

Why money matters? What medical school doesn't teach you

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As part of my Foundation Programme induction in A&E we were asked the question that still strikes dread into my heart: 'give one interesting fact about yourself. I racked my brain for an 'interesting' answer. Eventually, I settled on telling the group "I used to be a chartered accountant and chartered tax advisor for nine years." Word of this soon got around and Tommy also knew by the time we met.

Dr Tommy Perkins was a locum doctor at the St Richard's Hospital in Chichester, where I had started my second year of the Foundation Programme. Before I arrived, he was helping his friends claim back tax on their professional expenses. We both shared a common goal that we wanted to help doctors make better financial decisions, which led us to co-found Medics' Money, a company with the objective of informing and empowering doctors to improve their 'financial health'.

As medical students we receive a lot of medical training, that is the point of medical school. One thing we do not get, however, is any "financial education" and this continues as you become a Foundation Doctor and move into the next stages of your training. This can mean that doctors often overpay income tax and National Insurance contributions when they start employment. They can end up confused regarding their pay and obligations, for example: 'do you need to tell HM Revenue and Customs if you receive a cheque for completing a cremation form?', or 'how does the pension scheme work?' - you may have seen the problems this has been causing for our senior colleagues in the press.

There are other good reasons to be more financially aware. We live in challenging times for a number of reasons, but doctors are fortunate in that their jobs should be safe whatever the future throws at us. However, over the last 10 years, the pay of some doctors has dropped 30% in real terms, according to the BMA. (1) If you live in an area with a high cost of living, like London or the South East, it's likely that the problem is even worse. If you add in the rising cost of medical school, junior doctor training and the increasing pension contributions with punitive taxation it's clear now, more than ever, that doctors of all ages need to be financially astute and there is no better place to start thinking about this than at medical school. Indeed, the cost of training is rising and the recent Health Education England document on 'Enhancing Junior Doctors' Working Lives' identified 'rising costs of developing as a professional' as a significant cause of low morale. (2) Surprisingly this document did not mention that claiming tax back on professional expenses could make training up to 40% cheaper. Unfortunately, a lot of the information provided to doctors to help them claim is out of date and unnecessarily onerous. Most of this information is vague, incomplete or simply incorrect.

So, what do you need to know now?

Of course, your focus will be on your medical studies but here are some important things to think about:

1) Once you start working as a doctor, you will be able to claim a tax deduction against your earnings for income tax purposes for any professional expenses you incur. Keep every receipt for every professional expense that you suffer. When you pay money to the GMC, the MDU or MPS, the BMA (if you choose to join) and later on the Royal Colleges, you can claim tax back on these expenses further down the line. This may seem like common sense but it's easy to forget to do this and then struggle to remember how much you paid. Unfortunately, you cannot get any money back for expenses you incur as a student.

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2) Similarly, it is really important to keep a copy of all the payslips you receive. You may receive this electronically or in paper form. You will also receive various tax documents through your working career including P60s (a document you get at the end of each tax year to summarise everything regarding your income, tax, pension contributions and student loan contributions for the tax year) and P45s (a document you receive every time you change between employers). If in doubt keep it – you’ll potentially need this information down the line, e.g. when applying for a mortgage.

3) As doctors, it is not uncommon for us to change jobs often. When we move employers (change Trusts), this can then have tax implications. This is mainly because of the confusion it causes in HM Revenue and Customs. I won’t go into the details here but the main thing you need to know is that you should keep a close eye on the last payslip you receive from the old Trust and the first payslip of the new Trust – if you notice a marked difference in your tax bill or net pay you have the wrong “tax code” and need to get it changed.

4) It’s always a good idea to continue the frugal habits you will acquired as a student into your employment years. For a variety of tips regarding keeping your finances healthy, we would recommend you download the following e-book: <https://www.medicmoney.co.uk/ebook/>

When you’re ready to know more, our company, set up by doctors for doctors, has a website (www.medicmoney.co.uk) with a lot of free information on UK taxation, the NHS pension scheme and financial advice (including the “tax code” problem mentioned above). And, if you ever need more help than that, we have found some specialist medical accountants and Independent Financial Advisors that can help you with anything from tax returns to getting Income Protection.

With doctors’ wages falling by up to 30% in 10 years, according to the BMA, combined with the rising cost of training for junior doctors, the loss of free accommodation, the pensions charges affecting our senior colleagues, among other things, it is important to do everything possible to mitigate the impact of declining incomes and rising tax bills. We cannot immediately change how doctors are remunerated, so a good financial plan is key to making the most of their earnings. Doctors often shy away from having conversations about finance, it’s almost hardwired in us – but it’s about time we understand our own ideas, concerns and expectations about our income and financial health.

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