

EPISODE 795

[INTRODUCTION]

[0:00:34.6]

FT: How does a six-figure income turn into six figures of debt? Welcome to So Money everybody. I'm your host, Farnoosh Torabi. Thanks for coming here. Our guest, Bonnie Koo was making six figures by age 23 working on Wall Street. A career pivot into medicine quickly changed all of that. She attended medical school and took on \$200,000 in loans. She also racked up about \$20,000 in credit card.

Bonnie, now a dermatologist is on the other side of that money story. She's since taken control of her financial life, she's paid down the debt and she's even launched a site helping other professional women and doctors master their money. Bonnie blogs at bonniekoomd.com. She also co-hosts a podcast called Friends Talk Finance. Stay tuned for the exact moment she decided to get serious about money. The book that helped turn her financial life around and a unique way to think about retirement planning that won't make your head hurt.

Here's Dr. Bonnie Koo.

[INTERVIEW]

[0:01:41.4]

FT: Bonnie Koo, welcome to So Money. How's it going?

[0:01:44.6]

BK: I'm doing great, I'm so excited to be on the show today,

[0:01:47.3]

FT: I am too. You and I first connected as a listener of the show and as a neighbor here in Brooklyn and since you've moved to Pennsylvania, which I feel is my second, home got married there, went to school there. So much ground to cover with you, Bonnie. I don't even know where to start, but let's start with today. How's today going? Then I know that we're going to get into a lot of your financial journey and what's made you interested in helping specifically women professionals, doctors with their finances, but where are you right now in your financial life? I know you had some student loans. Tell us a little about Bonnie Koo's financial status right now.

[0:02:31.9]

BK: That's a good question. Well, I paid off my student loans earlier this year, so we are officially debt-free.

[0:02:37.7]

FT: Congrats.

[0:02:38.2]

BK: That feels amazing. I had some help. My fiancée did pay off the last bit of my loans. He sold he sold his property in Boerum Hill, so you can imagine how much that's skyrocketed since he bought it in 2000.

[0:02:50.8]

FT: Oh, man. Why don't you just retire?

[0:02:54.6]

BK: It wasn't that good of a profit. It was pretty good. Yeah, we paid off loans. We just cleaned up all the outstanding things that had to be paid off. That is just a great place to start. I have to tell you, so many people ask should I save, or invest, or actually I should say pay off my loans

earlier, or should I invest, or do both? I get the money, or the math works out to invest sometimes, but I got to say in terms of your mindset, there's nothing like being debt-free.

[0:03:24.1]

FT: No. The psychology of it is nothing to underestimate. I mean, really the fact that you can sleep better at night and also you probably have more of an appetite to invest now, right? Maybe you will be more aggressive. I know that time plus compound interest is very powerful. I agree with you that if the debt is really weighing on you, address it first, and aggressively and right away. Congratulations, that's huge.

[0:03:55.2]

BK: Thank you.

[0:03:56.1]

FT: I was reading about you and your story. In some ways, you characterize your financial place in life. Because you went to medical school after having already a career in finance, you feel a little behind in some ways. Do you still feel that way?

[0:04:17.0]

BK: I mean, yeah. I have a blog post where I talk about all the mistakes I've made and I tallied them up and it's over a quarter a million dollars. I mean, that's just crazy, right? If I didn't make those mistakes and if I didn't take so much time before going to med school, I'd be way ahead of the game. I do feel like in spite of all that, I'll be okay. I think that's the message I want to let people know is you can make a lot of mistakes, as long as they're pretty early in your career, you still have time to catch up.

[0:04:47.7]

FT: Yeah. Fail hard and fail fast. Fail soon and fail fast. Your website is missbonniemd.com. This is where you share a lot of your financial story, insights, advice. You're also a dermatologist, you're a mother. Way back when you were first a young professional, graduated from Barnard College, you were making six figures by the age of 23 working for Morgan Stanley. Tell me about those years. I didn't make six figures until well into my early, like late 20s. I was finally breaking the six-figure mark in New York. I remember that moment. It was a big deal. You made it right out of the gate. Did you feel rich at the time?

[0:05:35.8]

BK: No, because I was spending my whole paycheck in New York City, which is very easy to do as you know.

