram in all the information the night before an exam, don't make the mistake of putting off a spending plan.



You Don't Need a Crystal Ball.

You Just Need To Take the First Step and Keep Walking.

None of us can predict the future when making a spending plan — fortunately no one needs to plan every single penny. But you can make an educated guess about what next month will bring. You probably know how much your rent or mortgage payment will be, how much it costs to fill your gas tank and how often you fill it, and the price of your morning cup of coffee.

- Make a note of all the expenses you anticipate.
- Track your actual expenses for 30 days (*hint: start today instead of waiting for the first of the month.*)
- Adjust the plan for the following month.

By tracking one month's expenses, you will be in a better position to anticipate the next month's expenses.

Keep going — you'll begin to see some unexpected expenses (car repair, plane ticket, nephew's birthday present) — track those too. Soon you'll have a record of a year's activity. Assess, adjust, and there's your budget for the next year. *Slow and steady wins the race.*

"I Don't Have Time for This Right Now"

The debt you incur *in* dental school will impact your career flexibility *after* dental school. Where and how you practice dentistry will be affected by the amount you have to repay. Developing an understanding of financial planning now will have a direct impact on your career satisfaction.

Preparing for the unexpected is good financial planning, too.

That's why the ADA-sponsored Members Insurance Plans offer no cost life and disability insurance for ADA dental student members. Contact the ADA Insurance Plan Specialists at 888.463.4545 to learn how to take advantage of these member benefits!

Additional Resources

ADA Center for Professional Success: This member-only resource includes calculators to help you calculate monthly loan repayments and how much debt you can reasonably take on in relation to your income. **Success.ADA.org/calculators**

StudentAid.ed.gov: This government site gives information on both federal and non-federal sources of financial aid. Includes an online FAFSA application.

StudentLoans.gov: This government site allows you to service your federal loans, including make payments, change billing options, and enroll in electronic services.

Financial Aid Office: Contact the financial aid administrators at your school for additional options.

Checklist

- ☐ Estimate monthly loan repayments at **Success.ADA.org/calculators**
- ☐ Make a complete file of every loan
- ☐ Make a list of lenders and organizations to notify when you change snail mail, email, and/or telephone numbers
- ☐ Check your credit report for accuracy
- ☐ Make a note in your calendar to check your credit report in six months
- ☐ Set up a reminder to check your account balance(s) monthly
- ☐ Estimate your monthly expenses
- ☐ Track your *actual* expenses for 30 days (*hint: start today!*)
- ☐ Explore loan repayment programs and loan forgiveness options
- ☐ Take a moment to give yourself credit for staying on top of your finances and making progress!

The ADA looks forward
to serving you throughout
dental school and your
entire career.

Help us keep in touch and we'll keep you informed about the
issues affecting dentistry and the resources available to you
as a dental student.

ADA Office of Student Affairs

800.621.8099 x7470

studentaffairs@ada.org

ADA.org/student

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programs designed specifically for dental students.