

# The VPI<sup>®</sup>-Veterinary Economics Financial Health Study

High burdens of student loan and other debt, doubt over the ability to buy and sell practices and concern over long-term personal financial health and prospects for retirement: These factors are having an impact on the veterinary profession in the United States. In presenting the data on the financial health of veterinarians at different ages and stages in their careers, the **VPI<sup>®</sup>-Veterinary Economics Study**, produced in cooperation with Brakke Consulting, presents a profession at a crossroads. By presenting an accurate, unbiased look at the financial health of veterinarians and veterinary practices, from veterinarians' self-reporting, the veterinary community can begin the conversation that will lead to solutions to the challenges now faced by these essential healthcare professionals.

The **VPI<sup>®</sup>-Veterinary Economics Financial Health Study** builds on the foundation of the Bayer Veterinary Care Usage Study, also produced in cooperation with Brakke Consulting. The result: Answers for veterinarians in need of critical benchmarking data for themselves, their practices and their futures.

The Bayer Veterinary Care Usage Study revealed that the decrease in veterinary visits did not start with the economic downturn of 2008, but in fact started to decline in the relatively good economic climate immediately prior to the financial cataclysm. While pet spending as reported by the American Pet Products Association held steady or improved as the economy stumbled (hitting an all-time high of \$55.5 billion in 2013), veterinarians were conspicuously absent from those seeing the financial result of America's growing love of companion animals.

The decline of veterinary visits (previously documented by the Bayer Veterinary Care Usage Study, recently eased but still a concern), the increase year-over-year of new veterinarians entering the profession (previously documented by the American



Assoc. of Veterinary Medical Colleges) and the financial struggles of today's veterinarians (now documented by the **VPI<sup>®</sup>-Veterinary Economics Financial Health Study**) taken together suggest that the veterinary community will have to make dramatic and possibly difficult changes to retain a middle-class standard of living for members of the veterinary profession. While male and older veterinarians (often one in the same, given the gender shift in the profession), showed greater satisfaction with their personal finances, the precarious financial state of younger and female veterinarians (again, often one in the same) suggests a

difficult period ahead not only for younger veterinarians but also for practice owners hoping to sell and retire.

But perhaps not immediately: There were more veterinarians who had higher personal and household income in 2012 than those who experienced income declines. And veterinary salaries, albeit stagnant, remain high compared to the general population—news that is of course tempered by the reality of crushing student debt for younger veterinarians. The findings are somewhat discouraging at the high end, as well: The mean household incomes of \$187,000 for veterinary practice owners fall into the top 10% of all U.S. households, but a majority of those largely older veterinarians reported working longer hours to maintain their standard of living or generate necessary revenue for their businesses, and more than a quarter plan to delay retirement because of the poor financial condition of their practices.

The **VPI®-Veterinary Economics Financial Health Study** serves as a jumping off spot for a year of special coverage by Veterinary Economics/dvm360.com as well as continued and enhanced efforts by Veterinary Pet Insurance (VPI) to bring to market products and services that support the veterinary mission of providing medical care to pets, in support of the human-animal bond and in recognition of the ongoing value companion animals provide to people in all walks of life.

## Methods

The **VPI®-Veterinary Economics Financial Health Study** is the result of a collaborative effort of VPI®, Veterinary Economics and Brakke Consulting. Veterinary Pet Insurance® used proprietary information and ongoing industry research to develop a survey that best reveals the actual financial state of the profession.

## The sample:

- Total N=1,193 online interviews
- Veterinary Practice Owner or Partner, or Associate Veterinarian
- Of animals treated: 75% or more must be companion animals (including avian/exotics)
- National spread; no restrictions
- Statistical margin of error +/- 3.1% (all respondents) at 95% confidence level; +/- 7.1% owners/partners; +/- 4.5% associates

## Key Findings

**Veterinary salaries remain comfortable relative to most Americans.** A third of veterinary incomes increased last year, while a fourth decreased. Mean household incomes did better. Mean personal income of veterinarians who owned practices was \$110,000, while mean personal income of associate veterinarians was \$84,000. By comparison, mean personal income for an American worker is \$42,693 (U.S. Department of Commerce).

