

Case Studies in Physician Financial Planning

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M.J. is a 28 year old Internal Medicine resident. She is single. She has \$100,000 in student debt at interest rates of 4.5% - 6.8%. Her salary is \$52,000. She moonlights by taking in house calls, which earns her an additional \$40,000/year. Her program provides a term life insurance policy as well as a group disability policy.

There is a 401(k) with a match available to her.

Things to consider:

Emergency Fund – What is it and how much should it have?

Should M.J. pay off debt or start investing?

Investment Vehicles – 401(k) vs. Roth IRA

How to Invest – Asset allocation

Life Insurance – Does she need it?

Disability Insurance – Benefits of an individual policy



This hypothetical report is not indicative of any security's performance and is based on information believed reliable. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions. This hypothetical example is for illustrative purposes only and should not be construed as specific investment advice. Your individual circumstances should be taken into consideration before any investment plan is implemented.

Individual Disability Insurance

Why?

Group plans are very variable:

- Definition of occupation
- Benefits often taxable
- No Cost-Of-Living Adjustment (COLA)
- 2 year mental/nervous limit
- Not portable



What to look for in an individual policy?

- Own occupation/Own specialty
- Non-cancelable/Guaranteed renewable
- Cost-of-living Rider
- Residual/Recovery
- Full coverage for mental/nervous claims
- Strength of carrier



B.D. is a 29 year old resident in the same program as M.J.. He is married to a psychiatry resident, and they have two children, ages 4 and 2.

Things to Consider:

Life Insurance

Estate Planning – Wills, healthcare directive, power of attorney

Education Planning – 529



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T.F. is in her second year of Internal Medicine practice. Her income is \$170,000/year. The group's retirement plan is a 403(b) match plan with ten mutual fund choices. T.F. has elected not to defer to the 403(b)-401(k) at this time.

Things to Consider:

Employer Plan – Type's of plans, importance of participating



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When should I start paying attention to this sort of stuff?

Should I work with a financial planner?

How is a financial planner compensated?