[0:05:42.1]

FT: I have no idea what you're talking about. Seriously, six figures, even in New York City at 23, yeah, rent and food. Did you feel – did you like making all that money at that point, or did you want to make more? What was your financial mindset at 23?

[0:06:01.3]

BK: I mean, I definitely enjoyed life at that point. When you're 23, you're in New York City, there's just so much to do, there's always stuff going on. I mean, I guess what was nice is I didn't have to worry about, "Oh, I can't go out for a drink tonight, because drinks are expensive in New York," so I never I guess felt that way. I had a pretty nice apartment on the Upper West Side, right on Central Park, I remember. That was pretty awesome. I mean, it felt good. I wish I saved more, obviously.

[0:06:29.8]

FT: Yeah. I was going to say, what do you wish you had told yourself at 23, financial advice?

[0:06:33.9]

BK: Yeah, I wish I saved more. I mean, I wish – it's so funny. Looking back I'm like, “How did I not know that you should live below your means?” It seems so common sense, but obviously at one point, it wasn't common sense for me.

[0:06:47.6]

FT: You will admit that you didn't really get any financial literacy growing up. Is that something that you feel was a missed opportunity from your parents? Or were you just not interested? Did they try to teach you and you just ignored them, because that's what I did?

[0:07:06.5]

BK: No. My parents definitely didn't teach me. My mom was the saver, my dad was the spender. Then my mom would always say, “Oh, you're just like your dad,” when I was growing up. Now I've become more of a saver. Although, I feel once you're a spender, you can't – I'm always putting in check. There's definitely a tendency I have to curb. No, I didn't get any education and it really wasn't until my last year of residency when I – this is how this whole blog started. I just heard some co-residents talking about money, and these two guys always talked about money by the way, but for some reason I was interested that day. Who knows? Maybe I was bored and I just was like, “How do you guys know all this stuff?”

Then they actually were like, “Oh, you should read this book.” The book was *The White Coat Investor*. I'm not sure if – that's a book written by a physician for physicians. It's very quick read. You can read it in a few hours. I basically said okay, and I ordered it on Amazon, got it the next day with Amazon Prime and read it that weekend. I was like, “Oh, my God. How did I not know this before? How come no one told me this?”

It's so basic. Just compared to where I am today. Even now, I sometimes forget that I have to go back to the basics if I'm talking to people who are still learning for the first time, because it's easy to assume that they should know a certain amount of material by now.

[0:08:28.7]

FT: We're going to dive deeper into your advice for professionals, particularly the doctors of the world. I had recently on Peter Kim, Dr. Peter Kim who is one of your friends and peers in this space. He's an anesthesiologist and the founder of Passive Income MD. There's unique advice for the physician crowd when it comes to money, and I want to learn more about that from you.

Let's go back to when you pivoted from finance in your 20s, to was it in your 20s, or was in your 30s? The timeline is a little foggy for me, but I know that you eventually transitioned over to dermatology school, medical school at Columbia. That took a while and that also landed you in \$200,000 in student loans, \$20,000 in credit card debt. When you graduated, did you have a financial plan? Because you're talking about this book that you're reading as a student. Would you graduate with a little bit more of a direction?

[0:09:28.8]

BK: Oh, totally. I mean, I feel that I read that book right at the right time. It's right before I was about to quadruple my – actually, more than quadruple my income. I had enough time between when I read the book and when I started my first job out of residency to set myself up properly. Like I said before, I'm a spender by nature, so I want those people where it just has to be automatically removed from the paycheck before I see it. That's how I operate best.

I basically, as soon as I got my accounts up at my new job, I said, “Okay, let's max out the 403b, so I don't see the money ever.” Doing it that way, I just – my first job started in September, so I had about three or four months left of the year, and so I was able to max that 403b out in those four months, which I thought was a pretty good accomplishment for someone who like you said, had \$20,000 in credit card debt, just before and all that stuff. I just thought that I just got to put the stuff on autopilot, so I don't have to think about it.

[0:10:30.1]

FT: I think, what I love most about your story up to this point is that you just made a decision. You don't even know why you were inspired, but it just – that day, you wanted to start making some improvements and it started with education, it started with maybe those guys ended up becoming your money buddies, or guys you were riffing on money about.