**Veterinary visits and practice revenues are improving, with large practices faring better.** Some 57% of respondents reported an increase in veterinary visits, with 48% reporting an increase in profitability vs. 35% reporting a decrease. More practices owned by younger veterinarians report revenues bouncing back, while those owned by older veterinarians report higher revenues overall. Veterinarians who worked in larger practices on average earn more and experience fewer income declines.

**Veterinarians feel uncertainly about their financial health and future.** Less than half of veterinarians who are owners, and less than a third of associates, rated their person financial condition “well” (8-10 on a 10-point scale). A fourth of owners and 30% of associates said they were doing “poorly”

(0-5 on a 10-point scale). Male and older veterinarians were more likely to be doing well than female and younger veterinarians. Those not doing well had much less confidence in their ability to manage finances. While many young veterinarians, especially males, would like to own a practice some day, burdensome student debt was the reason most often cited for making it unlikely that they will do so.

**Significant numbers of veterinarians provide a secondary income in their households.** Veterinarians are not all primary breadwinners in their families. While 91% of male veterinarians and 71% of female veterinarians said they were the primary breadwinners or shared breadwinner responsibility, 29% of female vets and 7% of male vets said their incomes were secondary. Those whose veterinary incomes were secondary—both males and females—had higher mean household incomes than those in which the veterinary income was primary.

**Practice owners feel uncertainty about the health and future of their businesses.** A third of owners said their practice was doing well. Another third said their practice was doing poorly, with the other third in the middle. While practices owned by older veterinarians tended to generate more mean revenue, those owned by younger veterinarians experienced the most improvement in 2012 vs. 2011. A significant portion of associate veterinarians (22%) were unaware of the financial health of the practice in which they worked. Just over half of owners are paying off loans for the practice, with mean debt of \$362,240. Practices not doing well were much more likely to have significant credit card debt, but not necessarily more debt overall.

**High debt burdens.** Almost one-quarter (22%) of practice owners carried student loan debt, with an average balance of \$66,110. Almost half (49%) of associate veterinarians

are carrying student loan debt, with an average balance of \$112,082. For some associates, debt servicing requires nearly 40% of their monthly income. Additionally, associate veterinarians were more than twice as likely to have additional student loan debt in the family (11% vs. 23%). Associate veterinarians were more likely to have other forms of debt (auto loans, credit card). Practice owners tend to carry higher balances on most credit categories with the exception of student loan debt.

**Retirement dreams delayed. Working harder, longer.** More than a quarter (27%) of practice owners said they were planning to delay retirement because of the poor financial condition of their practice. The lack of confidence in their practice's financials was noted by 58% of practice owners who said they work more hours than they would like because the practice needed the revenue. Among practice owners, 69% said they would like to work less but they needed the income. Only a third of owners reported that they believe the sale of their practice will provide them with a comfortable retirement income. Some 44% of associates are interested in owning a practice, although few believe they have the financial means to do so.

### Summary of key findings

Less than half of all veterinarians say they are comfortable with their financial standing (41% of owners and 31% of associates rate their financial condition as an "8" or better on a scale of 1-10).

Practice owners feel more comfortable from a personal financial standpoint, compared to associates, no doubt in part due to a significantly higher income. However, practice owners' outlook on tomorrow is not optimistic. Two-thirds feel their practice is not doing "well" financially or is doing "average" (0-7 on a 10-point scale).

