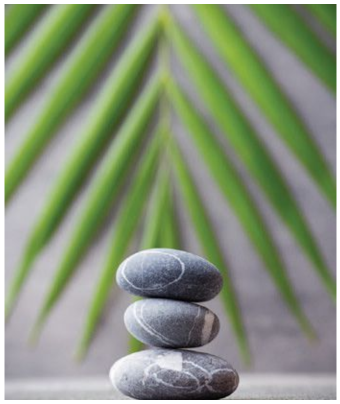

Financial Well-Being: Literacy from Graduation to Retirement and In-Between

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This month's *Wyoming Lawyer* is about education and school finance. What better occasion to write about attorney well-being and finance? As you know if you've been reading this column for a while, attorney well-being is like an umbrella. Each rib of the umbrella is a different type of well-being: emotional, vocational, physical, environmental, intellectual, social, and financial. The stronger each rib of that umbrella is, the better it works as a resilience tool—when the stressors of practice and life hit you, they can roll off the umbrella with less adverse impact on you.

Financial well-being can be defined as being able to meet current and ongoing financial needs and feeling comfortable and secure in short-term and long-term financial goals. Financial well-being in law can be looked at in two categories: personal and professional. Personal finances may be things like paying for rent and daycare and saving for retirement. Professional finances may be things like managing office payroll and expenses.

Both types of financial well-being have ethical implications. An attorney with financial well-being is less likely to be tempted to mess with client funds. While disciplinary cases involving client funds and trust accounts are fairly infrequent, the disciplinary consequences can be some of the more severe.

Financial well-being challenges evolve during an attorney's career. The challenges for young lawyers are different than those faced by mid-career attorneys which are different than those faced by retiring lawyers. This month's column sheds some light on some of those differences and highlights the role of financial literacy as a solution.

Young Lawyers

One challenge young lawyers face centers around student debt. That picture is different now than it was for a new lawyer 30 years ago. The American Bar Association's *2020 Law School Student Loan Debt Survey Report* noted that in-state tuition for law school at a public institution was about $2,006 in 1985.[1] Accounting for inflation, the cost would be $4,763 in 2019. Instead, the average in-state tuition in 2019 was $28,000, not including living expenses. The University of Wyoming College of Law, one of the least expensive law schools in the country, estimates tuition of about $17,000 for the 2021-22 academic year, with an estimated total annual cost (including living expenses) of $42,309. There are reasons for the tuition increases. This statistic is offered simply to highlight that the financial investment in legal education today is different than it was a few decades ago.

The national average for undergraduate student loan debt is approximately $30,000.[2] According to the ABA's 2020 report, adding law school debt to undergraduate debt, the average debt of a recent law graduate is $145,000. In Wyoming, the College of Law website includes an estimate that a Wyoming in-state student will borrow about $67,000 over three years. Coupled with undergraduate debt, the total sum is still not slight, even at an affordable law school. The 2020 ABA study went on to report that debt loads impact post-graduation career choices (picking well-paying jobs instead of jobs the student actually wants) and cause graduates to reevaluate whether to have children, marry, buy a house, replace a car, and more.

Other financial challenges young lawyers may face are unrelated to law, like the cost of relocation to a new community for a job or the cost of having children. The out-of-pocket expenses of having a healthy child, while covered by insurance and with no complications, is several thousand dollars.[3] Family law attorneys are likely aware that in divorce cases, birth-related debt often lingers as a debt to divide many years after a child is born. The cost of daycare, or choosing for one parent not to work at all to avoid that cost, is another financial challenge faced by young lawyers.

Mid-Career & Tenured Lawyers

Lawyers at other stages of their career face different challenges. Lawyers moving into partnership may face capital contributions. Lawyers in management positions face the burdens of managing a business. Mid-career lawyers may be exiting a decade or more of student loan payments, or their youngest child may finally be shifting out of daycare. Mid-career attorneys may be looking to catch up on retirement or investments that were delayed while debt or childcare were a predominant expense. Some lawyers may be pondering re-entering the profession after a hiatus during childcare years.

