## Medical Professionals A Prescription for Financial Wellness

The demands on medical practitioners today can seem overwhelming. It's no secret that healthcare is beginning to undergo enormous changes as dictated by Obama Care. Correspondingly, the healthcare delivery system will experience enormous changes, and those changes are reflected in the financial issues that healthcare professionals will face now and in the near future. As a medical professional, you are obligated to educate yourself about new research in your chosen specialty, stay current on the latest technology, the transformation of the healthcare system, and pay attention to business considerations, including ever-changing state and federal regulations, and personal taxes.

Like many, you may have transitioned from medical school and residency to being on your own with little formal preparation for the substantial financial issues you now face. Even the day-to-day concerns that affect most people paying college tuition bills or student loans, planning for retirement, buying a home, insuring yourself and your business--may be complicated by the challenges and rewards of a medical practice. It's no wonder that many medical practitioners look forward to the day when they can relax and enjoy the fruits of their labors. Unfortunately, substantial demands on your time can make it difficult for you to accurately evaluate your financial plan, or monitor changes that can impact your future retirement. Just as patients need periodic checkups, you may need financial professional expertise to make sure your finances receive the proper care.

## Maximizing Personal Assets

Like the field of medicine, finance and investment management have its own set of metrics, scientific research and data, and should be approached with the same level of discipline and thoughtfulness. Making the most of your earning years requires a plan for addressing the following issues.

## Retirement

Your years of advanced training and perhaps the additional costs of launching and building a practice may have put you behind your peers outside the healthcare field by a decade or more before starting to save and invest for retirement. The exhibit below graphically charts this difference:



You may have found yourself struggling with debt after years of college, internship, and residency; later, there's the ongoing juggling act between making mortgage payments, caring for your parents, paying for weddings and tuition for your children, and maybe trying to squeeze in a vacation here and there. Because starting early to save is an essential factor in building a nest egg, you may face significant challenges in assuring your own retirement. A solid financial plan that exploits advanced tax strategies will help.

## Investments

Getting a late start on saving for retirement can create other problems. For example, you might be tempted to try to make up for lost time by making investment choices that carry inappropriate levels of risk. Speculating with money that you will need in the next several decades could leave you short in funding for your retirement. Once your earnings improve, you may be tempted to overspend on luxuries you were denied during the lean years. One of the benefits of a long-range financial plan is that it can help you protect your assets--and your future--from inappropriate decisions.

## Tax considerations

Once the lean years are behind you, your success means considerably more in taxes and so attention to tax investing strategies can help you keep more of what you earn. We offer access to advanced tax deferred strategies that allow you to accumulate on a tax deferred basis significantly more investment assets to cover your retirement years. For example, personal tax rates have increased from a combination of new fiscal cliff taxes and six tax increases from Obamacare that also became effective New Year’s Day**, *13 Tax Increases in all for 2013*, including the top marginal rate increasing from 35% to 39.6%.**

## Asset Protection Plans

The nature of your profession requires that you pay special attention to protect yourself both personally and professionally from the financial consequences of legal action, a medical emergency of your own, and business difficulties. Having a well-defined protection plan can give you confidence that you can practice your chosen profession without putting your family or financial future in jeopardy. Many times , tax advantaged programs can offer a bonus of asset protection. Effectively assets can be protected from court judgment and seizure, and have a separate savings account to build up assets for retirement.

## Liability insurance

Medical professionals are caught financially between rising premiums for malpractice insurance and fixed reimbursements from managed-care programs and you may find yourself evaluating a variety of approaches in providing that protection. Some physicians also carry insurance that protects them against unintentional billing errors or omissions. Remember that in addition to potential malpractice claims, you may also face the same potential liabilities as other business owners. You might consider an umbrella policy as well as coverage that protect you against business-related exposures such as fire, theft, employee dishonesty, or business interruption.

## Disability insurance

Your income depends on your ability to function, especially if you're a solo practitioner, and you likely have fixed overhead costs that need to be covered if your ability to work is impaired. One choice you'll face is how early in your career to purchase disability insurance. Age plays a role in determining premiums, and you may qualify for lower premiums if you are relatively young. When evaluating disability income policies, medical professionals should pay special attention to how the policy defines disability. Look for a liberal definition such as "own occupation," which can help ensure that you're covered in case you can't practice in your chosen specialty. To protect your business if you become disabled, consider business overhead expense insurance that will cover routine expenses such as payroll, utilities, and equipment rental. An insurance professional can help evaluate your needs.

## Practice management and business planning

Is a group practice more advantageous than operating solo, taking in a junior colleague, or working for a managed-care network? If you have an independent practice, should you own or rent your office space? What are the pros and cons of taking over an existing practice compared to starting one from scratch? If you're part of a group practice, is the practice structured financially to accommodate the needs of all partners? Does running a "concierge" or retainer practice appeal to you? If you're considering expansion, how should you finance it?

Questions like these are rarely simple and should be addressed in the context of an overall financial plan that takes into account both your personal and professional goals. Many physicians have created processes and products for their own practices, and have then licensed their creations to a corporation. If you are among them, you may need help with legal and financial concerns related to patents, royalties, and the like. If you have your own practice, you may find that cash flow management, maximizing return on working capital, hiring and managing employees, and financing equipment purchases and maintenance become increasingly complex issues as your practice develops.

## Practice valuation

You may have to make tradeoffs between maximizing current income from your practice and maximizing its value as an asset for eventual sale. Also, timing the sale of a practice and minimizing taxes on its proceeds can be complex. If you're planning a business succession, or considering changing practices or even careers, you might benefit by professional evaluation of the financial consequences of those decisions.

## Estate planning

Estate planning, which can both minimize taxes and further your personal and philanthropic goals, probably will become important to you at some point. Options you might consider include:

• Life insurance

• Buy-sell agreements for your practice

• Charitable trusts

You've spent a long time acquiring and maintaining your medical expertise, and your patients rely on your specialized knowledge and skills. Doesn't it make sense to treat your finances with the same level of care?

## Retirement Purchasing Power at Risk

For the first time in recorded history, we have nearly every central bank, including the US Federal Reserve printing money and trying to debase their currency. How this is going to work out, no one knows, but if history is any indication, inflation is bound to take hold. This could result in the hollowing out of savings. Central planners' policies are punishing the prudent in favor of rescuing the irresponsible. This has happened before in world history and the aftermath has always had grievous economic consequences.