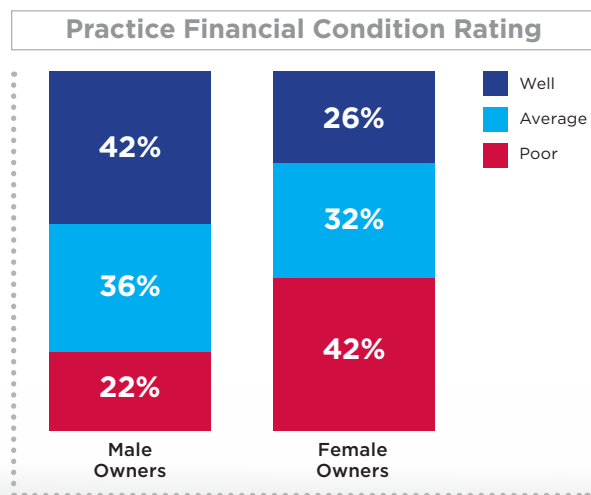
Associate veterinarians say they are struggling financially, in large part due to the burden of student debt. Nearly a third of associates rated their financial condition as poor, and 39% rate it as moderate. While many associate veterinarians dream of owning their own practice some day, a majority perceive the prospects unrealistic. A very large number of veterinarians, especially those not doing well financially, are not at all confident in their ability to manage finances.

### A closer look: practice finances

While the reported increase of client visits for a majority, and reports of increased profitability came from almost half of the practice owners, the picture gets more complex when you dive a little deeper into the data. Additional survey information paints a picture of practice owners who are not feeling comfortable with their current situations—and not optimistic about the value of their practice when it comes time to sell.

### Practice performance ratings equally divided.

When asked to rate the financial performance of their practices, respondents were almost equally divided, with a third each responding either “well,” “average” or “poor.” A significant gender gap was observed, however, with male practice owners more likely to respond positively when evaluating the health of their practices ▼

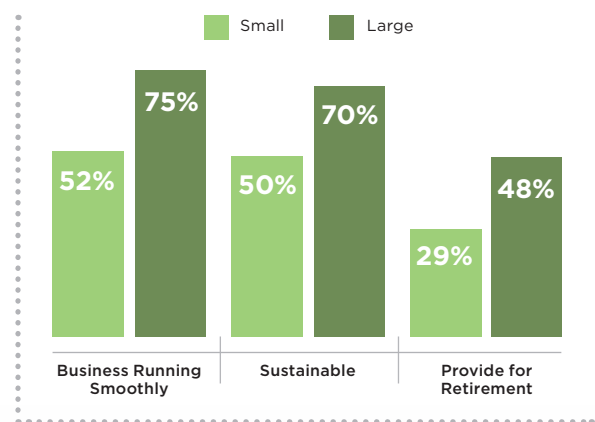


### Both patient visits and revenues were reported on the upswing.

57% of practice owners reported an increase in patient visits, vs. 31% reporting a decrease. Profitability was not as robust, but again more practice owners reported an increase (48%) in profitability than reported a decrease (35%) with the remaining owners reporting profitability as flat (35%). By gender the profitability was reported nearly the same (male 47% increase vs. female 46% increase, although 60% of female practice owners reported an increase in visits compared to 54% of male practice owners.)

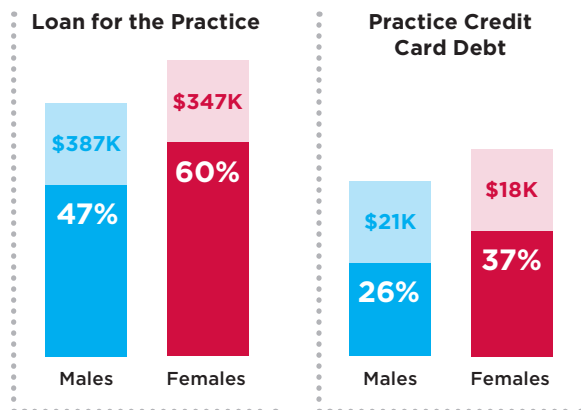
### Larger practices reporting better financial results.

While traditional 1-2 veterinarian practices have long been considered the mainstay of the profession, these smaller practices have not fared as well recently, and their owners express more concerns about the future, including prospects for the sale of the practice to finance a comfortable retirement. A full three-quarters of larger practices (3 veterinarians or more) said that their current level of revenues are sufficient for the smooth running of their business, with 70% of these larger practices saying their income is sustainable for future years. Perhaps not surprisingly, owners of smaller practices were less confident that their retirement could be financed by the sale of their practice ▼



