The Business of Medicine

Marc C. Flur, CFP
Pyramid of Financial Strategies

Level 4: Investing Aggressively
Speculative Investments for Greater Growth Potential

Level 3: Financial Growth
Wealth Accumulation, Overcoming Inflation

Level 2: Financial Foresight
Capital Accumulation, Saving for the Future

Level 1: Necessary Foundation
Risk Management
Your Financial Plan

Outline of Presentation

• Short-Term Financial Goals
• Risk Management
• Long-Term Financial Goals
SHORT-TERM FINANCIAL GOALS
HAVING MONEY WHEN YOU NEED IT
Short-Term Financial Goals

Summary of Topics:

• Cash Flow & Budgeting
• Emergency Savings
• Debt Management
• Rent vs. Buy
• Disposable Income
Cash Flow and Budgeting

• What is your income after taxes?

• What expenses do you need to factor into your budget?
  - Living Expenses
  - Loan Repayment
  - Insurance
  - Parking
Emergency Savings

- Pay-Yourself-First mentality
- Minimum of 3-6 months of expenses
- Invest in cash or cash equivalents
- Lower amounts needed if risk management is addressed
Debt Management

• Credit
• Credit Scores
• Credit Cards
• Debt to Income Ratio
Housing: Rent vs. Buy

• Thoughts on renting:
  - How long will I be in this location?
  - Additional costs like security deposit, pet fees, etc.

• Thoughts on buying:
  - What are current interest rates?
  - Do I have a down payment?
  - If not, do I want to pay PMI or get a physicians loan?
  - Can I pay closing costs?
  - Can I resell the property when I need to?
Disposable Income

What is disposable Income?

If I have any disposable income, what should I do?

• Spend it?
• Pay off student loans?
• Emergency savings?
• Retirement savings?
Step Back

1. What are my short-term goals?
2. Are they feasible?
3. How do they play into my long-term plan?
RISK MANAGEMENT

PROTECTING YOUR INCOME AND EDUCATION
Risk Management and Estate Planning

Considerations

• Medical Insurance
• Malpractice
• Umbrella Liability
• Life Insurance
• Disability Insurance
• Estate Planning
High Level Considerations

• If self-employed or a partner in the future, employers over 50 employees are required to offer this coverage

• Individuals are mandated to have coverage starting January 2015
  – Requirement to report on annual tax returns

• If not provided by your employer, consider options on exchange (including options for dependents)

• Review contributions from employer
  – Tax advantages through employer, not on exchange
Malpractice

High Level Considerations

• Usually provided by your employer

• Claims-made vs. Occurrence

• Understand how tail coverage works on your policy when transitioning employers with claims-made coverage

• Statute of limitations in North Carolina is generally 3 years – check your new state
Umbrella Liability

Additional Protection Considerations

• Adds layer of liability protection to your personal coverage
• Sold in $1 million increments; very low cost
• Available alongside homeowners, renters, car insurance, etc…
# Life Insurance: Term vs. Permanent

<table>
<thead>
<tr>
<th></th>
<th><strong>Term</strong></th>
<th><strong>Permanent</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term of Coverage</strong></td>
<td>Limited Term</td>
<td>Lifetime</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>Dependent on Contract</td>
<td>Level for Lifetime</td>
</tr>
<tr>
<td><strong>Cash Value</strong></td>
<td>No</td>
<td>Yes (tax advantaged)</td>
</tr>
<tr>
<td><strong>Convertible</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Cost/Benefit</strong></td>
<td>Low Cost for Large Benefit</td>
<td>High Cost for Lower Benefit</td>
</tr>
<tr>
<td><strong>Types</strong></td>
<td>Level Term, Annually Increasing Term, Decreasing Term</td>
<td>Universal Life, Variable Life, Indexed Life, Whole Life</td>
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</table>
Disability Insurance

- Insurance intended to cover all or part if a loss of income due to accident or sickness:

<table>
<thead>
<tr>
<th>Total</th>
<th>Residual/Partial</th>
<th>Own Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inability to work in any occupation</td>
<td>• Ability to work in your occupation, but with reduced capacity and earnings</td>
<td>• Inability to work in your occupation or specialty, but ability to work in another occupation</td>
</tr>
</tbody>
</table>

