Truth or trash? Examining debt-to-income ratios for new veterinarians

Different ways to calculate this important statistic present an inconsistent outlook on new grads’ financial situation.

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“Lies, damned lies and statistics” is an often-used phrase that describes using statistics to bolster weak arguments.

How many times have you heard the phrase, “I don’t care how you manipulate the data ...”? I can assure you that I’ve personally heard it a lot. Well, here I am again, providing statistics and then being accused by some of manipulating that data to provide erroneous insights on one of the profession’s most onerous problems—student debt.

Recent veterinary graduates are quick to share the details of their debilitating financial condition. Many, if not most, are forced to repay hundreds of thousands of dollars without the income to do so and still maintain any kind of normal life. A measure of this financial pain comes in the form of new veterinarians’ debt-to-income ratio. The American Veterinary Medical Association (AVMA) survey of U.S. veterinary college seniors collects information on debt and starting salaries. This data helps determine new veterinarians’ debt-to-income ratio. Financial advisers’ rule of thumb is that this ratio should not exceed 1:1—the borrower will begin to feel severe financial pain if it does. So what is the debt-to-income ratio for new veterinarians? The answer is not as straightforward as it might seem.

Historically, the AVMA has reported the aggregated mean debt only for new veterinarians who have debt (this is referred to as “nonzero debt”) and excluded those without debt. In 2014, this practice omitted 300 veterinarians from the calculation of mean debt. Table 1 compares the mean debt owed by those students who graduated both with and without debt, with the mean debt owed by only those students who graduated with debt from 2001 to 2014.
While the data shows that debt is increasing over time, this would not be a problem if income were increasing at a comparable pace. Unfortunately, debt has been increasing faster than income, so the debt-to-income ratio has been increasing during the period cited.
Complicating matters, there are also different mean incomes that can be used to compute the debt-to-income ratio. At the time the senior survey was administered, 696 (27 percent) of the senior survey respondents reported plans to pursue an internship. Individuals who decide to pursue internships make significantly less than recent graduates who accept full-time employment, so their debt-to-income ratios differ greatly. Table 2 shows the debt-to-income ratio for all veterinary graduates vs. the debt-to-income ratio only for graduates reporting full-time employment in a field within veterinary medicine.

Finally, the debt-to-income ratio itself can be calculated in different ways. The simple and most frequently used method is to divide the mean debt by the mean income.

This approach is incorrect because not all respondents have an income, and the sample of individuals used to determine mean income is not the same as the sample of individuals used to determine mean debt. This is further complicated if the respondents without debt are excluded from the calculation of mean debt or if those entering an internship are excluded from the calculation of mean income. The accurate way to calculate this statistic is to compute the mean for all individual debt-to-income ratios.

When calculated correctly, the debt-to-income ratio is extremely valuable in providing potential entrants to the profession with the financial information necessary to make an informed decision. While some veterinary college applicants may decide no cost is too high to become a veterinarian, it is crucial for them to have information on their forecasted debt-to-income ratio prior to choosing veterinary medicine as a career.

Ultimately, there are two take-home points. First, if the profession is to thrive rather than just survive, it needs a single, well-established indicator of the potential financial well-being of those who decide to enter veterinary medicine. The debt-to-income measure is an appropriate and established indicator. However, it hasn’t been uniformly calculated in the past, and various methods have been used to produce both worst-case (mean nonzero debt ÷ mean all income) and best-case (mean all debt ÷ mean full-time salary) scenarios. The best indicator uses an accurate method of calculation (mean of the ratios rather than ratio of the means) and is established by using the measures of income and debt that accurately reflect the initial point in the lifetime earning path of veterinarians.

Second, and more importantly, we need to understand that the rising debt-to-income ratio is a major challenge for the profession and needs to be addressed immediately. When accurately and appropriately estimated, the debt-to-income ratio will provide a
measure of how well the profession is performing. If there is continued dependence on “lies, damned lies and [bad] statistics,” new veterinarians will increasingly find themselves in financially stressful employment situations, and the risk of the veterinary pipeline collapsing will increase.

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