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
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Susan Sproat, executive
director of benefits at the Uni-
versity of Pennsylvania in Phila-
delphia, states that talent is a
university’s key commodity, par-
ticularly in the sciences and in
research, and “benefits are very
helpful in attracting top talent.”
According to Sproat, benefits
typically fall into three catego-
ries: 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
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What is NAPFA?
Susan John: NAPFA is an organization dedicated to the ad-
vancement 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. NAP-
FA 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 can-
didates 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 plan-
er, 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 sci-
ence or academic career where financial compensation may
be lower than in other settings, and they can really use guid-
ance 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 defi-
nition, 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 rela-
tive. 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 as-
set, 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.
“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

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 some of these questions that would prefer not to face, he says.

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