

Financial Planning For Scientists

Today's academic scientists have a lot on their plate, between teaching courses, running a lab, writing grants, and publishing their research. Although many scientists have a penchant for numbers, they face the same issues as nonscientists when it comes to financial planning—saving for retirement falls by the wayside in the face of economic stressors—child rearing, house payments, gas prices, and the cost of their children's college education. On top of that, most academic positions are somewhat lower on the income scale than comparable positions in industry and corporate America, and because of the extended length of a doctoral education, most get started in wealth building relatively late. Nonetheless, in many cases a position in academia also brings with it security and stability as well as a plentiful benefits package. So with the right planning and enough forethought, academics can enjoy financial stability and a comfortable, if not prosperous, retirement. **By Emma Hitt**

"Some careers do not reward financially as much as they do in other ways, and that is mostly true in the sciences. I think it really helps to have a good idea about what defines success for oneself." —Susan John



As a postdoc, **Sigrid Eckardt**, now a research scientist at The Research Institute at Nationwide Children's Hospital in Columbus, Ohio, trained several recent college graduates that had been hired as research specialists by her university. These university "employees" had retirement benefits from the start, but as a postdoc she did not, even after several years of working at her institution. "Although the absence of benefits makes postdocs more affordable for principal investigators (PIs)," says Eckardt, "academic institutions use postdocs as a major part of their workforce, and they actually perform much of the work, so it seems somewhat inequitable that postdocs are ineligible for the benefits assigned to university faculty and employees," she says.

Likewise, **Judy Keen**, now on the faculty as an assistant professor in the Department of Medicine at the University of Medicine and Dentistry of New Jersey (UMDNJ) in New Brunswick, had a similar experience in that there were no employer-offered retirement or savings provisions at all for her from graduate school through her postdoctoral position. "Any retirement or savings I was able to build was through my husband's company and our external efforts," Keen says. "However, this was minimal, and I didn't really start any retirement or savings until I was 34."

POSTDOC STRUGGLES

Unfortunately, at most institutions, these stories represent the typical postdoc experience—long hours, low pay, few if any benefits, and no retirement-savings opportunities, although this experience is a well-trodden rite of passage for a career in academic science. During this phase of their academic career, individuals aren't expected to concern themselves with their finances, rather, they are to make a name for themselves and demonstrate their commitment to their field—hopefully, without any major health catastrophes or unexpected financial obligations during the process.

Postdocs can, however, lay the groundwork for financial prosperity during those years. **Michael Steiner**, head of the

Pharmaceutical Executive Services Group (PESG) at RegentAtlantic Capital, says that the main advice he would have for the "penniless" postdoc is to try to eliminate or avoid debt entirely. "If you have student loans or any other debt that is accumulating interest at a rate of 8 percent or more, then paying off that debt is probably going to result in a better return, and more of a sure return than trying to invest," he says. While the income-earning side of the equation for postdocs is low, keeping the outgoing expenses equally low should be the primary concern at this stage in a career.

THE BENEFIT OF BEING FACULTY

The financial scenario brightens somewhat when a postdoc secures their first position as a junior faculty member—the key difference being that a range of benefits is typically available to junior faculty that is not available to graduate students or postdocs. According to **Paul Bursic**, senior director for Benefit Services at Cornell University in New York, most Americans depend on their employers to help them cover the various financial risks to the security of their families, and benefit programs supply these risk management tools at low or no cost to eligible employees. "What it comes down to is personal risk management," Bursic says.

"We [in benefits services] take this very seriously because all too often employees do not," he says. "We usually find that employees do not think much about benefit programs until they need one. Thus, financial planning and education is a key part of our approach to providing benefit programs," he adds. "In general, academics as an occupational class pay little attention to these safety-net type programs and tend **continued**

UPCOMING FEATURES

Top Employers Survey—October 7

Focus on Europe—October 21

Neuroscience: Emerging Fields—November 4

CREDITS: (FROM LEFT) © ISTOCKPHOTO.COM/BLACKRED; © ISTOCKPHOTO.COM/JWOHLFEEL



Judy Keen

to assume their higher-level colleagues are going to step in and take care of things.”

