

Ep #1: Job Choices, Financial Modeling and Investing
– Lessons So Far from a Millennial Surgeon with Dr.
Sanjeev Bhatia



Full Episode Transcript

With Your Host

David Mandell, JD, MBA

Wealth Planning for the Modern Physician with David Mandell, JD, MBA

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David Mandell: Welcome to the initial episode of the Wealth Planning for the Modern Physician Podcast. I'm your host David Mandell, and I'm super excited about launching this and about our first guest. I've known Sanjeev for a number of years, and we've done a bunch of work together writing, and that'll come up in our conversation.

Let me tell you a little bit about Dr. Sanjeev Bhatia. He's a board-certified orthopedic sports medicine surgeon. He graduated from the University of Wisconsin-Madison, completing his medical school at Northwestern. He then went on to complete his orthopedic surgery residency at Rush University, also in Chicago, and then an orthopedic sports medicine fellowship at the Steadman Philippon Research Institute in Vail. He's presently, the co-director of the Hip and Knee Joint Preservation Center at Northwestern Medicine Central DuPage Hospital. Hopefully I got that pronunciation right. And a faculty at the Northwestern University Feinberg School of Medicine. Let's welcome Sanjeev Bhatia. Sanjeev, glad to have you.

Sanjeev Bhatia: Thank you so much, David. It's really an honor to be a part of this and, yeah, I'm very excited.

David Mandell: I'll add on to Sanjeev's bio just a little bit, which is one, he and I now coming on almost two years probably, I don't know exactly, we've been writing a monthly column. It's called Forward Thinking, I think is the title, and we write it for Orthopedics Today. For those of you orthopods out there, you may have seen that, a lot of people do. It's a pretty popular periodical. And based on all the writing we

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were doing there together, as we launched our book this year, *Wealth Planning for the Modern Physician*, we wanted Sanjeev to be part of that and he was a coauthor of that book and contributed a lot of good materials. Incredibly, at the busy schedule, got kids, young kids, got the family and still has time to do some stuff writing with us, so we really appreciate that.

He and I are involved in some other projects. We'll probably have Sanjeev on again in the future, but I want to talk today really about his story and his path. Again, and with the theme of watch one, do one, teach one, and we want peer-to-peer learning here between physicians. Sanjeev, tell us about where'd you grow up? What made you sort of become a physician or think about medical school, medicine? And then as you were in your training, what got you interested in orthopedics?

Sanjeev Bhatia: Yeah, yeah. No, thank you again for those questions. Yeah, so I grew up in Milwaukee, Wisconsin. My mother is a physician. She's a family physician. Then growing up, I really got a lot of interest in the sciences and love of helping others. Got it from her, so I knew I wanted to be a doctor relatively early. I remember all through high school and middle school I'd always get very excited when we would learn about different systems in the body. I actually started getting interested in medical school when I was in high school.

At the time, they had a lot of programs which allow you to get into med school straight out of high school. Went to university of Wisconsin on as part of their program in that. And then I had some friends who were at Northwestern

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and so I decided to go to med school down in Chicago, and so it just happened to work out that we could be a part of that. And yeah, so that was essentially my path to med school.

As far as orthopedics go, I always was interested in sports medicine. Really just like a lot of orthopedic surgeons, the same pathway that a lot of work comedic surgeons have. As a kid in athletics I would injure myself in different ways and I was always fascinated by the injuries that happened as well as the way that the human body got better. That really kind of fueled my pathway and my interests and passion for musculoskeletal medicine. When I was in med school, I was fortunate enough to have an opportunity to take a year off and do research with some guys over at Rush University who wound up being some of my greatest mentors in my career. That's kind of how I got interested in sports medicine and everything else.

David Mandell: As you were in your medical training, what was your exposure to finance, investing, wealth planning? Meaning, did you do any research on your own? Outside of medical school into fellowship and beyond, did you really not have any interest or knowledge of finance and some of these things, or was there any part of your training at Northwestern or anywhere where they said, "Hey, we're going to do an MBA in a day," or any of that stuff? Or if you did anything, was it all self-motivated or outside of the standard curriculum?

Sanjeev Bhatia: No, that's very interesting because I think that's an area that's very much evolving in the medical field, basically

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business education along the pathway of medical training. For me, some of the initial interests I really had no interest in any of this. I was in high school and even some of the early stages in college, my dad who his background is he's a mechanical engineer, changed career paths when he was in his fifties and he turned into a real estate investor. My dad, when I was an undergrad, he was very, very insistent that I pursue some level of business training. And I never really understood why and I never really figured out... I thought it was a waste of time, thought it was going to be boring, but he really pushed me to take this... They had this thing called a Certificate in Business at University of Wisconsin. And basically, it's probably a lot of the prerequisite courses that MBA grads get. You get the finance 101, human resources...