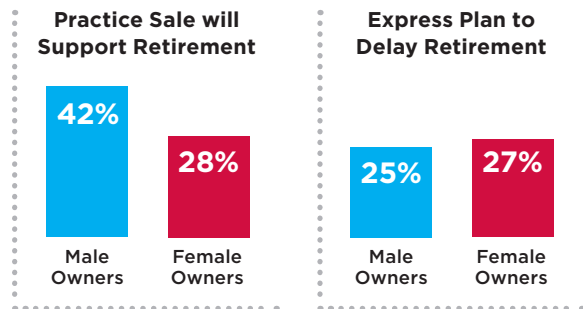
**Practice owners report working longer hours than they'd like to.** Concern over practice revenue is shown by the 58% of practice owners who reported that they work more hours than they wanted to because the practice needed the revenue. This figure showed a slight gender gap, with 56% of male owners working longer hours than they wanted to, versus 59% of female owners.

**Practice debt showed credit card balances at high levels.** More than half of all practices were carrying practice loans, with an average balance of more than \$362,000. The use of credit card debt was significant, with 31% carrying such debt, with an average balance of \$19,000. More female practice owners are carrying debt than male practice owners, but the average balances carried by female practice owners was smaller ▼



**Ability to sell practice a concern for many owners.** The sale of the practice has traditionally been one of the primary ways veterinarians finance their retirements. But many practice owners are not feeling confident in their prospects, with only a third believing the sale of their practice will provide them with a comfortable retirement. More than a quarter (27%) expect to delay retirement because they do not believe their practice is in condition to sell and produce the hoped-for retirement income. Comparable levels of female and male practice owners expect to delay retirement, but the gap widens significantly when

practice owners are asked if they believe the sale of their practice will provide them with a comfortable retirement ▼



### A closer look: personal finances

The study data was weighted within the veterinarian sample to be a reflection of the veterinarian industry as follows: 30% veterinarian owners; 70% veterinarian associates. Not surprisingly, differences in self-reported financial health between the two groups was occasionally stark.

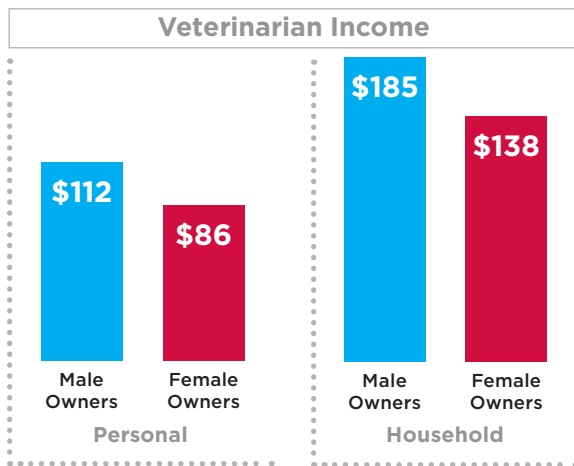
Despite the concerns expressed by both groups, veterinary salaries are relatively high in comparison with U.S. averages. The personal average annual income reported was \$90,000, with an average annual household income of \$154,000. This puts average veterinary incomes in the top 10% in the United States.



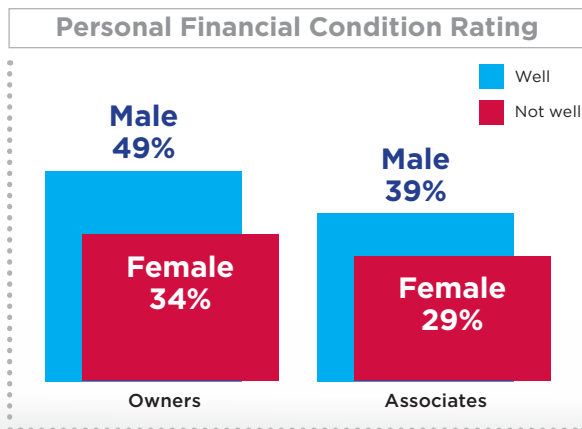
The anxiety many veterinarians report with regard to their financial health becomes more understandable when the information is broken down by status (owner vs. associate) and gender, and further matched with debt levels and financial acumen.



