



Helping those who Help Others

Unique Challenges

On average, physicians spend as many as 14 years in college and postgraduate training, including earning bachelor’s and medical degrees and serving internships, residencies, and even a fellowship. While medical school prepares young women and men to care for their patients, it doesn’t typically prepare them to run their practices or equip them with the tools they need for a lifetime of managing their families’ financial security.

Physicians face special challenges because of higher liability risks, complex financial situations, heavy student-loan debt, and above-average income.

- **A late start.** Physicians start later on their financial planning, because they finish their educations later than those who pursue other types of careers. The average physician finishes medical school at age 27.
- **Heavy student-loan debt.** In 2016, 76% of surveyed medical-school graduates had a median debt of more than \$190,000.¹
- **Increased professional liability risks.** By the time a doctor turns 55, there is a 60% chance he or she has been named in a lawsuit².

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5 Fails Facing Physicians



1: FAILING TO CONSIDER LIABILITY RISKS

Medical liability is a pervasive concern for physicians, not only because of the potential effects of a settlement, but also because of the costs associated with fighting a prolonged legal battle. While laws capping tort damages have been effective in some states,

physicians often are targeted in medical liability suits, especially in states where hospitals are protected under charitable-immunity provisions. There are additional sources of nonmedical liability, such as liability for the actions of employees or employee lawsuits, that can add to the risk of practicing.³

While medical liability

Are these risks unique? See how many relate to you.

insurance is designed to protect personal and business assets from malpractice claims, there are limits to this 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 policy coverage limits. Unfortunately, exceeding these limits place personal assets at risk, if they are not sufficiently protected. Even when physicians shield their assets by putting them in the name of a child or spouse, or by hiding accounts, professional investigators can discover sensitive financial information to use at trial.

While no asset-protection strategy can be right for everyone, there are many tools at your disposal to help protect you and your family from costly litigation. Some ways to protect your assets include: umbrella insurance

policies, trusts and other ownership strategies, advanced risk-management techniques, and investment diversification.⁴

Asset protection is a very big piece of the wealth-creation puzzle for physicians. The better you can protect your assets from creditors, litigators, and malpractice claims, the more assets you will have to build a prosperous future for you and for your family.

2: FAILING TO FIND TRUSTWORTHY ADVISERS

Many investors make the mistake of thinking there is some secret formula to beating the market. While overconfidence is certainly not a trait unique to physicians, most are well above average in terms of intelligence and wealth and they fall prey to questionable ideas when they try to outsmart the market.

Many physicians fall under the legal definition of “accredited investors.” The U.S. Securities and Exchange Commission (SEC) considers these sophisticated investors to have adequate investing experience and wealth such that they will not need to liquidate their investments for cash needs and can withstand the total loss of their investment.

Helmuth Von Moltke

“Strategy is not a lengthy written plan. Rather, it is the evolution of a central idea through continually changing circumstances.”

While meeting the requirements for accredited investors can increase the range of investment opportunities, it also means physicians can find themselves targets of questionable investment schemes. Being classified as an accredited investor may mean that many investor protections no longer apply. Beware of any investment that offers guaranteed returns or promises of yields far in excess of anything else around.

The reality is that physicians, like other professionals, don't have to hit home runs to live lifestyles for which they have worked and sacrificed. As with many things, slow and steady wins the race. Making sensible decisions is more prudent for long-term financial health than dodgy investment schemes.

3: FAILING TO CREATE A COMPREHENSIVE FINANCIAL STRATEGY

One of the biggest mistakes many physicians make is not developing long-term strategies and controlling their spending as their income increases. Physicians spend years sacrificing and they understandably want to enjoy the fruits of their success. However, not planning ahead may result in losing track of expenses eclipsing income.

In our experience, developing a financial strategy creates the sense of security that comes from knowing where you are toward reaching your financial goals. Starting with a written plan can help you articulate your objectives, protect against risk, manage your income and cash flow, and monitor your progress toward your financial goals.

4: FAILING TO PROTECT THEIR FAMILY

Life, disability, and long-term care insurance protect your family from unpredictable events. While most physicians take the precaution of purchasing life insurance, many unwittingly leave themselves and their families open to the risk of illness or injury.

A Council for Disability Awareness report shows physicians in their mid-30s have a 21% - 24% chance of becoming disabled for at least 3 months during their careers.⁵

5: FAILING TO ASK FOR HELP

Physicians can be reluctant to ask for help when making important financial decisions. Effectively managing potentially complex finances takes time, skill, experience, and resources. Even so, an AMA booklet quotes that only 25% of physicians use a professional advisor.⁶

During bull-market years, it was easy to have confidence in one's investing abilities when a few lucky stock picks quadrupled overnight. However, many of those same investors were burned in the bear market that followed because they didn't have the experience or skills to manage their wealth in a declining market.

Physicians complain they are targets for every insurance agent or brokerage house salesman. It is hard to determine for whose benefit a lot of financial advice is intended: the clients or the brokers. This is why we recommend starting with a plan, not a sale. Once the plan makes sense, then implement the plan with whoever can obtain products that not only are among the best available, but more importantly, best fit the financial plan.

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- **Increased financial risk from disability.** They work long hours and must rely on their bodies as well as their minds. A disability can have a catastrophic effect on their ability to earn a living.
- **Complex personal and professional finances.** Increased regulatory burdens, liability issues, and an ever-expanding tax code mean that many physicians have complex financial circumstances, making it more challenging to develop integrated long-term financial strategies.

Endnotes

¹ "Medical Student Education: Debt, Costs, and Loan Repayment Fact Card."

https://members.aamc.org/eweb/upload/2016_Debt_Fact_Card.pdf

² <http://www.medscape.com/features/slideshow/public/malpractice-report-2015#page=5>

³ "Protecting Your Assets: Why Medical Liability Insurance Isn't Enough." AAOS.

<http://www.aaos.org/news/aaosnow/jan08/managing6.asp>

⁴ Diversification cannot guarantee a profit or protect against loss in a declining market.

⁵ "How to Choose the Best Physician Disability Insurance Policy." Medical Economics.

<http://medicaleconomics.modernmedicine.com/medical-economics/news/how-choose-best-physician-disability-insurance-policy>

⁶ "Partnering with a Financial Planner." AMA. <https://www.amainsure.com/research-reports/2017-financial-preparedness-resident-physicians/index.html?page=14>

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