David Mandell: Marketing.

Sanjeev Bhatia: ... marketing, tax, that kind of stuff. And so I took that and it really was a game changer because just kind of being in that environment I just got to see how different people think, and so that really fueled a lot of my interests.

And along the same timeline, that's kind of when I got into investing. At the time as an undergrad, I got into index fund investing. I'd read all the things about Jack Bogle and Vanguard and I had a-

David Mandell: You're Boglehead. That's what they call them.

Sanjeev Bhatia: I was a Boglehead as an undergrad. When I left college, I actually wanted to... One of the reasons I wanted to come to Northwestern is they had this MD-MBA program. I

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wound up applying to this and I never got in, but I got to be around a lot of kids who also kind of thought similarly from a business perspective in terms of understanding business is so important for anyone going into healthcare or a physician. I mean, not just for managing your own finances but also kind of shaping the way healthcare goes.

And in med school, the only course that we had that was on economic topics was a course called Organization and Economics in Medicine. Probably the standout moment that I still remember to this day is we had the CFO, the chief financial officer of Northwestern Memorial Hospital, which is kind of the main hospital for Northwestern, come to our medical med school class. He kind of went over a lot of things and how the operations work. And he had the statement where he said, "In 2007, Northwestern Memorial Hospital made \$15 million in patient care activities." All patient care activities, the profit was \$15 million. And then he said, "Our investments on our endowment, the appreciation and interest on our endowments that got us \$50 million."

And what was interesting in my class was that half the class didn't care.

David Mandell: Right, tuning out.

Sanjeev Bhatia: ... They were thinking about other stuff. Some people were very impressed by that. There's a few classmates of mine who were appalled by that. In fact, one guy actually raised his hand and said to the CFO of Northwestern Memorial Hospital, to his face, he said, "You should be

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ashamed of yourself. We should be calling ourselves Northwestern Memorial Investment Bank and not Northwestern Memorial Hospital." And it was interesting because that kind of showed me for the first time how finances are perceived differently by different people in the medical field.

David Mandell: Very interesting. Yeah. Well, certainly my alma mater Harvard -- sometimes I think it's a school and sometimes I think it's a hedge fund connected to a school, right? Because you look at how much how many assets some of these non-for-profits can accumulate and it starts to dwarf the actual not-for-profit activity. I guess they're good at fundraising, right?

Now, you also started writing while you were in training. I know that because like I said, we write for Orthopedics Today and as we started our column I know that you were saying, "Yeah, I used to write for you folks back when I was in training." How did that come about?

Sanjeev Bhatia: At Rush, the residents are encouraged to be published and to get involved in publications of both research as well as various periodicals, such as Orthopedics Today. And the chief medical officer of Ortho Today was my mentor from residency and good friend, Tony Romeo. As a resident, when he became chief medical officer he wanted to put forward a column called basically, Orthopedics Today Grand Rounds, which was a column that would highlight a lot of unusual cases in orthopedics and orthopedic surgery. Myself and one of my co-residents wound up being one of the initial co-editors of that column. It was a really cool experience, and I really

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got a chance to interact with a lot of the Ortho Today staff and get some experience with that.

David Mandell: Well, it certainly did well. Obviously, you had a knack for writing anyway. And I can say writing side by side with you, you certainly have the skill at it, and that's not something everybody does...in any field. Especially when you're writing articles and you have word limits, it actually makes you a better writer because you have to be able to write and the points and explain things, you got to do in a certain amount of words. That's a good skill to have, I think, for everybody.

Tell me about your first job... so you come out of training, how'd you choose it? What financial factors came into play? Looking back, what did you screw up on or did you not, and what would you have done differently?

Sanjeev Bhatia: Yeah. No, that's a great question. By the way, thank you for that compliment. It means a lot coming from somebody with your background. Yeah, my first job out of training, when I was searching for a job that was probably one of the most stressful things that I went through as we were training. It's very nerve wracking and I feel for a lot of our current fellows who in that same boat right now.

When I was coming out of training, I was trying to balance the needs of my wife, who we were just a few months in a marriage, with some of my goals in my career, both from a research and education side, from a specialty niche side as well as from a financial side. And I can tell you right now, it's very hard. And one thing I didn't realize at the time is that the perfect job that you find is often not the

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first job that you take. And that's one of the hardest things about coming out of fellowship is to get a sense on that.

One of the quick decisions right away was, do we go the private route or do we go the hospital employment route? Implicit in that decision was also, are we going to live closer to my wife's family or are we going to live somewhere else? What's interesting is you almost have to figure out your entire life right away. Which, I mean, coming up through training all you're really focusing on is, where can I get the best training for these number of years? But when you're coming out of fellowship, you're now thinking about everything, where do I want my kids to be in-state tuition...

David Mandell: You don't even have yet, right?

