



**FINANCIAL STRATEGIES  
FOR PHYSICIANS**



**HERITAGE FINANCIAL**  
PARTNERS



## INTRODUCTION

On average, physicians spend as many as 15 years in college and postgraduate training, including earning bachelor's and medical degrees and serving internships, residencies, and fellowships. While medical school prepares young doctors to care for their patients, it may spend less time teaching them to run their practices or equipping them with the tools they need for a lifetime of managing their families' finances.<sup>1</sup>

Physicians have unique needs as investors. Many face special challenges because of higher liability risks and complex financial situations. In short, physicians may want to consider working with financial professionals who understand the myriad of issues they face. A recent survey shows two characteristics of physicians and their financial strategies:

- *Nearly three out of every four retired physicians work with a financial professional, and those who do end up being more satisfied with their retirement than those who do not.*<sup>2</sup>
- *About 83% of retired physicians who consider themselves "very knowledgeable" about personal finance are either "satisfied" or "very satisfied" with their retirement, compared to just 59% who consider themselves "not very knowledgeable" about personal finance.*<sup>3</sup>

## CHALLENGES AND OPPORTUNITIES

**A late start.** Some physicians get a late start on serious, proactive financial strategies. That's because they finish their education much later than those who pursue other types of careers. For example, the average physician starts medical school at age 24 and may not finish residency until their early 30s.<sup>4</sup>

**Student debt.** The average medical school debt is \$215,900. When interest and other costs are considered, the average physician will ultimately pay between \$365,000-\$440,000 for their educational loan.<sup>5</sup>

**Increased professional liability risks.** In a 2019 survey about malpractice, Medscape reported that 59% of the physicians surveyed

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had experienced at least one malpractice suit in their career. On average, 62% of specialists and 52% of primary care physicians have been sued at least once.<sup>6</sup>

**Financial risk from disability.** For all Americans at the age of 35, there is a 50% chance you will become disabled for three months or longer before retirement. At the age of 50, that number is reduced to only 33%. Disability insurance can be especially important for physicians, as they could be paying various loans throughout their careers.<sup>7</sup>

**Complex personal and professional finances.** Increased regulatory burdens and ongoing liability issues may contribute to complex financial circumstances, which can make it more challenging to develop integrated long-term financial strategies. But the benefits of a strategy can help physicians take advantage of their income potential and may help manage their debt burdens.

The next sections take a closer look at the “4 Financial Strategies for Physicians.” While some physicians also face challenges that are unique to them and their practice, these four strategies can help most form a solid financial foundation for the future.

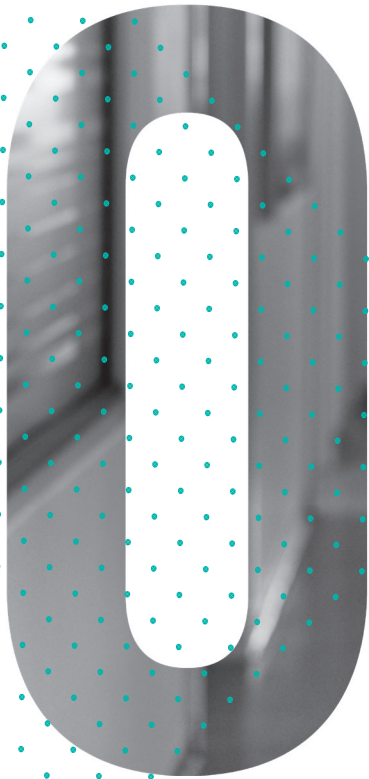
## MANAGING LIABILITY AND ASSET PROTECTION

Medical liability is a concern for physicians not only because of the potential effects of a settlement but also because of the expenses associated with a costly legal battle. While laws capping tort damages have been effective in some states, physicians can be targeted in medical liability suits, especially in states where hospitals are protected under charitable immunity provisions. There are many sources of nonmedical liability, such as liability for the actions of employees or employee lawsuits.<sup>8</sup>

While medical liability insurance is designed to protect personal and business assets from malpractice claims, there are limits to your coverage, and many policies explicitly exclude coverage for suits arising from activities that are not directly related to the patient physician relationship. Jury awards in liability cases often are unpredictable and may exceed your coverage limits. Unfortunately, if your liability coverage is exceeded, your personal assets can be put at risk if they are not sufficiently protected.