In terms of gender gaps, the study again revealed a very different picture in how women veterinarians reported their financial health compared to their male colleagues. Additionally, more male than female veterinarians reported that they were the primary breadwinner of the household, or share that responsibility (91% vs. 71%), with different levels of personal and household incomes ▼

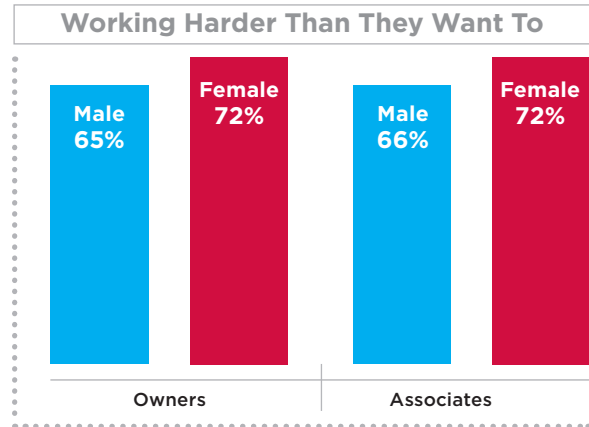


**Practice owners feel more secure about their finances.** Only a third of all veterinarians say they believe they are doing well financially, with practice owners more likely to say so than associate veterinarians (41% vs. 31%). The reporting here shows one of the largest gender splits, with male practice owners much more likely than female practice owners to report they are doing “well.” The split isn’t as dramatic among associate veterinarians, although it is statistically relevant ▼



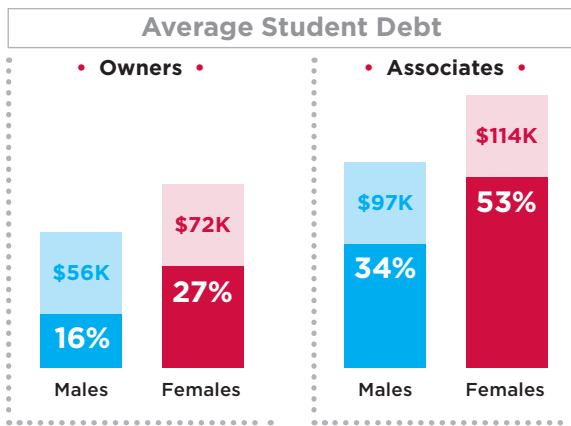
**More hours at work a norm for all**

**veterinarians.** Female veterinarians—both practice owners and associates—were more likely than male veterinarians to work more hours, many even saying they are working more hours to make ends meet. Among owners, 72% of women and 65% of men report working harder because they need the income. Among associates, the numbers were about the same (female 72% vs. male 66%) ▼



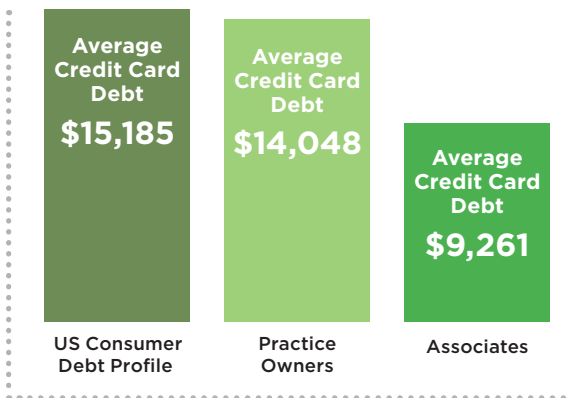
**Student loan debt is significant across**

**all veterinary categories.** To perhaps no one’s surprise, the student loan debt of new graduates is high, but even many associate veterinarians and a considerable number of practice owners are still paying off educational loans. Among practice owners, 1 in 4 report carrying student loan debt, with an average balance of \$66,110. (The U.S. average for student loan debt is \$31,509 by comparison.) Among associates, 49% report carrying student loan debt, with an average balance of \$112,082; for new graduates, 90% carry student loans, with an average balance of more than \$162,000. Again, gender splits are in evidence ▼



One additional finding of note with regard to educational debt: 11% of owners and 23% of associates reported responsibility for student loans for others, with average balances of \$44,951 (owners) and \$52,498 (Associates).