Sanjeev Bhatia: Yeah, kids you don't even have. Looking back on it, that was very overwhelming, and I think I probably lost a lot of sleep overanalyzing things that I did not need to analyze at the time.

I wound up going to Cincinnati for a number of reasons. Number one is there was a guy there named Frank Noyes. He's a pretty well-known sports medicine physician who's done a lot for our field, and he was very instrumental in recruiting me and being a very mentor-like figure. He invited me to join their faculty and be involved with a hip preservation program, which was one of the goals that I had coming out of fellowship.

We were there for a few years. It was a great opportunity. I am very grateful for the experience that my partners

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gave me, and really got a lot of exposure in some of the early things that I wanted to do in practice. I was very happy with that opportunity.

David Mandell: From a financial point of view, were you starting to leverage some of the things you had learned in the business course in Wisconsin, at college? Were you starting to pick up anything? Were you still a Boglehead? You probably had to get insurance, disability insurance; and as you have kids, life insurance, things that probably you hadn't been exposed or kind of studied up on before. And did you find any advisor? And how did you find an advisor, if you did, and was that a good experience or not? Or what would you learn from that?

Sanjeev Bhatia: Yeah. No, that's interesting. From a financial standpoint, on the first part of your question about the investing, my investing life kind of took an interesting turn over the last few years. I would say by the time I was a resident, as a second year resident, this was kind of when 2009 had occurred, the bull market was well in full swing, I actually was, people will laugh, I actually was day trading as a resident.

David Mandell: It must've been before '09 thought because '08, '09 was when everything tanked. Maybe it was '07 or something like that?

Sanjeev Bhatia: It was the early stages of '09. Actually, my intern year was '09 so it was in '09. The first part of '09 was when I remember Bank of America stock would go from 12 to 13, and I basically, I would buy it and then one, two days later sell. Basically, I'd scalp the difference—

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David Mandell: I see. So it was on the way back. Okay.

Sanjeev Bhatia: I got interested in stock trading at that stage and actually did pretty well as a resident, as an intern and a second year. By my third year of residency, I started getting into leveraged out of the money options, which I got a little too excited with some leverage. And as you can probably imagine, wound up losing a significant amount of my returns. In fact, I think, up until that point, I lost, I think it was almost like \$20,000. Which as anyone knows, that's an insane amount of money as a resident.

What naturally happens is when people lose money investing is they get turned off from investing. I got turned off from investing. My fourth year residency, fifth year residency, as a fellow, I did no investing. It was really kind of a period where to some degree I'm happy with some of those experiences early in life because I got to see how imprudent investing and having an unbalanced approach is really detrimental to your finances. I got back into investing it when I got into my career in a more disciplined manner.

But then as far as the disability goes and the financial advisor, as a resident I got exposed to a gentleman who was selling life and disability insurance that our whole residency got, I was working with, and that's kind of how I got involved with that.

David Mandell: Got it. Yeah, well... learning lessons in any field, right, but certainly in finance, if you can do it with fewer zeros but still get the lesson learned then it's a good price to pay, right? Because I certainly have plenty of clients who can

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tell your story, but there's another zero on the end or maybe two zeros, and then it's really painful because it's hard to come back from that... you have to work a long time. Now, obviously \$20,000 was a ton then for you, where you were [as a resident]. But if that happened today, that number's not as painful -- but it might not have stuck with you as much. There's certainly people day trading in the COVID environment, and some are doing well and you can for a while.

At some point you changed jobs, right? Now, you went back to Chicago. Tell us about that. And again, from a financial perspective too, what were the key things you were looking for in the position... and where you were going to live? Did you try to make all those decisions, you and your wife, on your own? Did you get any advice from any outside advisor, CPA or anything like that? Give me some background on that transition and your thinking in how you made financial decisions.

Sanjeev Bhatia: Yeah, so once we were in Cincinnati, we really were enjoying it, essentially committed to being in Cincinnati for the long haul. As often happens in many physician's practices, by my third year there was a rearrangement of alignment that was happening in my practice with our hospital system in the Cincinnati area. Essentially, what wound up happening is every one of my partners began interviewing at other jobs in the area to see if they're better aligned with another health system in the Cincinnati space.

That kind of forced me into the job market again. I started to look up things like MGMA numbers and seeing if things

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were competitive, where we were at. I started interviewing at different jobs. In fact, I was actually considering a parallel move in Cincinnati until one of my colleagues in Chicago talked about a hip preservation opportunity, both on the private side. And then there was another one on the employed hospital side, which is the one I'm currently in at Northwestern.

All that kind of happened all at once. And from a financial side, as I started to get back into the job hunt, I started to realize if you're going to make a move, it's really important to make sure your job aligns with your long-term goals, both financially, both professionally, both from a family/personal standpoint. Those are one of the things that kind of brought us to Chicago.