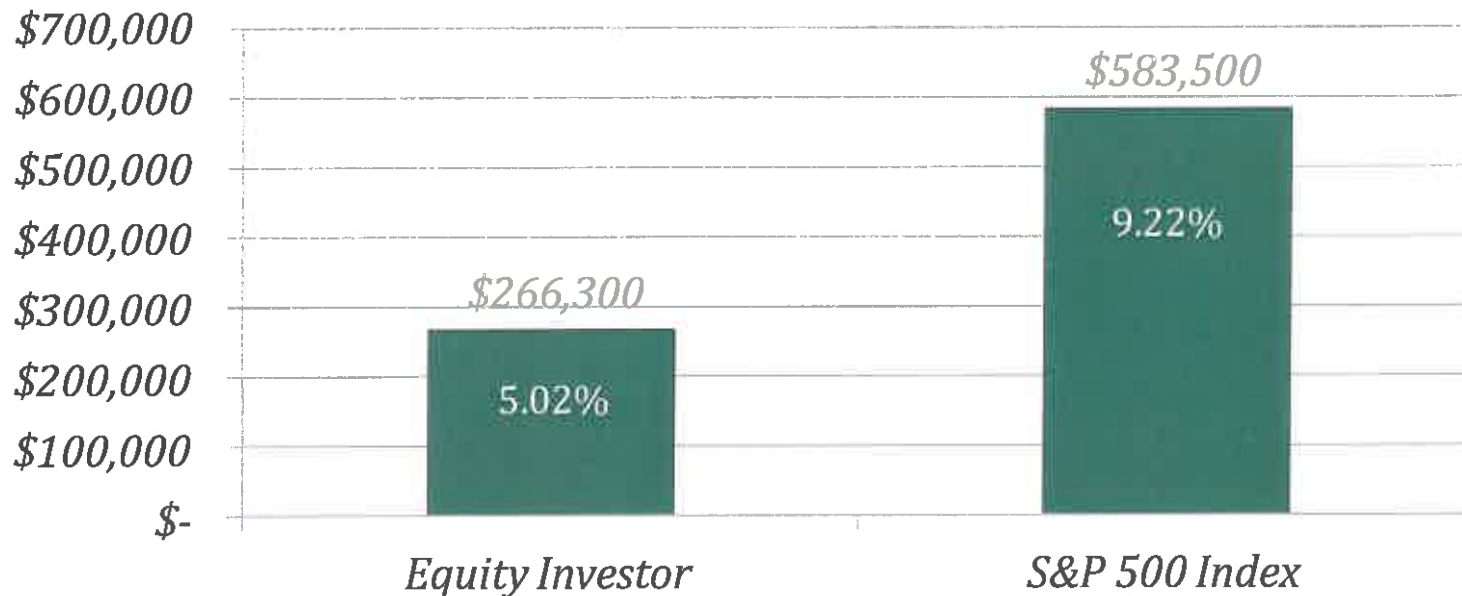
Commission vs. Fee

Fee options – assets under management, hourly, annual retainer



Investors' Behavior Undermine Their Goals

Annual Returns January 1994 – December 2013



Source: DALBAR, Inc., *Quantitative Analysis of Investor Behavior 2014*

Average equity investor performance was used from the DALBAR study, *Quantitative Analysis of Investor Behavior (QAIB)*, 2014. QAIB calculates investor returns as the change in assets after excluding sales, redemptions and exchange. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and other costs, annualized over the period. The Standard & Poor's 500 Index ("S&P 500") is an unmanaged index of 500 common stocks generally representative of the U.S. stock market. You cannot directly invest in the S&P 500 index. Inflation is measured by the CPI index. Past performance does not guarantee future results.



What Causes to Under Perform?



PERIODIC TABLE OF ASSET CLASSES

Highest Return



Lowest Return

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Real Estate 31.56%	Emerging Markets 30.31%	Real Estate 36.14%	Emerging Markets 39.39%	Managed Futures 13.60%	Emerging Markets 29.02%	Real Estate 28.48%	Muni National Intermediate 10.70%	Emerging Markets 18.22%	Small-Cap Blend 38.82%
	Emerging Markets 25.95%	Commodities 17.54%	Emerging Markets 32.59%	Long/Short 13.66%	Intermediate-Term Bond 5.24%	High-Yield 58.21%	Small-Cap Blend 26.85%	Real Estate 8.69%	Real Estate 17.77%	Mid-Cap Blend 58.26%
	World Stock 20.70%	World Stock 13.54%	World Stock 26.34%	World Stock 11.17%	Money Market 1.51%	Mid-Cap Blend 40.48%	Mid-Cap Blend 25.48%	Intermediate-Term Bond 7.84%	World Stock 17.32%	Large-Cap Blend 33.11%
	Mid-Cap Blend 28.29%	Mid-Cap Blend 12.78%	Small-Cap Blend 18.40%	Commodities 11.08%	Market Neutral 0.61%	World Stock 32.46%	Emerging Markets 18.88%	High-Yield 4.38%	Mid-Cap Blend 17.28%	World Stock 22.78%
	Small-Cap Blend 18.30%	Real Estate 12.16%	Large-Cap Blend 15.50%	Intermediate-Term Bond 6.97%	Muni National Intermediate -2.47%	Large-Cap Blend 28.43%	Commodities 16.83%	Large-Cap Blend 1.50%	Large-Cap Blend 16.42%	Long/Short 15.65%
	High-Yield 11.96%	Long/Short 9.68%	Mid-Cap Blend 15.38%	Market Neutral 6.48%	Long/Short -19.76%	Small-Cap Blend 27.17%	Large-Cap Blend 16.10%	Money Market 0.07%	Small-Cap Blend 16.35%	High-Yield 7.42%
	Long/Short 11.56%	Market Neutral 7.11%	Long/Short 14.38%	Large-Cap Blend 5.80%	High-Yield -26.17	Long/Short 22.13%	High-Yield 15.19%	Mid-Cap Blend -1.55%	High-Yield 15.59%	Real Estate 2.47%
	Large-Cap Blend 11.40%	Large-Cap Blend 6.30%	High-Yield 11.85%	Mid-Cap Blend 5.66%	Small-Cap Blend -33.80%	Real Estate 20.15%	World Stock 7.75%	Small-Cap Blend -4.18%	Market Neutral 12.38%	Market Neutral 2.24%
	Commodities 7.64%	Small-Cap Blend 4.60%	Market Neutral 7.64	Money Market 4.71%	Large-Cap Blend -37.60%	Commodities 18.91%	Intermediate-Term Bond 6.54%	Managed Futures -4.19%	Long/Short 8.21%	Money Market 0.05%
	Market Neutral 4.97%	Managed Futures 3.75%	Money Market 5.08%	Muni National Intermediate 3.36%	Commodities -37.61%	Muni National Intermediate 12.91%	Long/Short 3.70%	Market Neutral -4.23%	Muni National Intermediate 6.78%	Intermediate-Term Bond -2.02%
	Muni National Intermediate 4.47%	Muni National Intermediate 3.51%	Muni National Intermediate 4.84	Managed Futures 2.87%	Real Estate -37.73%	Market Neutral 6.24%	Market Neutral 2.70%	Long/Short -7.31%	Intermediate-Term Bond 4.21%	Muni National Intermediate -2.55%
	Intermediate-Term Bond 4.34%	Money Market 3.34%	Intermediate-Term Bond 3.84%	High-Yield 2.66%	Mid-Cap Blend -41.58%	Intermediate-Term Bond 5.93%	Muni National Intermediate 2.38%	World Stock -12.14%	Money Market 0.07%	Emerging Markets -2.60%
	Managed Futures 3.52%	Intermediate-Term Bond 2.43%	Managed Futures 0.40%	Small-Cap Blend -1.60%	World Stock -45.09%	Managed Futures 2.23%	Managed Futures 2.01%	Commodities -13.32%	Commodities -1.06%	Managed Futures -2.66%
	Money Market 1.24%	High-Yield 2.26%	Commodities -2.71%	Real Estate -15.69%	Emerging Markets -53.33%	Money Market 0.14%	Money Market 0.13%	Emerging Markets -18.42%	Managed Futures -2.93%	Commodities 9.52%