[0:10:53.1]

BK: Exactly.

[0:10:53.8]

FT: Yeah, and that's like finding your people, your community, and now – when did Miss Bonnie MD come into the picture? Now, so you're a working doctor, you have your 403b. Is it the 403b maxed out or whatever, but now you're thinking, “I want to take this to a different, better, higher level. I want to help people.”

[0:11:16.6]

BK: Yes. That all started actually. I was in a Facebook, or I'm still on that group. It's a Facebook group for women physicians and we discussed personal finance, and there's all these other women physician groups for all different topics, including locations. There's a New York City group, for example.

I was in the finance group and it was much smaller back then. We're talking 3 to 5,000 which is still a large group, but now it's over 13,000 members since I joined. People were asking questions and I just started answering them. Then I realized that I was doing most of the answering in that group. After a while, I was like, wow, it's getting annoying to keep typing out the same stuff over and over again. That was a thought that came through my head. Then I had some girlfriends who basically were like, “You should start a blog, Bonnie.”

My first thought was why. Not interested. Also, The *White Coat Investor*, the book I mentioned, he has a blog and he was the first physician to really make it big in terms of really reaching out to other physicians and he's an established website. I felt like, well what I have to add. He basically wrote about everything. The way I would search for answers, I'd search in Google, I'd write whitecoatinvestor.com, space, the topic. He'd always have an article on it, to be honest.

I just felt I'd nothing to add, but my friends kept pestering me. Then one day I was like, "All right, I'll start a blog. Why not?" I had all this material swirling in my head. I also was – this is before I had a family, so I just had a lot more free time and that's when it started. Even the name is not what I – I didn't have time to figure out a name, or our logo. I just said, "Oh, my e-mail is missbonnie@gmail. I'll just call it Miss Bonnie MD. Not super creative, but that's how it started.

[0:13:02.4]

FT: Just start. That's the key, right? Don't over think it. Just start. I know you were recently at FinCon and people are learning more about you. You're finding more people that are interested in helping physicians. With regards to physicians and money, what do you think are the greatest challenges and do you have specific advice for them that you think is not the same that you would give to everybody else, to the general population?

[0:13:30.0]

BK: I think what's hard for most physicians is we're just in school and training for so long. There is just lots and lots and lots of delayed gratification. It's no wonder that most docs, they graduate they get this new job, they're making – most of us are making over \$200,000 from the bat and then to – it's just so easy to go be like, "Oh, I want to buy that car I finally wanted," or for women go buy that purse, or buy the new home. Because by time we finished, most of us are in our 30s, some of us late 30s.

We've seen all of our friends do all that stuff already, you know what I mean? It's like, "Okay, it's time for us to do that." Plus we've got this really high income, so why not? Most of us unfortunately do graduate with a lot of loans, and so it becomes this battle. Unfortunately, I guess the advice is to delay the gratification a little bit more, which is hard. Even if you just delay a few years and just increase your lifestyle maybe a little bit, even you could double it technically and still be ahead.

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FT: The debt is also a huge setback; can be. Do you think that the debt is justified? I know you're going to make lots of money, but I also hear that with doctors depending on the path you take, it can be difficult to pay off those loans. Especially if you're on practice, the insurance bills, etc., can be really taxing. What do you think about that in terms of the ROI of paying for a medical degree out of your pocket, or in this case, getting a debt, getting a loan?

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BK: Right. It depends on the – so different specialties pay different amounts. Now they're not absolute rules, but for example in general, someone who becomes a pediatrician is going to make a lot less than a dermatologist, for example. For the folks who make maybe just really low six figures and some pediatricians aren't even making six figures, which I think is awful, that obviously it's hard to stomach if you're graduating with 3 to 500,000. I think right now, 3 to 500,000 is normal for student loan debt.

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FT: \$500,000? Yeah, because there's pre-med and – so it's all like what? Eight to 10 years, right, of school?

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BK: Yeah. Eight years of tuition and the minimum. Then you have these dual physician families who have double that. I know some couples who have a million dollars of student loans combined.

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FT: Oh, goodness.

[0:15:58.5]

BK: I know, it's crazy. Then if they don't have a plan to pay them off, whether they pay them off aggressively early, or at least just really think about it and refinancing the loans, because some of them have loans at 7% or 8%, then you just imagine how much interests are going to owe on top of that capital.

