The Need for Financial Planning
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- Step 1: Choose Your Financial Planning Team
- Step 2: Develop Your Plan
Basic Steps in the Financial Planning Process

1. Choose Your Team
2. Gather Information
3. Analyze Data
4. Team Makes Recommendations
5. Decide and Implement
Pyramid of Financial Strategies

Level 1: Necessary Foundation
- Risk Management

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

Level 3: Financial Growth
- Wealth Accumulation
- Overcoming Inflation

Level 4: Investing Aggressively
- Speculative Investments for Greater Growth Potential

Financial Strategies
- Art
- Metals
- Oil & Gas
- Commodities
- Venture Capital
- Investment Real Estate
- Growth Stocks & Mutual Funds
- Variable Life Insurance & Annuities
- Buying a Home
- Vacations
- Providing for your Family (e.g., College Savings)
- Retirement Plans
- Money Market Accounts
- Corporate/Municipal Bonds
- Conservative Equities
- Medical Insurance
- Disability Insurance
- Life Insurance
- Auto & Property Insurance
- Emergency Savings
- Art
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- Life Insurance
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- Emergency Savings
Debt Management

- **Long Term Perspective**
  - View your school debt in relation to your next 10 years of income, not just your resident’s salary

- **Pay Yourself First**
  - Prioritize retirement plans, savings, investments

- **Rate Reductions**
  - Auto-Pay and timely payments can significantly reduce your interest rate

- **Repayment Extensions**
  - Stretch out your repayment period to lower monthly payments
Student Loan Deduction

- Deduct interest for life of loan
- Maximum deduction is $2,500
- Income phase-out ranges apply
  - Single: $55,000-$70,000
  - Married: $110,000-$140,000

When phased out, consider using a home equity loan or consolidate to lower interest rates
Tuition Deduction

- Maximum deduction of $4,000 on higher education expenses
- Income phase outs
  - $130,000 to $160,000 for married, filing jointly
  - $65,000 to $80,000 for single filers
- No need to itemize
- Education Credit vs. Deduction
  - Could claim deduction in lieu of education credits.
  - Need to compare which would yield greater benefit.
American Opportunity Credit

- $2,500 annual tax credit for education expenses
- 40% of credit amount is refundable
- Available for undergraduate, graduate & professional degrees
- Income phase outs: Single $ 80,000 to $ 90,000
  Married $160,000 to $180,000
- Need to coordinate with new tuition deduction
Buying a House?

- How long will you live in the house?
- What are the taxes?
- What is the cost of insurance?
- What is the re-sale market?
Buying a House?

- Deductible mortgage interest on first and second homes
- Deduct up to $100,000 in home equity loan or line of credit interest
- Deduct points paid on mortgage or refinancing
- Deduct real estate property taxes
Key Investment Questions

Application question: *What do I invest the money in?*

- What are your investment goals?
- How liquid does the investment need to be?
- What is your risk tolerance?
- What is the impact of income taxes?
- What is the economic outlook?
- Is the skill and knowledge needed to manage the investment available?
- How much money is available to be invested?
Compound Growth: Rule of 72 and 115

- How long for your money...
  - To double? …Divide 72 by the interest rate.
  - To triple? …Divide 115 by the interest rate.

![Diagram showing time to double or triple with different interest rates]

- 72 + 2% interest = 36 years
- 72 + 4% interest = 18 years
- 72 + 6% interest = 12 years
- 72 + 8% interest = 9 years
- 72 + 12% interest = 6 years

With a 12% rate of return, your money will double in approximately 6 years.
Asset Allocation

Sample Financial Portfolio

- Stocks: 54%
- Bonds: 28%
- Real Estate: 12%
- Cash: 6%

Sample Equities Portfolio

Moderately Aggressive Allocation

<table>
<thead>
<tr>
<th>Category</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>20%</td>
</tr>
<tr>
<td>Large Value</td>
<td>24%</td>
</tr>
<tr>
<td>Large Growth</td>
<td>26%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>6%</td>
</tr>
<tr>
<td>International Equity</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total Allocation</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
How a Roth IRA Works

- **Establishing an account**
  - Open anytime between Jan 1st of current year and the due date of the tax return
  - Account is typically self-directed
  - A separate Roth IRA may be establish for a spouse with little or no earnings

- **Contribution considerations**
  - $5,000 contribution limit in 2010 & 2011
  - Earnings accumulate tax-deferred
  - Contributions are not tax deductible

- **Distributions typically during retirement or at death**
  - Also, option for first time home buyers
Summary / Action Points

- Establish a financial plan
- Develop the habit of paying yourself first
  - Establish an “Emergency Fund”
  - Roth IRA, 403(b), Money Market account, etc.
- View your debt with a long-term perspective
  - Refinance High-Cost Loans
  - Consolidate Loans
INSURANCE 101
Risk Management

- If injured or sick, will you have income?
  - Disability Insurance

- If deceased, how will debts be covered and your family afford living expenses?
  - Life Insurance

- If engaged in legal proceedings, how will expenses be covered?
  - Malpractice Insurance
  - Umbrella Policy
  - Property & Casualty
Everything you own, plan to own, or plan to pay off, depends on your future ability to earn an income.

