

Early career practice ownership: An older solution to a newer problem

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Abstract

Financial independence is almost considered a pipe-dream nowadays among veterinary graduates. Years of disproportionate trends in educational costs and starting salaries have created a gargantuan student debt-to-income ratio. One troubling aspect of this multifaceted issue is the concurrent waning of recent veterinary graduates' interest in practice ownership. While private practice ownership has long been a staple of the profession, contemporary early career veterinarians are turning to internships, advanced specialized training, alternative fields, and careers as associate veterinarians. However, while the veterinary student loan debt debate continues, and as recent veterinary graduates have little control over rising educational costs, early career practice ownership is more relevant than ever. Early career practice ownership is a viable option for financial independence. It is also 1 part of the equation that each individual veterinary graduate can control. While early career practice ownership is not for everyone, this career path should garner strong consideration as a means to retire veterinary student loan debt.

Key words: practice owner, early career practice ownership, veterinary student debt, veterinary starting salary

Résumé

L'indépendance financière est presque utopique de nos jours pour les diplômés vétérinaires. Des tendances disproportionnées depuis plusieurs années entre le coût de l'éducation et le salaire initial ont créé un énorme ratio d'endettement pour les étudiants. Un aspect inquiétant de ce problème multidimensionnel se traduit par le déclin de l'intérêt des nouveaux diplômés à devenir propriétaire d'une pratique. Alors que d'être propriétaire d'une pratique privée a depuis longtemps été un incontournable de la profession, les vétérinaires d'aujourd'hui en début de carrière se penchent plutôt vers l'internat, la formation plus poussée, les domaines alternatifs et des carrières comme vétérinaires associés. Bien que le débat sur l'endettement étudiant se poursuive et que les vétérinaires nouvellement diplômés ont peu de contrôle sur l'augmentation du coût des études, devenir propriétaire d'une pratique tôt en carrière est plus pertinent que jamais. Devenir propriétaire d'une pratique tôt en carrière est une alternative viable pour l'indépendance financière. Cela représente aussi une partie de l'équation que chaque diplômé vétérinaire peut contrôler. Bien que devenir propriétaire

d'une pratique tôt en carrière ne soit pas pour tout le monde, ce plan de carrière mérite d'être pris sérieusement en considération pour se départir de la dette d'étude vétérinaire.

Introduction

For years – centuries, even – the iconic American dream has been to farm or ranch on a piece of land under wide-open skies, or have a nice suburban job and a house with a white picket fence in a cozy neighborhood, or to operate a small business doing what one loves. Merriam-Webster defines the American dream as the ideal that everyone in the US should have “equal opportunity to achieve success and prosperity through hard work, determination, and initiative.”¹ America is the land of opportunity, is it not? Yet, contemporary veterinary graduates are often resigning themselves to decades of crushing student debt. In some cases, they are stalling or even sacrificing other dreams under the weight of the cost of education of that 1 dream: to be a veterinarian.

In recent years, veterinary graduates have been faced with significant monetary challenges. Between 1999 and 2016, the cost of average annual tuition and fees at US veterinary schools nearly tripled.² Meanwhile, average starting salaries for new veterinary graduates did not increase nearly as dramatically, only rising about 42% since 1999.³⁻⁴ In this same period, economic turbulence resulted in some years showing stagnant change or even drops in average starting salaries.⁵ The situation was further amplified by scarcity in job offers, which reached a nadir of 1.6 job offers per veterinary graduate in 2011 and 2012.⁶ Altogether, these factors have resulted in a debt-to-income ratio over 2 for recent veterinary graduates.⁵ The target debt-to-income ratio for the veterinary profession is 1.4 by 2025.⁷

But, it has not always been this way

Prior generations of veterinarians dealt with debt to income ratios slightly under 1. For example, about 1980 the average starting salary for new veterinary graduates was \$18,542 and average veterinary student debt was less than \$15,000.⁸ This coincides with the general personal finance guideline of taking on as much in educational debt as one's starting annual salary. By comparison, contemporary veterinary graduates are facing veterinary student debt levels nearly 200% greater than average starting salaries.