Source: MPI Stylus and FactSet.

This example is for illustrative purposes only. Performance data quoted represents past performance. Past performance does not guarantee future returns. Investors should note that diversification does not assure against market loss and that there is no guarantee that a diversified portfolio will outperform a nondiversified portfolio. The return and value of investment products will fluctuate with market conditions. Indices are unmanaged and investors cannot invest directly in an index. The above asset classes are represented by the following indices: Large-Cap – Russell 1000; Mid-Cap – Russell Midcap; Small-Cap – Russell 2000; World Stock – MSCI EAFE; Emerging Markets – MSCI EM; Intermediate-Term Bonds – Barclays Capital U.S. Aggregate Bond Index; Muni National Intermediate – Barclays Capital U.S. Municipal Bond; Real Estate – MSCI US REIT; High-Yield Bond – BofA US HY Master II; Money Market – BofA US 3-Month T-Bill; Long/Short – DJ Credit Suisse Long/Short; Managed Futures – DJ Credit Suisse Managed Futures; Market Neutral – CISDM Equity Market Neutral Index; Commodities – Dow Jones USB Commodity Index.



Benefits of Investing Early

Age	Dr. A	Ending Balance 8%	Dr. B	Ending Balance 8%
30	\$18,000	\$19,440	\$0	\$0
31	\$18,000	\$40,435	\$0	\$0
32	\$18,000	\$63,110	\$0	\$0
33	\$18,000	\$87,599	\$18,000	\$19,440
34	\$18,000	\$114,047	\$18,000	\$40,435
35	\$18,000	\$142,610	\$18,000	\$63,110
36	\$18,000	\$173,459	\$18,000	\$87,599
37	\$18,000	\$206,776	\$18,000	\$114,047
38	\$18,000	\$242,758	\$18,000	\$142,610
39	\$18,000	\$281,619	\$18,000	\$173,459
40	\$18,000	\$323,588	\$18,000	\$206,776
60	\$18,000	\$2,397,844	\$18,000	\$1,853,387
61	\$18,000	\$2,609,111	\$18,000	\$2,021,098
62	\$18,000	\$2,837,280	\$18,000	\$2,202,226
63	\$18,000	\$3,083,702	\$18,000	\$2,397,844
64	\$18,000	\$3,349,839	\$18,000	\$2,609,111
65	\$18,000	\$3,637,266	\$18,000	\$2,837,280

			Difference
Total Contributions:	\$648,000	\$594,000	\$54,000
Total Gain:	\$2,989,266	\$2,243,280	\$745,986
Ending Balance:	\$3,637,266	\$2,837,280	\$799,986

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