DISABILITY INSURANCE
The Impact of Disability
What is the Likelihood I File a Claim?

- Approximately 30% of all people aged 35 to 65 will suffer a disability for at least 90 days, and approximately 15% will be disabled for five years or more.*

- This is higher than the probability of filing a claim for life insurance, homeowners’ insurance, or car insurance.

*Health Insurance of America, 2000
Post-Disability Income

Disability income is typically broken into two categories: business and personal.

It typically takes multiple types of coverage to cover all your expenses through the duration of a disability.

- Revenue and Cash Flow
- Overhead Expense
- Supplemental Individual Disability
- Group Long-Term Disability

**Point of Disability** — **Retirement Age**
Types of Disabilities

- TOTAL – Inability to work in any occupation

- RESIDUAL/PARTIAL – Ability to work in your occupation, but with a reduced capacity and earning potential

- OWN OCCUPATION – Inability to work in your occupation or specialty, but ability to work in another occupation
Types of Own Occupation Benefits

- INCOME REPLACEMENT Disability would pay a benefit proportional to your loss of income.

- TRANSITIONAL OWN OCCUPATION Disability would pay until your new income plus disability benefits exceed your pre-disability earnings.
  
  \[\text{Income} + \text{Benefit} = 100\% \text{ of pre-disability earnings}\]

- “TRUE” OWN OCCUPATION Disability would pay 100% of the benefit regardless of your new income source or amount.
## Group vs. Individual Disability Insurance

<table>
<thead>
<tr>
<th>Feature</th>
<th>Typical Group</th>
<th>Quality Individual</th>
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</thead>
<tbody>
<tr>
<td>Tax Free Benefit</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-cancelable by insurer</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Guaranteed Rates</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Portable to new job</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Own Occupation Benefit</td>
<td>Sometimes</td>
<td>Yes</td>
</tr>
<tr>
<td>Benefit Amount</td>
<td>% of Income</td>
<td>Full Benefit</td>
</tr>
</tbody>
</table>
Recommended Insurers for Physicians

- Guardian
- Union Central
- Mass Mutual
- Principal
- Met Life
- The Standard
Disability Insurance – Standard Rate

Disability Income Insurance Illustration
Premium Summary Report
Prepared for Medical Student

Policy Information

Disability Benefit
After a 90 day elimination period, your maximum monthly benefit is
$1,000 from day 91 to Age 67
$349.70

Your occupation period is to age 67
Your total maximum monthly benefit is $1,000 (50% of your income)

Premium Before Riders: $349.70

No Additional Premium Riders:
- Capital Sum Benefit of $12,000.00
- Future Benefit Increase
- Presumptive Disability Benefit

Additional Premium Riders:
- 3% Cost of Living Adjustment $65.20
- Transitional Occupation - To Age 67 $84.30
- Residual Disability Benefit $86.90
- Catastrophic Disability Benefit $1,000 monthly benefit, 90 day elimination period, to age 67 benefit period $43.70

Total $280.10

TOTAL ANNUAL PREMIUM: (2.62% of income) $629.80

<table>
<thead>
<tr>
<th>Premium Payment Options</th>
<th>Annual Premium Payment Frequency Charge</th>
<th>Annualized Premium</th>
<th>Premium Amount</th>
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</thead>
<tbody>
<tr>
<td>Annual</td>
<td>0.00</td>
<td>$629.80</td>
<td>$629.80</td>
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<tr>
<td>Semi-Annual</td>
<td>15.74</td>
<td>$645.54</td>
<td>$322.77</td>
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<tr>
<td>Quarterly</td>
<td>31.48</td>
<td>$661.28</td>
<td>$165.32</td>
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<tr>
<td>Monthly/Electronic Funds Transfer</td>
<td>31.52</td>
<td>$661.32</td>
<td>$55.11</td>
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</tbody>
</table>
Disability Insurance – Discounted Rate

Disability Income Insurance Illustration
Premium Summary Report
Prepared for Medical Student

Policy Information

<table>
<thead>
<tr>
<th>Disability Benefit</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>After a 90 day elimination period, your maximum monthly benefit is</td>
<td></td>
</tr>
<tr>
<td>$1,000 from day 91 to Age 67</td>
<td>$269.40</td>
</tr>
</tbody>
</table>

Your occupation period is to age 67
Your total maximum monthly benefit is $1,000 (50% of your income)