Lawyers at other stages may be looking at college expenses for their children, the cost of unexpected illness in the family or caregiving for their parents, and the costs of family vacations, cars, and homes. Lawyers closer to retirement may be looking at their retirement savings and evaluating their post-retirement health care and lifestyle budgets.

What to Do About It

Regardless of the career stage and corresponding challenges, financial literacy is a pathway to financial well-being. Financial literacy is not taught in law school, unless you got a joint MBA, went on to get an LLM in tax, or got finance or business degrees prior to law school. Fortunately, financial well-being can be self taught. In addition to books and magazines, financial advisors, investment groups, and even private student loan companies offer free blogs, newsletters, websites, and educational materials about the basics and the not-so-basics of financial well-being.

Financial literacy includes things like learning about compounding interest; automatic savings; investment strategies; the different types of debt; how credit scores work; the growing universe of financial institutions; amortization; and types of accounts. Financial literacy may also mean learning what can be pre-tax and what can be post-tax. Pre-and post-tax literacy is significant because financial well-being solutions might not always be "earn more." After all, for every dollar earned, an employer pays more than $1 because of payroll taxes and overhead and the employee retains less than $1 depending on their tax bracket and state of residence.

Financial literacy as an employer, and as a solo or small firm, may entail evaluating the tax advantages of various dollar-for-dollar benefits like tax-free student loan repayments (new since 2020); matching contributions to 529s and 401ks; child care subsidies or Flex Spending Accounts; reimbursement for relocation expenses, commuter costs, phones and other equipment; and re-evaluating health insurance premium contributions. Human resources companies offer ample free blogs about all of these for employers. Bar memberships also include access to consultants and other tools.

The late-pandemic world presents new opportunities in personal and professional financial literacy. For example, during the pandemic student loan repayment obligations were suspended but are scheduled to restart October 1, 2021. Student loans have always been amenable to refinancing, and there are ample free online resources to explain the pros and cons of those options. The Consolidated Appropriations Act of 2021 extended a CARES Act provision that allows employers to make tax-exempt student loan repayment contributions in the amount of $5,250 per year until 2025. Home mortgage rates are at all-time lows, offering a chance refinance debt or borrow for other purposes. Firms have an opportunity to rethink long term leases and office space needs if remote or hybrid working is on the horizon.

In sum, financial well-being is an area that will change over time, depending on the stages of life and careers. Fortunately, financial literacy can be acquired in small bites throughout those chapters. *WL*

Top Tips

Write or Update Your Estate Plan

This process is a great opportunity to inventory your financial well-being, review tax choices, adjust financial goals, and make corresponding changes to your estate plan.

Learn from your Practice

Working on divorces can help you learn how other people manage their investments and finances. Working on business litigation can help you learn how different businesses manage finances and tax burdens. Anytime an accountant is called as an expert or otherwise, valuable information can be gleaned. That accrued knowledge may help inform your own personal and firm finances.

Self-Help is at Your Fingertips

Financial advice is everywhere. Whatever your financial question is—"What are the advantages of refinancing?" or "What are common mistakes in paying payroll taxes?"—basic information is just a few keystrokes away on any search engine.

(Endnotes)

1 Am. Bar Ass'n, Young Lawyers Div., 2020 Law School Student Loan Debt Survey Report (Oct. 2020), *available at* https://www.americanbar.org/content/dam/aba/administrative/young_lawyers/2020-student-loan-survey.pdf.

2 E. Kerr, *See 10 Years of Average Total Student Loan Debt*, U.S. News & World Report, Sept. 15, 2020.

3 M. Moniz et al., *Out-Of-Pocket Spending For Maternity Care Among Women With Employer-Based Insurance, 2008–15*, Health Affairs (Jan. 2020); O. Khazan, *The High Cost of Having a Baby in America*, The Atlantic (Jan. 6, 2020).