As a doctor, own occupation coverage is the only coverage that can protect your income **AND** education.
Individual Disability Insurance
Insuring your Insurability

Key Advantages

• Physician-specific policy provisions
  – Specialty protected up to age 67

• Guaranteed, level premiums
  – Locked-in premium at age of purchase

• Policy and discount are portable when you leave Vanderbilt

• Benefits paid in addition to typical group coverage

Please note, this is for illustration purposes only and does not indicate a contract or guarantee of coverage.
Individual Disability Insurance: 3 Key Areas

California:
Rates are 25-35% higher than other states but are based on state of purchase

High-Risk Specialties:
Invasive specialties cost more and are harder to insure

Females:
Females are 40-50% more expensive than males
Individual Disability Insurance:
Major Changes Coming in March 2017

Principal Financial Group:

- Only unisex carrier for Vanderbilt School of Medicine
- Will no longer offer unisex rates on NEW policies
- Higher premiums for:
  - General Surgery, Plastic Surgery, Orthopedic Surgery
  - OB/GYN
  - Pain Management

All existing policies will be grandfathered in for rates and occupation classes
Estate Planning, Will & Trust

Estate Planning

- Will and Trust for Spouse and/or Children
- Power of Attorney
- Healthcare POA
- Living Will
Step Back

1. What risks exist within my financial plan?
2. How could they affect me short-term? Long-term?
LONG-TERM FINANCIAL GOALS
STAYING AHEAD OF THE GAME
Long-Term Financial Goals

Summary of Topics:
• Income Tax Considerations
• Key Investment Questions
• Retirement Planning
Tax Bracket Considerations

CURRENT MARRIED FILING JOINTLY (MFJ) TAX BRACKETS VS TRUMP’S PROPOSAL

MARRIED FILING JOINTLY

CURRENT

10%

15% 25% 28% 33% 35%

TRUMP

10%

12% 25% 33%

Taxable Income

Defer Income Accelerate Income

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Key Investment Questions

- What are your long-term/short-term investment goals?
- How much money is available to be invested?
- What is the impact of income taxes?
- What is your risk tolerance?
- How liquid does the investment need to be?
- What rates do I need to expect to surpass the rates I am paying on my loans?
Retirement Planning

Things you should know:

• 401k/403b Option
• Roth IRAs
• Deferred Compensation (457)
• SEP-IRA
## How a 401k/403b Works

### Overview

<table>
<thead>
<tr>
<th>Establishing an Account</th>
<th>Contributions &amp; Income</th>
<th>Taxable Distributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>✷ Through your employer</td>
<td>✷ 2017 Contribution Limits: $18,000 employee $36,000 employer</td>
<td>✷ Full amount is 100% taxable 10% penalty before age 59 ½ except for hardship</td>
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### Note…

- Can have a Roth 401(k) too
- Can take loans from a 401(k) in some instances
# How a Roth IRA Works

## Overview

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<th>Contributions &amp; Income</th>
<th>Tax-Free Distributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>Contribution Limit: $5,500</td>
<td>Typically during retirement or at death</td>
</tr>
<tr>
<td>Timeframe</td>
<td>Income Limits:</td>
<td>Option for first time home buyers up to $10,000</td>
</tr>
<tr>
<td>Multiple Accounts</td>
<td>Single Filer - $133,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Joint Filers - $196,000</td>
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## Note…

- Take advantage of Roth IRA contribution allowance while your income is below IRS limits
How a 457 Works

Overview

Establishing an Account
- Through your employer

Contributions & Income
- 2017 Contribution Limits: $18,000 employee

Taxable Distributions
- Full amount is 100% taxable
- 10% penalty before age 59½ except for hardship

Note…
- “An excess 401(k)/403(b)”
- Allows for some other unique advantages for high wage earners and older individuals
Step Back

1. How do my short and long-term goals balance?
2. What do I want to do 10, 20, 50 years from now?
Thank You!

Contact us for a personal consultation or with any questions.

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