

Navigating the Financial Transition for Advanced Practice Providers

For Advanced Practice Providers (APPs), entering full-time practice is an exciting milestone. With years of education and training behind you, the transition into a well-paying career brings both financial opportunity and responsibility.

However, this period also presents unique financial challenges:

- ◆ A material increase in income after years of student budgeting
- ◆ Managing student loan debt while balancing other financial goals
- ◆ Starting wealth accumulation later than peers in other fields
- ◆ Limited financial education during training, leading to uncertainty about investing, retirement, and financial planning
- ◆ Less access to financial advisors compared to physicians

Without a strategic approach, it's easy to fall into financial pitfalls—overspending on a new lifestyle, delaying savings, or failing to optimize student loan repayment. The key to financial success as an APP is being intentional with your income from the start.

The Income Jump and the Goldfish Effect

After years of living on a student budget, earning a six-figure salary can feel like an entirely new financial reality. Suddenly, you can afford things that once seemed out of reach—nicer housing, new cars, upgraded vacations. While this financial growth is well-earned, without intentional planning, it's easy for spending to expand to match income.

This is often referred to as the **Goldfish Effect**: just as a goldfish grows to fit the size of its bowl, our spending tends to expand to fill our new salary. If not managed early, this can lead to lifestyle creep—where expenses increase before financial stability is established.

Key Steps to Take

- ◆ **Set savings targets first.** Before increasing your spending, decide how much you want to save each month and automate those savings.
- ◆ **Expand lifestyle slowly.** Make sure your increased spending reflects what you truly value, not just the excitement of earning more.
- ◆ **Set aside discretionary funds.** Once you have a savings foundation in place, enjoy your income without guilt by allocating some funds for personal enjoyment.

Managing Student Loan Debt

Many APPs graduate with six figures of student loan debt, which can be one of the biggest headwinds to financial growth. Unlike physicians, APPs often have fewer financial resources or loan repayment incentives built into their careers, making it essential to choose the right repayment strategy.

Common Loan Repayment Paths

- ◆ **Public Service Loan Forgiveness (PSLF)**
 - Best for APPs working in non-profit hospitals or government roles.

◆ Aggressive Loan Repayment

- Ideal for APPs in private practice or those who will not qualify for PSLF.
- Focuses on paying off debt quickly to minimize interest costs and free up cash flow for wealth accumulation.

◆ Income-Driven Repayment (IDR) and Long-Term Payoff

- Useful for those expecting fluctuating income or seeking lower payments for flexibility.
- Less common but appropriate for those needing cash flow stability.

◆ Refinancing

- Best for high-income APPs who are ineligible for PSLF and want to reduce interest costs.
- Keep in mind, this removes access to federal protections like forbearance and IDR plans.

The optimal approach depends on your career outlook, employer type, and personal financial goals. It is important to evaluate options carefully before committing to a repayment path.

Develop a Savings Strategy

APPs typically enter the workforce later than peers in other industries, meaning they have fewer years to accumulate wealth before retirement. However, healthy income combined with early action can offset this late start.

How to Catch Up

- ◆ Max out employer-sponsored retirement plans (401(k)/403(b)) and take advantage of employer matches.
- ◆ Consider a Roth IRA or Backdoor Roth IRA for tax-free growth.*
- ◆ Use brokerage accounts to invest beyond tax-advantaged options.
- ◆ Set aggressive savings targets early in your career to maximize compounding.

Make Up for Limited Financial Education During Training

APP programs emphasize clinical education, leaving little time for personal finance training. As a result, many new APPs enter the workforce without a clear plan for managing income, investments, and long-term financial security.

Action Step

- ◆ Seek out reputable financial education resources.
- ◆ Consider working with a financial advisor who understands the APP profession.
- ◆ Building financial literacy early can set you apart from peers who delay planning.

* A Backdoor Roth IRA is a strategy that allows high earners to get money into a Roth IRA despite income limits. It involves making a non-deductible contribution to a Traditional IRA and then converting that amount to a Roth IRA. While the contribution itself isn't tax-deductible, once converted, future growth and withdrawals (if qualified) can be tax-free. It's important to avoid having other pre-tax IRA balances, as the IRS's pro-rata rule applies when converting, which can create unexpected tax consequences.

Finding Financial Advice Tailored to APPs

Many general financial advisors may not fully understand the nuances of APP compensation, student loan strategies, or hospital benefit packages.

- ◆ Look for a specialist who works with healthcare professionals, not just general wealth management clients.
- ◆ Ensure they understand loan repayment strategies, retirement benefits, and tax planning specific to APPs.
- ◆ Choose a fiduciary advisor who puts your interests first, rather than focusing on selling products.

At Aether Financial Group, we work specifically with healthcare professionals, helping APPs like you navigate the financial complexities of your career with confidence.

Final Thoughts

Transitioning into your career as an APP brings new opportunities and financial challenges. With a well-thought-out plan, you can:

- ◆ Avoid lifestyle creep and maximize your early income
- ◆ Create a student loan repayment strategy that aligns with your goals
- ◆ Build wealth early, even with a late start
- ◆ Take control of your financial future through education and expert guidance

A financial plan that balances today's lifestyle with tomorrow's security is the key to long-term success. If you are ready to build a strategy tailored to your unique career path, let's start the conversation today.



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