The disproportionate rise in education costs compared to starting salaries did not intensify until about 1990, with

leaps and bounds from 1995 to 2000 and again from 2005 onward.⁸ Average tuition costs rose annually by 10 to 13% during these periods, while starting salaries at best grew by around 5% each year and in some years even declined!^{3-4,8-9}

Interestingly, interest in practice ownership also waned recently. In 2012, upwards of 70% of survey respondents were decidedly against veterinary practice ownership, a dramatic rise from the 47% disinterest in 2006.¹⁰ Ironically, this same survey found that 14% of respondents cited too much debt as the reason for not showing interest in practice ownership.¹⁰ Conversely, more and more veterinary graduates are seeking advanced education and specialized certification. In 1980, an estimated 5% of new graduates turned to internships, compared to nearly 35% in recent years.⁸ The increase in veterinary graduates pursuing internships rose over 10% alone from 2001 to 2014, a period of staggering increase in veterinary tuition costs.⁵ However, despite the eventual increased earning potential of board-certified veterinary specialists, “the continued growth in the percentage of graduates taking intern positions has put a drag on the growth of the mean starting salaries of all graduates,” according to the 2015 AVMA Report on Veterinary Debt and Income.⁵ It is noteworthy that early career practice ownership lifetime earning potential is only bested by full time board certified specialists and not those with only partial workloads.¹¹

Description

Reports are somewhat mixed regarding associate veterinarian wage earning potential for practitioner types based on species demographics. However, the 2014 AVMA Economic Summit concluded that “every private practice area averages a negative return for associates.”¹² Due to limitations in lifetime earning potential for associate veterinarians, the average college graduate may do better financially to secure employment directly after completion of a bachelor degree rather than undertaking the additional expense of veterinary school, despite the increased earning potential, because the average private practice associate veterinarian salary would not have sufficient monetary return on investment for the additional educational expense.¹²

This situation defies general socioeconomic principles in the US. Education is 1 of the main causative factors for occupational class, and occupational class is, in turn, the main determinant of income level.¹³⁻¹⁴ Thus, education transcends socioeconomic barriers and generally provides 1 of the most reliable avenues for social mobility in the US.¹⁴ That is, except for career-long veterinary associates – they can barely pay off the debt incurred from their advanced education, let alone attain financial security and social mobility through conventional wage expectations.

However, most calculations on return on investment for veterinary degrees do not include practice owners, as they generally earn more.¹² Like those who enter internships and advanced training, veterinary practice owners are outliers.

Those who pursue advanced study tend to accept drastically reduced salaries and thus skew the averages when evaluating trends.⁸ Similarly, practice owners break the mold for average salary through often garnering statistically significant higher compensation than their counterparts.¹² For example, in 2014 an average veterinary associate with moderate experience of 6 to 11 years earned an average annual salary of \$85,000, while veterinary practice owners enjoyed average total compensation around \$298,600.¹⁵ Veterinary practice ownership is among the most lucrative of practice-oriented career paths. Lifetime potential earnings for early career veterinary practice owners are comparable to full time boarded specialists and are nearly \$1,000,000 more than those that remain as associates throughout their careers.¹¹ Early career practice owners earn nearly 25% more than practice owners that follow more traditional routes by buying practices about 10 years into their careers, though these later practice owners still earn about \$500,000 more than career-long associates.¹¹ Veterinary practice owner earnings can also be fairly resistant to economic contraction; veterinary practice owners reported salary increases around 4% during 2007 to 2009.⁹