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FT: That sounds like an extreme, but it's probably not uncommon. You often meet your partner at work. If you're a doctor, you might marry a doctor and there you go. Yeah, that's where the debt adds up, and is significant. How do these people, individuals, couples build a financial life while paying down debt? Do you just wait till you're debt-free, which could be another 10 years? In the meantime, you want to be a homeowner, you want to invest, you want to start a family. What do you do?

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BK: I think the general advice I give is – so I recommend maxing out all your tax advantage accounts that's basically a 401k, or 403b, and then a Roth IRA. We have to do the backdoor Roth IRA, because of our income. Then depending where he works, for example, my last job I had a 403b and something called a 457. That's basically another 403b in terms of the max.

I usually tell docs to max those out, and then throw everything else extra at loans. Most of us make enough where we can do both. It just depends on their income level and what else is going on, but I would say at the minimum, they really should max out the 401k and a Roth IRA.

[0:17:29.3]

FT: I want to clarify the backdoor Roth IRA, which some people have written in asking about that in the past, and you bring it up sometimes on the show. Basically, a backdoor Roth IRA allows you to get around the income limits of that Roth IRA contribution by converting first to a traditional IRA, traditional IRA, and then converting that into a Roth IRA. Do you have someone helping you with that? I would assume like a CFP, or a tax person?

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BK: I do it myself.

[0:18:00.6]

FT: Oh, okay. Tell us how you do it. What's the DIY way to do it?

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BK: I just go to Vanguard and transfer \$5,500 for my checking account, wait 'til hits and then I – they a button on Vanguard to just hit the convert to Roth IRA.

[0:18:13.0]

FT: No.

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BK: They make it really easy.

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FT: I love that. That is brilliant. Thank you, Vanguard.

[0:18:19.2]

BK: I know exactly, right? It's like, convert to Roth IRA, click.

[0:18:22.4]

FT: Oh, my gosh. Well, that's fantastic. Tell us a little bit about what you would consider to be your greatest financial win, your so money moment, Bonnie.

[0:18:35.4]

BK: It's funny. I feel like I should say paying off my student loans, but it didn't – it felt great, but I had just had a baby, so there was just so much stuff going on, so I don't – it's not very salient to me as a big one. I think my biggest win was when I – the first year I maxed out all of my tax advantaged accounts. I mentioned earlier that I maxed out my 403b when I first started, but then that second year when I had a full year, I maxed out my 403b, my 457, my backdoor Roth and I also invested it on myself on my own. That felt really good. Now it wasn't that hard.

[0:19:11.3]

FT: Do you feel like you're on track to retire with “enough?” What's your retirement plan? While we're at it, just give me your whole retirement plan.

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BK: It's funny you ask that, because it has changed, or I should say evolved as I've learned more. I don't know about you Farnoosh, but I feel like when I first learned all this it was just about learning the details and the how-to's, which can be difficult if you don't have a head forward, or if you just don't have a guide. I felt like first, I was just learning the details like, “Oh, this is a Roth IRA. Okay, this is how much goes in it. This is how you invest. All right, just put the target fed initially.” I don't know what I was doing, to be honest.

I feel after I learned all that, then it evolved to okay, then what's the retirement number? I just picked a number not out of the hat, but I said, “Oh, it'd be nice to get this much a year based on the 4% rule.” I actually picked five million, which is pretty high, but I guess part of me feels like, there's things like long-term care, there's healthcare uncertainty. I just figured, the more the better.

Then my thinking has even further evolved since picking that number to well, it's not an absolute. It's not like I have to wait till I reach that number to “retire,” you know what I mean? Now I see it more as a gradient, like a flow. I could get maybe halfway there, or maybe even reach the first million or two, and then I can start cutting back on work. Because I think telling

people they have to work so hard to reach number X is – it's not depressing, but it's just another hamster wheel and it's easy to get burned out trying to get to that number.

If you really think about, “Well, I really want my life to look like X.” Then since I'm talking about physician specifically, I think I would say the overall majority of us love practicing medicine. We love treating patients. That's why I went into medicine, but I think also be a lot happier if you worked a little bit less. Maybe worked part-time, even 50%, or 75% full-time, I think would be a lot more fulfilled in our jobs, and especially as a woman and a mom, to have that extra time to be with her family is amazing.

