5 FINANCIAL TIPS FOR NEW PHYSICIANS

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BY MATT K. LOGAN, CFP®

You have spent years training for your career and with graduation now behind you, comes the time and ability to generate real income. If you are facing a mountain of medical school debt and are currently in the process of securing employment, financial planning may be the last thing on your mind.

If this sounds like you, know you aren’t alone. In fact, a recent study by American Medical Association Insurance found that over 50% of new physicians do not have a financial plan in place or spent adequate time on their finances. In addition, 90% feel they are not properly prepared if an illness or catastrophe occurred that would keep them from practicing medicine.

The bottom line is that the medical field has changed drastically over the past years and many physicians that I work with have realized that their income potential, while substantial, is not that of physicians in previous eras. To you, financial planning will be much more important as you will not be able to simply earn out of any large financial errors or trauma that you may experience. So how can you begin to take small steps right now to ensure protection on your greatest financial asset—you yourself?

Let’s take a closer look at 5 actions that can protect you and your family. As a physician, you know accidents, unforeseen illnesses and sudden life interruptions occur. The following action steps will help you build a solid financial foundation that can grow along with your career.
1. Don’t ignore health or disability insurance. As a newly graduated physician, it is crucial to have health insurance between the time you have graduated and are seeking employment. With medical costs being a leading cause of personal bankruptcy in America, you don’t want to become a statistic should something happen to you.

Also, don’t downplay the importance of disability insurance. Should you become disabled and cannot practice for any length of time, disability insurance can cover a portion of your annual salary. The catch with this type of insurance is it typically takes between 3 and 6 months to kick in, which is why having savings and other investments are crucial as well. Check with your new employer to see if they offer disability insurance (most do), and enroll immediately.

2. Pay yourself before anything else. Saving is essential, and if you didn’t save during residency, make it a habit with your new-found employment. Plan on putting at least 20 percent of your salary each month into savings. With just one unexpected crisis, illness or accident, someone can be crushed financially. Commit to making a financial plan and making savings your first move.

You can speak with an experienced financial advisor about additional saving strategies.

3. Create a budget, plus debt repayment schedule. With almost three quarters of new physicians graduating with medical student loan debt, repayment will eat up a certain amount of one’s salary. This doesn’t, however, have to knock a retirement financial plan or other savings plan off track.

Create a realistic budget with the help of a financial planner, putting aside a percentage of your salary for both debt repayment and retirement (or other large savings).
Also, consider the advice of a fellow physician who was interviewed for the AMA Insurance study; he suggested newly graduated doctors live and budget as if they were still a resident for the first few years. This will give you an opportunity to build savings and pay down debt.

4. Pay debt off wisely. It isn’t uncommon for new physicians to want to pay down medical school debt quickly, but you want to also invest in savings and emergency/rainy day funds when life expenses take place (such as a car breaking down, or a trip to the dentist). Take a close look at all of your debt—credit card, car payments, mortgage, etc.—and make it a priority to pay down those with the highest interest rate first.

5. Invest in retirement sooner than later. Consider all retirement savings plans early on. This can include a retirement plan provided by your employer (some with a matching contribution), or setting up a Roth IRA. Don’t fall into the mindset of worrying about retirement savings later, when playing catch-up will be difficult and costly.

Building a relationship with a financial advisor early on in your career can help you set a financial track for you and your family during your practice years and when you move into retirement. Let an investment professional help you create a budget, pay down debt, enroll in the proper insurance plans, and outline what lifestyle you can comfortably provide with your income. As a physician, you know life can be unpredictable. Set a solid financial plan in place today to begin harnessing the power of compounding and to protect you and your family in the future.
In an effort to cater more to physicians, I have changed my practice to be more accommodating based on feedback I have received. The physicians I work with are limited by their time, and I have developed a better model to work with them by creating a more streamlined approach with the following:

1. **An app on your phone or iPad aggregating your financial life** that allows you to see everything I manage, as well as your banking, student loans, retirement plan through your employer, and any other online financial information—all updated every night from your phone.

2. **Faster, 15-minute review calls** instead of in person, long drawn out meetings wasting your most valuable asset, your time.

3. **Next day responses** to emails or questions with answers to any questions that come up.

4. **All proposals include both in depth and summary analyses** for you to review that include the positives and negatives of each recommendation.

5. **Transparent, fee based investment management** that allows you to be flexible with your investment choices and know exactly what you are paying for the services I provide.

6. **An analysis of your education debt** and a plan to address it that is catered to your financial picture.
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