

A large background image showing a sailboat with white and black sails on a blue ocean. In the distance, there are mountains and a small island under a sunset sky with soft clouds.

# PLANNING FOR MEDICAL PROFESSIONALS

Medical Professionals have unique financial planning needs - Is your advisor prepared to meet them?



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Medical professionals have taken the Hippocratic Oath to swear to help others, yet many end up with very limited time to help themselves financially. Many may not have had exposure to personal financial education or to more advanced topics, such as how to protect against malpractice lawsuits or mitigate income tax liabilities.

It is important for medical professionals to work with an experienced advisor who is well-versed in the specific challenges they face. Our advisors can help those who are well on their way in their careers to navigate their financial futures and avoid common mistakes.

Medical professionals typically need support in the following areas:

### **Home Purchase**

If you have a primary residence and are considering a second home, it may be a good idea to ask your advisor about the tax advantages of having a primary home in Florida or other states that are state income tax free. Your advisor can also assist with tax strategies, such as understanding mortgage interest and the decrease in deduction limits on first and second mortgages since the passage of the Tax Cuts and Jobs Act.

### **College Expenses**

Your wealth advisor can help you develop a college savings strategy for your children or grandchildren. Establishing a tax-advantaged 529 plan allows you to save for expenses including tuition. You can also front-load contributions to potentially gain tax advantages.



And, with recent changes to the laws, you can now use up to \$10,000 on private elementary and high school tuition and up to \$10,000 to pay off a student loan.

## Asset Protection / Risk Management

While the overwhelming majority of malpractice suits are settled for amounts within insurance limits, no one wants to be the exception to the rule. Depending on your area of expertise, or even the state you practice in, the odds of being sued can vary tremendously. In 2018, \$4 billion was paid out in medical malpractice awards.<sup>1</sup> According to the LeverageRX 2019 Medical Malpractice Payout Report, more than half of family physicians have been named in a lawsuit. In addition, 34% of payouts were made for malpractice related to diagnosis and 21% for

surgery malpractice.<sup>1</sup> Understanding asset titling by state and more complex trust planning concepts can help preserve your net worth and provide you with peace of mind.

## Income Tax Mitigation (for current and retirement income taxes)

Due to a medical professional's potentially high tax bracket, it's important to incorporate tax efficient investing and saving strategies into your financial plan. Maxing out retirement plans, initiating Roth IRA conversions, using products that capture minimal capital gains in taxable accounts, and trading only when necessary, are some of the keys to lowering tax liabilities.

## Charitable Wishes

In general, medical professionals, including physicians, tend to be charitably inclined. This may be due to the personality trait that inspired them to join the medical field in the first place. Advisors can help medical professionals with effective giving strategies (cash gifts, donor-advised funds, IRA RMD donations, public charities, setting up a private foundation, etc.). While giving is the first priority, these professionals should work with an advisor who can articulate and quantify the income tax and estate tax benefits of each option.

## Insurance Needs

Medical professionals understand the benefits of insurance but often require assistance in navigating the various options to help ensure they have adequate coverage for personal and professional needs. It is important to work with an advisor who understands the pros, cons and requirements of term and permanent life insurance (both from an income replacement perspective and also an estate planning one) as well as umbrella, long-term care and malpractice insurance.

## Sales/Mergers of Private Practices

Due to various regulatory and compliance complexities, declining and uncertain reimbursements, and rising malpractice premiums, medical professionals in private practices are increasingly merging with larger networks or selling their practices to hospitals. If you are in this situation, it may be beneficial to work with an advisor who can support, not only your personal financial planning needs, but your practice's needs as well. Specific capabilities may include:

- Addressing valuation issues
- Helping to structure a sale
- Investing the sales proceeds to create value

## Student Loan Repayment Plans

For medical professionals, including physicians just starting out who might be carrying student loan balances upward of \$300,000 when including undergraduate loans, this is often the most critical topic for medical school graduates. It's often difficult to see the light at the end of the tunnel with debt like this, but an experienced wealth advisor can help. An advisor can help you answer the following questions:

- Should I consolidate?
- Should I refinance?
- If I have federal loans, which payoff plan should I select?
- I'm married. Will my spouse have to cosign on any refinancing options?
- How could my loans impact my/our ability to apply for a mortgage in the future?

To answer these questions, an advisor must understand the structure of the loans, the household's income trajectory, other debt, personal goals and what financial support is available from other family members. It is also important to begin identifying "good" debt versus "bad" debt when considering interest rates. In some cases, carrying debt and building savings may be the best approach. In others, paying off the debt as aggressively as possible may be the right approach. These decisions should also be tied to your risk tolerance and realistic market return expectations.

## Work With Your Advisor

One of the most important functions of a wealth advisor is coordinating all of the above components into a single, cohesive financial plan that can be periodically updated as the medical professional's needs and objectives change. Due to their tendency to start their careers with high debt, at an older age and at an income structure that will likely change dramatically over time, medical professionals must take a long-term view of their finances and avoid making decisions in silos.

By working with an advisor who can walk you through the financial planning process and incorporate all aspects into a comprehensive plan, you will be able to define and articulate what is most important to you and establish a plan to help you achieve it.



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<sup>1</sup> [2019 Medical Malpractice Payout Report](#)

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