AVMA 2015 Report on Veterinary Debt and Income

In 2011, the AVMA made a commitment to move beyond its traditional ad hoc workforce studies and establish an economics division with the charge of providing the best, unbiased estimates of the current situation in the veterinary workforce. The primary focus of this division's research is to enhance the value of the veterinary degree.

The annual **AVMA Report on Veterinary Debt and Income** is a critical component of a continuous process and the third in a series of six annual reports in our 2015 AVMA Economic Reports series.

This summary of the AVMA Report on Veterinary Debt and Income will explore the following topics:

- Income and debt of new veterinarians
- Income of current veterinarians
- Veterinarians' debt-to-income ratio
- Net present value of the veterinary degree

The data used in this report was gathered from the AVMA's Senior Survey, Employment Survey and Veterinary Compensation Survey. The Senior Survey is distributed to graduating veterinary students of the 28 U.S. accredited colleges in April prior to graduation. The Employment Survey is distributed annually in March to veterinarians who have been in the profession 1, 5, 10 and 25 years. The Veterinary Compensation Survey is distributed to a stratified, random sample of all veterinarians in June.

Income and debt for new veterinarians grew rapidly into 2008. As a result of the recent recession's negative impact on the demand for veterinary services, as well as the increasing numbers of new veterinarians and the changing demographic characteristics of new veterinarians, the starting salaries for new veterinarians declined until 2012, when they stabilized at a mean of roughly $67,000 for full-time employment.

Debt, however, continued to climb over this period. This was due, in part, to veterinary colleges attempting to offset reduced state funding resulting from the recent recession's adverse impact on state and federal revenues. Mean debt for all new veterinarians that responded to the survey was $135,000 for 2014.

Two key performance indicators (KPIs) for the veterinary profession are the debt-to-income ratio (DIR) and the net present value (NPV) of the DVM degree. The DIR provides a measure of the financial health of the veterinarian entering the profession. The

NPV provides a measure of the current value of the lifelong net benefits of obtaining the DVM degree. These KPIs provide the means for determining the relative effectiveness of strategies to improve the financial performance of the profession.

There are multiple methods for calculating each of these KPIs. However, as an indicator for financial performance, each of the alternative estimation methods will produce measures that all move in the same direction over time. Though the magnitude of this movement may be different, and the relative effect of various factors on the movement may vary across the different methods, the choice of method will not affect the ability of the measure to indicate an improving or declining financial health of veterinarians.

The DIR that provides the best measure of financial health for the new veterinarian is computed as the mean of the ratios of debt-to-income for a constant cohort (same percentage of gender, practice type and practice region) of new veterinarians that reported having accepted a full-time position in public or private practice prior to graduation and have indicated a level of debt (including no debt). For 2014, that DIR was 2.05:1, indicating a level of debt slightly greater than twice the level of starting income.

This important KPI can be influenced by the cost of training new veterinarians, financial acumen of veterinary students, and the ability of veterinarians to improve the willingness of pet owners and the general public to pay for veterinary services. Thus, the direction and magnitude of change in the debt-to-income ratio provides an important indication of the veterinary profession’s willingness and ability to improve the financial performance of the profession.

On the other hand, the NPV provides the best measure for capturing the lifelong value of the veterinary medical degree. The mean NPV for new veterinarians was $260,568 for 2014 and it provides a measure of the value added to what might have been gained from the bachelor’s degree after all veterinary education expenses are paid.

While this KPI is influenced by the same measures as the DIR, the net present value is also affected by the career path chosen, work/life balance decisions, retirement age and demographic factors. Since all of these factors are within the ability of the veterinarian to change, the mean NPV reflects the willingness and ability of every veterinarian to improve the lifelong value of their degree.

In 2014, the mean starting salary for males with a bachelor’s degree was roughly $50,000, while a DVM degree provided males with a mean starting salary of just under $70,000. For females, the bachelor’s degree provided a mean starting salary of roughly $40,000, while the DVM degree provided roughly $67,000. Thus, while males earned a $20,000 premium with the DVM degree, females earned a premium of $27,000. The mean NPV for a male DVM in 2014 was $50,155, while for the female DVM it was $334,682.

To determine the strategies most effective at improving both the DIR and NPV, the effect of demographic factors on debt and income for both new and current veterinarians is provided. The coefficients provided for each of these factors provides an indication of the relative effect of each factor on debt and income.

Tables of these coefficients, which are included in the full debt and income report, enable the simple computation of the mean income for veterinarians of either gender, for any location, type of practice, credentials or age. This information will be useful especially for those veterinarians with high debt-to-income ratios who elect to begin their career with a focus on gaining financial independence by maximizing earning potential.

Finally, an econometric analysis identified the factors that affect variations in starting salaries both within years and between years. In looking at starting salaries in 2014, the analysis attempts to explain the difference between each individual's starting salary and the mean starting salary for all the new veterinarians who reported finding a paid position prior to graduation.

Controlling for the effect of the factors that explain within-year variation allows for identification of the effect that the number of veterinarians and the level of consumer incomes have on year-to-year changes in income. For instance, in 2014 the analysis of the effect of the number of new veterinarians and consumer incomes on veterinary starting salaries found that, for companion animal exclusive practitioners, the addition of each new veterinarian in this field reduced the mean starting salary by $18, while the reduction of $1,000 from the average U.S. consumer's income reduces starting salaries by roughly $1,610.

The next annual report in the 2015 AVMA Economic Reports series, the AVMA Report on the Market for Veterinarians, will be published in July. If you're an AVMA member and are interested in subscribing to the report series at a reduced member rate, please visit the [AVMA Store](). Otherwise, keep an eye on our web page, our social media outlets and our AVMA@Work blog for other economic updates and summaries like this one.