[0:21:19.5]

FT: Right. I like what you said about thinking of your retirement plan as this gradient. If they're all these different bars, one is your employment, another is your savings, another is your expenses. Depending on, and everything is just moving back and forth, right, throughout the years as far as what that goal is. It doesn't mean that you're not going to be able to accomplish anything. It's just that, I guess the advice is be ready for flexibility, be ready for fluctuations, stay the course do the best you can, but also it's a juggle, right? Retirement is a moving target.

[0:22:00.8]

BK: Yeah. I think, you're always changing. I mean, I'm not the same person I was a year ago. I just had a baby too, so that's obviously a big change. I feel like every – even like every few months, I feel I have just a way of – different way of viewing things, and then different – your priorities change, so I feel you have to accept the fact that you're going, your priors are going to change and you want the flexibility to be able to adjust your goals.

[0:22:26.1]

FT: Our sponsor Bonnie is Chase Slate. For the month of October, we're asking our guests in the spirit of Halloween, what was your scariest money moment?

[0:22:36.9]

BK: My scariest money moment. Gosh, I got to say it's – maybe scary is not the right word, but when I – we did have to write the final check for those student loans, it was a check for \$75,000. I got to say, it's not the same as paying off a mortgage, because at least when you pay off a mortgage, you have something to show for it. It's like, "Oh, this is my home. I own it." When you send a big check like that, it just feels it goes into a black hole. Even though it felt great to be debt-free, it's scary to write that check and it just becomes nothing.

[0:23:11.6]

FT: Right. It's like, "Well, I got to go back to work and be happy that I can do my job, because I have a degree that afforded it, that I afforded it through student loans." I know what you mean. I had some student loan debt after graduating from grad school. As soon as I got my first book deal, I just used a whole bunch of it to pay off the remaining, I think it was \$25,000. It's just me, all alone in my studio apartment, hitting that click send button. That was it. It wasn't –

I think that the – it's subtle, right? The appreciation and the joy that comes from it. It resurfaces. The benefits certainly make themselves apparent all throughout your life. You just maybe aren't identifying it as like, "Oh, I was able to do this, because five years ago I paid off my student loans in one fell swoop." I think it's important to celebrate our wins and continue to celebrate our wins. Really recognize that your student loan payoff strategy is what's now helping you be a mom with more ease, and actual – without a racing heartbeat, because you don't have that carrying. That weight is not on your shoulders.

[0:24:33.8]

BK: Yeah. It decreases obviously your overall operating expense. It gives you flexibility to take more financial risk, you know.

[0:24:42.6]

FT: Going back, I just think that it's so great that you said you admit it, I didn't have any financial grounding, teaching growing up. Here you are in medical school, you're overhearing a

conversation about investing, it piques your interest, you start reading that book. From then on, you've been really dedicated to building your financial life, investing. Was it as simple as just educating yourself, or was there something else along the way that happened emotionally, motivationally, psychologically that got you over the hump? Not only that, but got you to stay consistent with it, which I think is also really admirable of you.

I mean, you're an academic. You're someone who got through medical school. I don't think money is rocket science. I think medical school is harder than learning about money, but I think there's a lot of us out there that we feel like we just need to get motivated, inspired. What was it for you?

[0:25:41.7]

BK: I think, it's funny, even though I was terrible with money, I always had this monthly budget spreadsheet. I made the numbers work in the Excel spreadsheet, but the reality was they never worked, right? Because I just would just spend money and the end the month I'd be like, "Oh, it didn't fit into my nice little categories that added up at my Google spreadsheet." I always had ideas that I was good with money, but I definitely wasn't as I've already said.

I think, I just was always a spreadsheet cruncher, that's nerdy to say, I guess. I think when I learned about, "Oh, this is how you invest," it was a way for me to create some new spreadsheets that's super nerdy to say, but that's how it started. I was like, "Oh, I could make some new spreadsheets," and they look nice and that numbers add up here and there.

In terms of, I don't even feel I'm that great of an investor per se. I just do index funds, which is boring, but it works. I started with a target fund, because I didn't know what I was doing, but now I do actually slice and dice myself a little bit.