While no asset-protection strategy can be right for everyone, there are many tools that are designed to help protect you and your family from costly litigation, such as trusts and other ownership strategies.

It’s important to point out that a trust and other ownership strategies often involve a complex set of tax rules and regulations. Before moving forward with a trust, consider talking with financial and legal professionals who are familiar with the rules and regulations.



## **CREATING A COMPREHENSIVE FINANCIAL STRATEGY**

Like most investors, physicians have the opportunity to develop long-term financial strategies. Too often, however, people procrastinate creating financial goals rather than take a more proactive approach and setting realistic milestones.

It's critical to understand that no approach is right for every physician, and that successful financial outcomes need personalized guidance based on a clear understanding of a person's goals, values, and many other aspects of an individual's personal circumstances.

In our experience, a financial strategy can help create clarity, and a regularly reviewed strategy can help keep you on the path toward your financial goals. A financial strategy can also help you articulate your family's goals, manage your income and cash flow, and monitor your progress toward your future goals.





## WORKING WITH LIFE AND DISABILITY INSURANCE

The purpose of life insurance and disability insurance is to help protect your family from unpredictable events. While some physicians take the precaution of purchasing life insurance, many overlook the potential benefits of disability insurance.

The vast majority of disabilities are caused by illnesses such as neuropsychiatric disorders, cardiovascular and circulatory diseases, and neoplasms. These illnesses can be hard to predict and control for, making it all the more important to have a strategy in place in the event that you are disabled.<sup>9</sup>

You cannot underestimate the effects a disabling illness or injury can have on your

income and wealth. In some cases, Worker's Compensation, Social Security Disability Insurance, and personal savings are not enough to cover the gap in income, making adequate disability insurance an important part of a financial strategy.

Several factors will affect the cost and availability of life and disability insurance, including age, health, and the type and amount of insurance purchased.

Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and experience income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.





## TAKING CONTROL

Physicians are often willing to ask for financial help when making important financial decisions. The American Medical Association found that about half of physicians under the age of 40 work with a financial professional.<sup>10</sup>

One of the greatest benefits of professional financial management comes when markets are volatile. People can learn that market turbulence can create an opportunity to refocus on their long-term goals, while not getting too concerned about short-term fluctuations.

Financial professionals can help physicians see the big picture and can also help manage a team of additional professionals who might be needed. Accountants, insurance agents, tax professionals, and attorneys all may play a role on a physician's financial team.

## PUTTING IT ALL TOGETHER

Physicians may face even greater challenges as they operate in an environment of significant financial and industrial change. However, staying atop the ever-shifting regulations which impact your industry may leave you with little time to assess mercurial tax laws and mutable financial markets.

That's one of the reasons why we provide this report. Physicians who recognize the opportunities and who develop strategies give themselves the potential to grow their wealth and to work toward financial confidence. We also want to offer ourselves as a resource to you and your family. We are happy to answer questions about your current financial situation and future goals.

If you have any questions about the information presented in this report, or if you'd like to discuss your specific needs, please contact us. We would be delighted to speak with you.





## FOOTNOTES, DISCLOSURES, AND SOURCES:

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<sup>1</sup> AAMC.org, 2020

<sup>2</sup> American Medical Association, 2018 (most recent data available)

<sup>3</sup> American Medical Association, 2018 (most recent data available)

<sup>4</sup> Kaptest.com, 2021

<sup>5</sup> EducationData.org, 2020

<sup>6</sup> MedScape.com, 2019

<sup>7</sup> PhysiciansThrive.com, 2020

<sup>8</sup> Florida Health Professionals Legal Expense Insurance, Inc., 2021

<sup>9</sup> MDLinx.com, 2020

<sup>10</sup> American Medical Association, 2020



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