Susan Sproat, executive director of benefits at the University of Pennsylvania in Philadelphia, states that talent is a university’s key commodity, particularly in the sciences and in research, and “benefits are very helpful in attracting top talent.” According to Sproat, benefits typically fall into three categories: 1) retirement; 2) health and

welfare (including life, health, and disability insurance); and 3) other (such as tuition, parking, and other nontraditional benefits).

“At our institution, we believe we offer a very robust set of benefits,” she says. According to Sproat, Penn provides a full array of benefits, including medical, dental, vision, and short- and long-term disability. These are offered at various price points that an employee can select based on their preferences. So in addition to salary, the various levels of insurance serve to shore up the risk level and sudden depletion of wealth that can result from unforeseen events—a central part of financial planning and wealth building.

At Cornell University, a similar range of benefits is available, says Bursic. All the standard health and insurance benefits are offered, and as is the case for many other academic institutions,

there is also an emphasis on the well-being of employees in terms of facilitating work-life balance. These benefits include flexible spending accounts for dependent day-care expenses and expenses not covered by health insurance, child-care grants, and workplace lactation accommodations around campus.

DISCOUNTED TUITION

One of the major benefits that is often available to academics, but is less common in industry, is that of deeply discounted or free tuition for faculty employees and their dependents—which can make a major difference to a family’s financial picture. For example, at the University of Pennsylvania, if an employee’s child is accepted at the university and they have completed three years of service, their child receives a 75 percent tuition grant. Should the child choose to attend a different university, the University of Pennsylvania will apply up to 40 percent of Penn’s tuition rate to the child’s school of choice. “In financial terms, the dependent tuition benefit can add up to nearly \$30,000 a year, which is very generous,” says Sproat. “Many schools have a tuition benefit for the employee, but not for a dependent, so it’s very helpful when we try to recruit talent.” Most universities have some form of tuition discount, usually described on the human resources section of the university’s website, but the type and amount of program coverage vary.

LOWER PAY, MORE STABILITY

There’s a perception that academic careers offer less financial compensation than corporate or industry positions **continued »**



Interview with Susan John, CFP, Chair of the National Association of Personal Financial Advisors (NAPFA)

What is NAPFA?

Susan John: NAPFA is an organization dedicated to the advancement of “fee-only” comprehensive financial planning. “Fee-only” is to be distinguished from “fee-based,” which means that a financial planner may be receiving commissions on some products in addition to what clients pay them. NAPFA members receive no compensation other than what the client pays them, usually in the range of \$100 to \$200+ per hour. NAPFA also performs “due diligence” on member candidates by checking into their credentials and track record, as far as complaints, and ensures that they are fee-only and can deliver comprehensive services. Members are also required to undergo a peer-review process.

What are the benefits of hiring a “fee-only” financial planner?

Susan John: First of all, the benefits of hiring a financial planner, as opposed to just an investment person, is that they can help you deal with all of the aspects of your financial life. This is particularly important for someone who is pursuing a science or academic career where financial compensation may

be lower than in other settings, and they can really use guidance in all aspects of their life. Especially when they are not eligible for benefits, postdocs and junior faculty may need help figuring out basic things such as how to cover health insurance and how to save and manage finances. So a comprehensive financial planner is going to help them consider all of those aspects and not just how to invest.

Specifically, a planner who is “fee-only” means that, by definition, they are on the same side of the table as their client. There is nothing hidden in the agenda. The advisor is not trying to make money selling a financial product that may not be the best choice for a client.

What advice do you have for scientists who want to build wealth?

Susan John: It is important to remember that wealth is relative. Some careers do not reward financially as much as they do in other ways, and that is mostly true in the sciences. I think it really helps to have a good idea about what defines success for oneself. For many people, especially people in the sciences or in academia, their career is their number one asset, and it will be for a long time. So whomever you select to be your financial advisor should have a clear understanding of what success looks like for you—it may not just be financial reward—it may be more about having stability and the ability to think about the future in terms of what is going to bring you long-term happiness.

CREDIT: (TOP) JUDITH KEEN, PH.D.

