



**FINANCIAL STRATEGIES
FOR PHYSICIANS**



INTRODUCTION

Typically, physicians spend between 11 and 16 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, less time is spent teaching them to run their practices or equipping them with the tools they need for a lifetime of managing their families' finances.¹

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.

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.²

Student debt. Medical school graduates owe a median average of \$215,000 in educational debt. When interest and other costs are considered, the average physician will ultimately pay \$346,008 for their educational loan.³

Increased professional liability risks. In a recent survey about malpractice, Medscape

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reported that nearly one-third (31.2 percent) of the physicians surveyed have been sued at least once in their careers. That number increases to 46.8 percent for physicians over the age of 54.⁴

Financial risk from disability. For all Americans, at the age of 35, there is a 50 percent chance of becoming disabled for three months or longer before retirement. At the age of 50, that number is reduced to only 33 percent. Disability insurance can be especially important for physicians, as they could be paying off various loans throughout their careers.⁵

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. However, the benefits of such strategies can help physicians take advantage of their income potential and may help them 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.

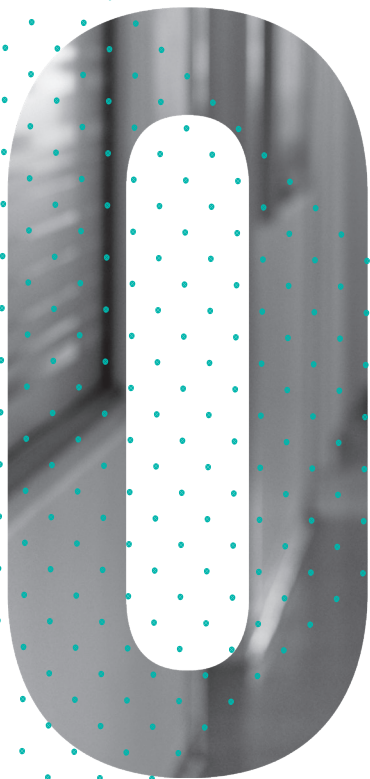
MANAGING LIABILITY AND ASSET PROTECTION

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.⁶

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 are often 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 is 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 in creating financial goals rather than taking 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

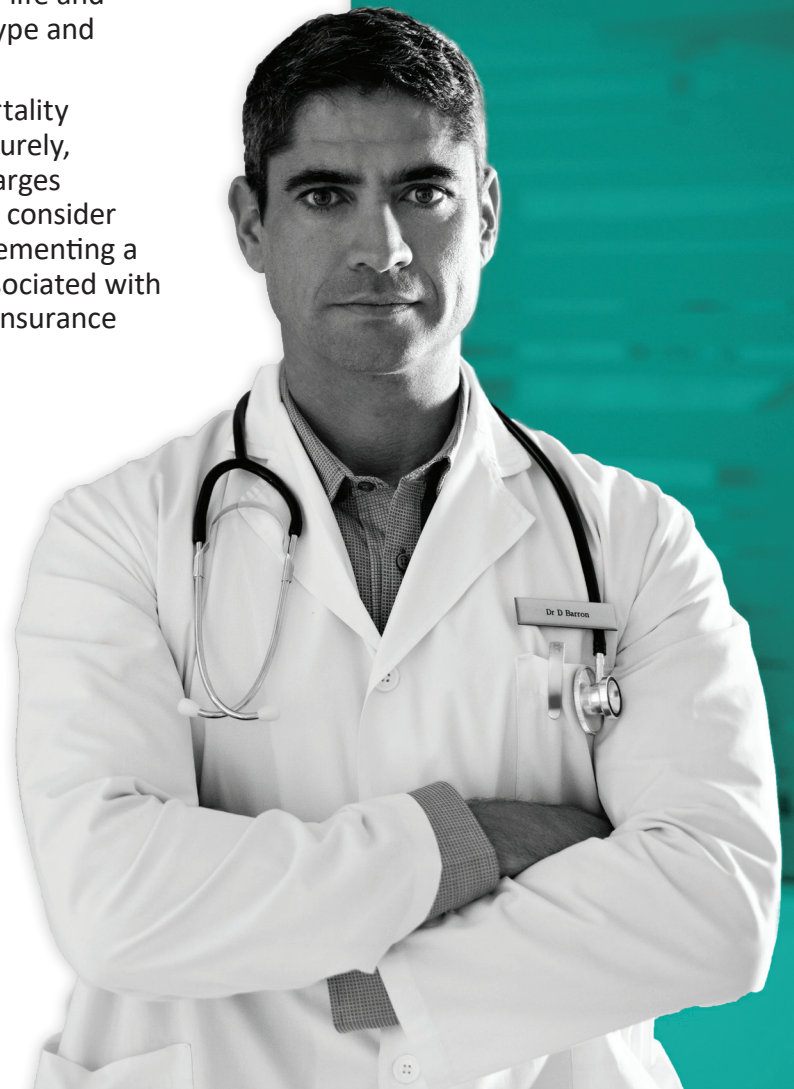
The purpose of life insurance and disability insurance is to help protect your family from unpredictable events. While some physicians take the precaution of purchasing life insurance, many overlook the potential benefits of disability insurance.

The vast majority of disabilities are caused by illnesses such as neurological and cardiovascular disorders. 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.⁷

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 may also have to 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. One survey found that over half of physicians work with a financial professional.⁸

One of the greatest benefits of professional financial management comes when markets are volatile. People can learn that market turbulence can offer them an opportunity to refocus on their long-term goals while not being overly 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 may all play important roles on a physician's financial team.

PUTTING IT ALL TOGETHER

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

That's one of the reasons we provide this report. Physicians who recognize the opportunities and who develop strategies give themselves the potential to grow their wealth and 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.

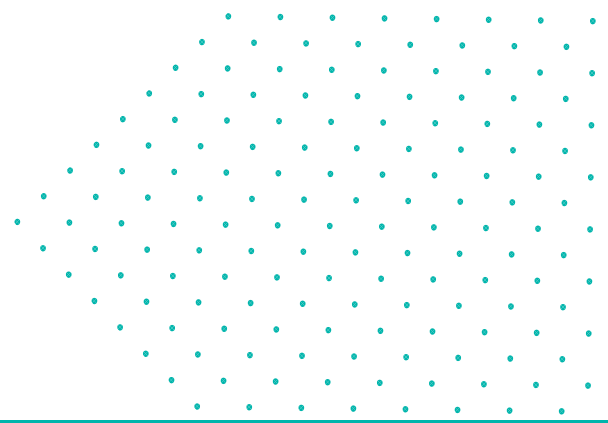
If you have any questions about the information presented in this report, or if you'd like to discuss your specific needs, please contact us. We would be delighted to speak with you.

Sincerely,





FOOTNOTES, DISCLOSURES, AND SOURCES:



¹ AAMC.org, 2024

² Kaptest.com, 2024

³ EducationData.org, September 17, 2023

⁴ AMA-AASN.org, May 10, 2023

⁵ PhysiciansThrive.com, 2024

⁶ American Medical Association, 2024

⁷ HealthData.org, 2024

⁸ Forbes.com, November 16, 2023

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