Veterinary practice ownership also provides greater prospects in general veterinary practice for sustained wealth accumulation. Associates are limited to savings – which may be meager when the average veterinary associate is barely making a return on the investment of veterinary education – and retirement investment vehicles, such as an employer-sponsored 401K or IRA. Practice owners, on the other hand, can derive financial rewards through multiple avenues, including larger salaries, owner draws, and practice equity.¹⁶ It stands to reason that even board-certified specialists who are non-owners may be eclipsed by the earning potential of general practitioners who own well-managed clinics.^{11,15}

Discussion

This writer acknowledges that economic status and financial security are not the exhaustive definition of success, and each individual tends to determine that meaning for himself or herself. But, financial stressors can affect one’s wellbeing. Financial instability is linked with stress, depression, and suicide.¹⁷ Feeling hopeless or helpless or like one is unable to exert any control are also predisposing factors for depression and suicide.¹⁸ Most veterinary students incur lower costs of living expenses during their education than the averages predicted by their institutions.¹⁹ Thus, since student debt is not well reined in by frugal living, veterinary students and recent graduates may feel the only way they can control veterinary student debt is to turn to another occupation. It has been supported that soaring veterinary student debt and depressed starting salaries for veterinarians are generally outside the control of veterinary students.¹⁹ This contributes to feelings of helplessness. These factors may contribute to the growing rates of suicide and depression among veterinarians, with recent reports suggesting that 1 in 6 veterinarians

have contemplated suicide and that veterinarians are more likely to suffer from depression and psychological distress than the typical US adult.²⁰

These trends also impact prospective veterinary applicants. The acceleration in veterinary tuition was so rapid that there was not immediate backlash in demand for veterinary education. While veterinary tuition was increasing dramatically in the mid-1990s and the new millennium, total enrollment at US veterinary schools increased 2.1% in 10 years from 2005 to 2015.²¹ The annual growth rate in the preceding 20 years from 1985 to 2005 was only 0.4%.²¹ At the same time, several US veterinary schools increased enrollment and new veterinary schools joined the fray. The applicant-to-seat ratio peaked in 2008 at 2.4 in 2008, but more recently that measure spiraled downward, dropping to 1.5 in 2012 and predicted to sink to about 1 applicant per available seat by 2025.²¹⁻²² Some of the sluggishness in prospective veterinarians may be from lamenting headlines and an increased awareness of veterinary medicine's high debt-to-income ratio.²² Our Australian veterinary colleagues have been battling suppressed wages for some time; surveys there have shown that nearly one-fourth feel disillusioned by the veterinary profession and only half would become a veterinarian if they had another chance at life.²³ Reasons for discontentment included poor monetary compensation.²³ It has been further postulated that low income may contribute to the shifting demographic of fewer males in the veterinary profession.^{8-9,23} There is also concern that the current pricing of veterinary education may make it unattainable for anyone but those from independently wealthy families.⁸

However, early career practice ownership, for those up to the challenge, represents an attempt to control the veterinary student debt situation. Early career veterinary practice ownership is a viable option to service student loan debt and achieve social mobility through education. Instead of despairing from a lack of control, early career practice ownership offers hope. Instead of resigning to financial insecurity, early career practice ownership offers the potential for competitive compensation, debt retirement, and even wealth accumulation. Instead of shying away from the veterinary profession, early career practice ownership offers opportunity – and opportunity is, after all, the American dream.

Conclusion

Private practice ownership has been the bread and butter career path of the veterinary profession since its inception. While veterinary medicine continues to evolve in its complexity, some of the solutions to the problems currently challenging the profession are not new themselves. Early career practice ownership has among the highest earning potentials of various common veterinary career paths. This provides the opportunity to exert greater control over one's financial security, which can reduce stress and feelings of helplessness and the resultant detrimental effects on well-

being. Elucidation about the advantages of practice ownership may influence prospective veterinary applicants who may otherwise be deterred by recent reports of the dubious return on investment of veterinary education. Early career veterinary practice ownership is not the answer for everyone, but it remains the vanguard career path for veterinarians to attain financial stability even in the face of adverse debt and income industry trends.

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