“We take the traditional retirement age and stretch that out, and that will potentially impact the way that we invest their money. We customize the strategy to meet their time horizon for retirement, looking at not only their retirement planning but their life journey, in general.”
—Joe Wilson



FEATURED PARTICIPANTS

Cornell University
www.cornell.edu

Fidelity
www.fidelity.com

National Association of
Personal Financial Advisors
www.napfa.org

RegentAtlantic Capital
www.regentatlantic.com

The Research Institute
at Nationwide Children’s
Hospital
www.nationwidechildrens.org

TIAA-CREF
www.tiaa-cref.org

University of Medicine and
Dentistry of New Jersey
www.umdnj.edu

University of Pennsylvania
www.upenn.edu

Vanguard
www.vanguard.com

Wayne State University
School of Medicine
home.med.wayne.edu

but are somewhat more stable, especially after tenure has been granted, and this can influence an individual’s overall financial planning picture.

Sproat, who was previously a benefits manager in the corporate world, says that in academia the actual benefit packages are richer than she has seen in most companies. However, in the upper levels of the corporate world, financial perks such as stock options become available, which are not available at universities. “So, as a way to balance this out, in academia, all the traditional benefits—the ones that most people access—medical, dental, vision, life, disability, tuition—are typically much richer.”

Monica Uddin, assistant professor at Wayne State University School of Medicine in Detroit, Michigan, notes that “the compensation offered in a for-profit scientific environment might be better, but the stability of the job itself—particularly in the current economic climate—might be less than what would be found in academia, at least for a tenure-track job.”

Joe Wilson, an Atlanta-based wealth management advisor for TIAA-CREF, explains that what’s unique about academia is that people tend to work longer in the field and retire at a later age. TIAA-CREF is the largest 403(b) provider for academic and medical fields. “What that allows us to do is to have an additional opportunity to invest their money based upon that long retirement timeline,” he says. “We take the traditional retirement age and stretch that out, and that will potentially impact the way that we invest their money. We customize the strategy to meet their time horizon for retirement, looking at not only their retirement planning but their life journey, in general.”

ON-CAMPUS HELP

On many campuses, TIAA-CREF, Fidelity, and Vanguard are among the companies that offer retirement plans in the academic world and also access to planners for one-on-one meetings at least once per year. These meetings are generally given at no extra cost to clients.

In addition, credit unions are also usually available for campus employees at many academic institutions. Credit unions differ from banks in that as a customer of a credit union you are also a shareholder. Credit unions are nonprofit institutions. Unlike

banks, they do not have to focus on producing returns for shareholders, and as such, credit unions can maximize financial gain for members.

Credit unions offer car loans, home equity loans, and other types of loans at highly competitive rates. Like banks, they charge overdraft fees, but these are usually lower than those charged at a bank. In addition, most credit unions offer a Visa or MasterCard with interest rates that are about 20 percent lower than those of the larger banks. Credit unions typically have only a few branches available for their members, and therefore may not be as convenient as the large banks that have ATMs widely available.

RETIRING GRACEFULLY

Retirement is of course at the top of the list of chief financial concerns. TIAA-CREF’s Wilson notes that their financial planning advice is designed to answer three questions: 1) Am I on track to reach my retirement goal? 2) Am I allocated properly (in terms of risk level and investment return)? and 3) How can I access my money in the best manner at retirement? “Those are the main three questions people are looking to have answered,” he says. “We try to help answer these questions and to help our clients approach retirement with a degree of confidence.”

Michael Steiner, with RegentAtlantic Capital, notes that there are a lot of moving parts to the financial planning discussion. According to Steiner, an important part of financial planning is understanding what it is that you are trying to achieve. “Are you trying to maintain a lifestyle? Do you want to retire by a certain date? What type of retirement can you afford to have? Will you need to keep working at least part time?” These are the questions that many in the sciences do not consider. There is an emotional component to these questions that some would prefer not to face, he says.

Emma Hitt is a freelance medical and science writer residing in Marietta, Georgia.

DOI: 10.1126/science.opms.r1100108

CREDIT: COURTESY TIAA-CREF