<table>
<thead>
<tr>
<th>Premium Before Riders and Discounts:</th>
<th>$269.40</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Additional Premium Riders:</td>
<td></td>
</tr>
<tr>
<td>Capital Sum Benefit of $12,000.00</td>
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<tr>
<td>Future Benefit Increase</td>
<td></td>
</tr>
<tr>
<td>Presumptive Disability Benefit</td>
<td></td>
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<tr>
<td>Additional Premium Riders:</td>
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</tr>
<tr>
<td>3% Cost of Living Adjustment</td>
<td>$49.20</td>
</tr>
<tr>
<td>Translational Occupation - To Age 67</td>
<td>$52.60</td>
</tr>
<tr>
<td>Residual Disability Benefit</td>
<td>$66.20</td>
</tr>
<tr>
<td>Catastrophic Disability Benefit</td>
<td>$44.30</td>
</tr>
<tr>
<td>$1,000 monthly benefit,</td>
<td></td>
</tr>
<tr>
<td>90 day elimination period, to age 67 benefit period</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$222.30</td>
</tr>
</tbody>
</table>

| Premium Before Discounts:           | $491.70 |
| Discounts:                          |         |
| Multi-Life                          |         |
| Total (20.00%)                      | $98.34  |

TOTAL ANNUAL PREMIUM: (1.64% of income) $393.36

<table>
<thead>
<tr>
<th>Premium Payment Options</th>
<th>Annual Premium Payment Frequency Charge</th>
<th>Annualized Premium</th>
<th>Premium Amount</th>
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</thead>
<tbody>
<tr>
<td>Annual</td>
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<td>Semi-Annual</td>
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<td>Quarterly</td>
<td>$19.58</td>
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<tr>
<td>Monthly/Electronic Funds Transfer</td>
<td>$19.68</td>
<td>$413.04</td>
<td>$34.42</td>
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## Disability Insurance Premiums by Age and Specialty

<table>
<thead>
<tr>
<th>Age</th>
<th>Non-Invasive</th>
<th>Invasive</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$28.15</td>
<td>$33.12</td>
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<tr>
<td>26</td>
<td>$29.17</td>
<td>$34.42</td>
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<td>27</td>
<td>$30.21</td>
<td>$35.74</td>
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<td>28</td>
<td>$31.24</td>
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<td>29</td>
<td>$32.26</td>
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<td>$33.23</td>
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<td>31</td>
<td>$34.20</td>
<td>$40.65</td>
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<tr>
<td>32</td>
<td>$35.16</td>
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<td>33</td>
<td>$36.05</td>
<td>$42.83</td>
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<tr>
<td>34</td>
<td>$36.96</td>
<td>$43.88</td>
</tr>
<tr>
<td>35</td>
<td>$37.85</td>
<td>$44.89</td>
</tr>
</tbody>
</table>

Based on $1000 monthly benefit including benefit update, residual disability, $1000 catastrophic coverage, and COLA.
Summary / Action Points

- Disability Insurance is one of the most under-rated Risk Management tools
- Locking in now protects against changes in your health status
- Take advantage of BPG’s negotiated discounts and unisex rates
Providing for Your Family, Protecting Your Assets

LIFE INSURANCE
General Purposes of Life Insurance

Death Benefit Uses for Life Insurance

- Create an estate
- Pay death taxes and other estate settlement costs
- Fund a business transfer
- Pay off a home mortgage
- Protection from the loss of a key employee
- Replace a charitable gift
- Pay off loans
- Equalize inheritances
- Accelerated death benefits
Types of Life Insurance

- **Term**
  - Level Term - Premium level for duration of term
  - Annually Increasing Term – Premium increases each year
  - Decreasing Term – Premium remains level, death benefit decreases

- **Permanent**
  - Universal Life – Guaranteed premium and death benefit
  - Variable Life – Few guarantees, cash value tied to the stock market
  - Whole Life – Guaranteed premium, death benefit, and cash value
# Life Insurance

## Premiums for $1 Million of Coverage

<table>
<thead>
<tr>
<th></th>
<th>10 year</th>
<th>15 year</th>
<th>20 year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Male</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guardian</td>
<td>$33</td>
<td>$37</td>
<td>$50</td>
</tr>
<tr>
<td>Banner</td>
<td>$25</td>
<td>$28</td>
<td>$37</td>
</tr>
<tr>
<td>MetLife</td>
<td>$28</td>
<td>$35</td>
<td>$40</td>
</tr>
<tr>
<td>AIG</td>
<td>$27</td>
<td>$29</td>
<td>$45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>10 year</th>
<th>15 year</th>
<th>20 year</th>
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<tbody>
<tr>
<td><strong>Female</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guardian</td>
<td>$28</td>
<td>$30</td>
<td>$40</td>
</tr>
<tr>
<td>Banner</td>
<td>$22</td>
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<tr>
<td>AIG</td>
<td>$24</td>
<td>$26</td>
<td>$33</td>
</tr>
</tbody>
</table>
Summary / Action Points

- Will you have life insurance during residency to cover debts and provide for family?
- Term insurance is inexpensive while you’re young and in good health
Questions?

If you have questions or would like to see personalized quotes, please give us a call.

(800) 225-7174
www.myBPGinc.com | info@myBPGinc.com

The Benefit Planning Group, Inc.
3400 Croasdaile Drive, Suite 206
Durham, NC 27705