David Mandell: And this leads me to something else I wanted to talk about, which is, in some of the writing we've done. And I know on another project we're going to be working on (and we'll talk about one it's closer to the market and we'll get you back on), but something you've been doing is helping some of your colleagues with financial modeling. And when you say, making sure that the position jives with your long-term financial goals, I think a lot of what you're talking about is kind of modeling that out and seeing "where am I going to be based on their compensation arrangement and how much I'm going to work" and what a partnership buy-in may be for some folks or what an ASC buy-in might be, and trying to compare the positions.

And I want you to talk about this, but you and I have talked. A lot of your really smart friends and colleagues

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who are in orthopedics and other areas of medicine, they just don't know where to start with that and they don't have the excel ability to create something like that. And so they're not always making great decisions because they don't have the training to kind of do that financial analysis, and maybe they're hesitant or they don't have an advisor who can do that with them. Tell me about how you've kind of slid into that role with some of your friends - - and hopefully they buy you nice bottles of wine. Tell us about that.

Sanjeev Bhatia: Yeah. No, so I first kind of learned a little bit about financial modeling, one of my cousins -- he's in the financial world. He uses a lot of financial models for what he does in both for investments and everything from modeling the risk of return to the breakeven point. Especially on the real estate side, if you can identify what your breakeven point is that helps you understand how long you need to be in a property before you flip it or sell it.

I always thought that was a very objective way of analyzing something. When I started looking for jobs, the first time around I just remember being very frustrated by how hard it was to decide between private practice which is a delayed compensation or a delayed gratification type of compensation structure versus hospital employment which is a fixed employment in many cases or fixed compensation in many situations. Part of the challenges is you're trying to see how that compensation structure aligns with your personal goals or your personal life. Perhaps it involves your wife being in an area for a

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residency for two more years and then you potentially may shift roles.

When you look at that compensation model and marry that with your with your personal life and also marry that with some financial principles such as time value of money, the financial modeling I think is very important in terms of helping you make the right decision financially. In fact, some of the studies show that 75% of orthopedic surgeons changed jobs after five years. I really believe that a big reason for that and probably the majority of those surgeons are changing jobs because they either didn't understand the compensation structure or they didn't realize how the compensation structure of that job doesn't interplay very well with their personal life. That's kind of how we got involved with it.

David Mandell: We're coming sort of to the end of the time here because I want to keep these to what I like to think sort of a “workout timeframe”, half an hour or “commute timeframe.” I think that's really when people are probably listening to these things. I want to end with the last question that I'm going to ask all physicians when I have them on. You're number one, but I'm going to ask this same exact question and be tracking answers. I think it'll be interesting after a couple of years to see what were the answers by all the different docs that we've had on here to this question. What's the number one thing that you would tell a younger Sanjeev coming out of training or a young doc today when it comes to finance? What's the one piece of advice you would give that person?

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Sanjeev Bhatia: Yeah. If I were to talk to my old self, there's kind of two things that I would try to say. Number one is, don't give up on investing. I'm talking to myself in later years of residency. Every little bit... And Albert Einstein said that compound interest is the greatest thing that human history has ever created, so every little bit of investing just with the magical power of compound and compound interest changes the scope of your life. Number one is never stop investing. Try to put away at least 20% of your income, if not more, to a dedicated investment vehicle, both for your nontaxable retirement accounts as well as your taxable accounts.

And then number two, I would tell our young physicians, as well as myself, coming out of fellowship, and I didn't have this, learn a little bit about financial modeling and how it can help you with your job decisions. It's very similar to very similar to the decision on whether to rent an apartment or to buy a condo. Just like how the New York Times, I remember, had a very nice calculator rent versus buy when you're helping to decide what kind of housing to get into, it's a similar type of idea where you're trying to decide, do I want to rent a job which in some ways you can analyze and say that that's very similar to being in an employed model; or do I want to buy my job which is gain equity in my employment by being a partner or in a private practice setting.

That I think is a single biggest cause of discontent with physicians as they go through their early stages of their career is, we just don't quite understand that that well. Not only does that lead to ill-informed job decisions, but that those ill-informed job decisions often lead to six-figure

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financial setbacks that have profound implications on a physician's financial earning power later in their life due to the effect of compound interest.

David Mandell: Absolutely. I think those are two great pieces of advice, and they tie into physician burnout to some degree and job satisfaction and a lot of other non-financial elements. Because money is stress, and money stress is always something that impacts the physician and the spouse as well.

Sanjeev, excellent. It was great having you on. We'll certainly have you back on, as we talk about the venture we're doing later in the year in 2021. Thanks again for being on, and I know you and I will be talking and writing again soon, so thank you.

Sanjeev Bhatia: Thanks very much, David. It's an honor to be involved with this and it's always an honor to be involved with so many projects with you. It's really an incredible privilege. Thank you.

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