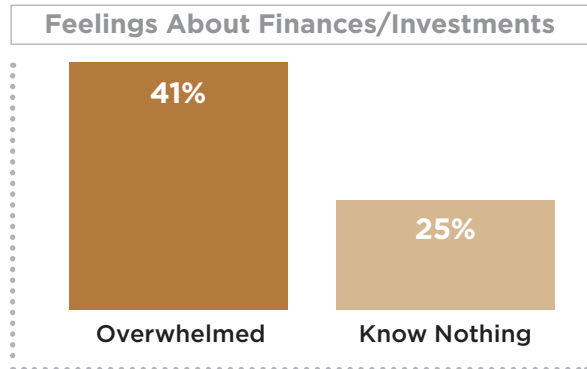
**Other debt is also burdensome.** Both practice owners and associate veterinarians carry personal credit-card debt, with owners slightly more likely to not only have credit card debt but also to have higher balances. Some 42% of practice owners carry credit card balances, vs. 47% of associates ▼



When all personal debt is counted (including mortgage, automobile and medical bills), practice owners are carrying an average of \$247,739 vs. \$208,522 for associates.

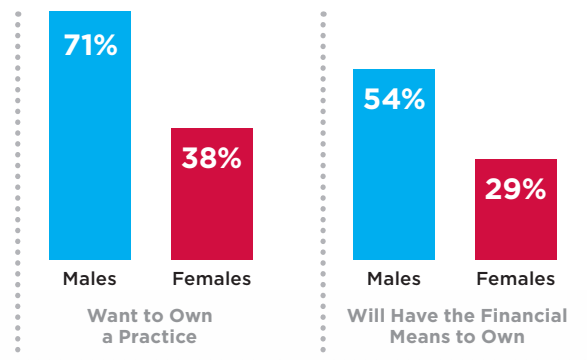
### Unsure about investing in the future.

Veterinary practice owners reported an average of \$397,994 in personal investments vs. \$194,857 average for associate veterinarians. Among associate veterinarians, 81% of those who work for a corporate-owned practice have retirement products or plans, vs. 57% among associate veterinarians who work in private practice. Many reported a lack of confidence in their ability to make good financial decisions ▼



### Concerns about financial health are impacting future of the profession.

Fewer associate veterinarians report having practice ownership as a personal goal, and many feel little confidence in their ability to manage their own finances. Again, a gender gap is clear from the reporting, with male veterinarians more confident in their financial goals and future. Among all associates, 44% want to own a practice, and of those, only 34% perceive they will have the financial means to achieve those goals. Student loan debt is the most often cited obstacle to practice ownership ▼



## Summation

The **VPI®-Veterinary Economics Veterinary Financial Health Study** appears to capture the veterinary profession on the brink of a seismic shift, as reflected in the self-reporting of veterinarians, at all ages and stages of their careers. Despite recent improvements in patient visits and practice revenue, especially reported by larger practices, both practice owners and associate veterinarians report feeling a lack of comfort with the financial health of their households and their practices. An increasing number of graduates and staggering student loan burden are seen to be among those factors changing the veterinary profession from one that promised a comfortable, middle-class lifestyle with a smooth transition in practice ownership from generation to generation to one that puts all previous assumptions for career and long-term financial stability in doubt. The existence of high credit card balances both by individual veterinarians and veterinary practices also sounds a note of concern.

While student loans are a problem that cannot be solved at the industry level (the student loan debt crisis is felt by many professions and is a topic of intense debate politically), associate veterinarians in particular need to be provided with a better understanding of personal finance choices, and practice purchase options, that will allow owner veterinarians the retirement incomes they seek through the successful sale of their practices.

Solutions have already started to appear, and more will continue to emerge and be tested as veterinarians adapt to the new challenges of their professions. Veterinary Pet Insurance will continue to provide support to help the veterinary community meet those challenges head-on with financial solutions that provide pet-owners with the tools to give their animal companions the medical care they need to fulfill the promise of the human-animal bond.