[0:26:42.8]

FT: Let me tell you, I'm going to do that Roth conversion button that's on the Vanguard website. That sounds a little too easy, and just I'm a sucker for simplicity, I will be checking that out. Thanks for that tip.

[0:26:54.6]

BK: Oh, yeah.

[0:26:55.4]

FT: Bonnie, let's do some So Money fill-in-the-blanks rounding out our interview here. If I won the lottery tomorrow, let's say a 100 million dollars, the first thing I would do is?

[0:27:06.5]

BK: This is my favorite question you ask. I think my family's still around, my parents. I would buy them a home, because right now they do own a home, but it's I think no, not their ideal home. I'd buy them a home. I'd take care of my whole family, and then I probably – this is going to sound weird, I'd probably quit my job as a dermatologist. I think I would still see patients as a dermatologists, but I wouldn't do it for money. I would just staff the low-income clinics, or the Medicaid clinics, but it would give me the freedom to really treat the patients that really need it and I don't have to worry about getting paid.

[0:27:44.9]

FT: That's really admirable. I like that. I like that a lot. All right, one thing I spend on that makes my life easier, or better is?

[0:27:56.7]

BK: I have an organizer. She is a magical person that comes to my place three times a week. I come home to a perfectly clean kitchen, the counters are wiped down, she takes out the dishes, puts them away, she even does some meal prep for us, and that has been a life changer.

[0:28:14.4]

FT: Three times a week.

[0:28:16.4]

BK: Yup.

[0:28:17.0]

FT: That's a lot. Is there enough work for her? Are you guys Tasmanian Devils, like you're running through the house? I'm imagining you probably aren't very messy, but what is the upkeep?

[0:28:28.3]

BK: She doesn't clean-clean. We have a separate cleaning service that comes every two weeks. She just tidies up. She folds laundry. It's probably three to five hours a week total. She's a part-time nanny for another family, so it works out.

[0:28:39.0]

FT: Got you. She's only in for like an hour, an hour and a half doing little errands and tight – yeah.

[0:28:44.2]

BK: Exactly.

[0:28:44.8]

FT: If I could get someone to fold my laundry, that would be really nice.

[0:28:49.4]

BK: She puts it away.

[0:28:50.7]

FT: I didn't think there were people who would just do that, but I probably add some more tasks to it. Maybe TaskRabbit.

[0:28:57.1]

BK: I basically put out not an ad, but I ask my friends, I'm looking for a part-time wife.

[0:29:04.4]

FT: I love that. That's actually a chapter in my book *When She Makes More*, buy yourself a wife.

[0:29:10.4]

BK: No, I read your book. I love it.

[0:29:12.1]

FT: Thank you. Oh, my gosh. I mean, I don't really mean buy yourself a wife, but you know what I mean; a wife, in the traditional and the most traditional of senses, like the wife that cooks and cleans and all of that, because you know, who's got time? Who has the time?

[0:29:27.1]

BK: Exactly.

[0:29:28.7]

FT: I love that. All right, so when I was growing up, the one thing I wish I had learned about money is?

[0:29:35.3]

BK: I wish I knew what compound interest was.

[0:29:37.8]

FT: Do you think it would have even really resonated though at a young age, like compound interest would have gone in one year and out the other, if I was a little girl?

[0:29:47.3]

BK: I mean, maybe. If I actually got it, because I started – I had a job at age 12, so can you imagine what that money would be like now?

[0:29:55.4]

FT: Whoa. Yeah. Oh, man. I mean, I'm still thinking about your husband who bought the Boerum Hill House in 2000.

[0:30:04.2]

BK: Yeah. He paid \$17,000 down payment for that.

[0:30:07.1]

FT: Oh, my gosh. Okay, so last but not least, I'm Bonnie Koo, I'm so money because?

[0:30:18.7]

BK: I'm so money, because I'm empowering women physicians to pursue financial freedom.

[0:30:24.5]

FT: Thank you for that. So needed. I hope you win the lottery, but it sounds you have been bringing great fortune into your life and congrats on the new baby and wishing you a continued success, Bonnie. Thanks for coming on So Money.

[0:30:39.9]

BK: Thank you.

[END]