**6 Important Financial Considerations for Kaiser Associate and Partner Physicians**

Congratulations!

You have finished your Residency and are now either an Associate or Attending/Partner physician at Kaiser.

As your income and benefits substantially change with your promotion, we understand this can be an exciting, and a little overwhelming, time for you and your family.

The following is a simplified overview of six important topics and benefits you need to understand to set up a strong financial foundation for your continued career with Kaiser Permanente. Future articles in the coming months will cover each in greater detail.

It’s ok if you’re not an expert, we’ll break it down for you so that you can make informed decisions about what’s best for your situation.

1. **Kaiser Pension Benefits (The Common Plan):**

The Common Plan is a defined benefit pension plan provided and funded by Kaiser. You earn a pension payment of 2% of your highest annual income for each year of service up to 20 years, each year above 20 years earns an additional 1%. If you worked for Kaiser for 25 years, you would receive 45% of your compensation per year upon retirement. Full payments begin at age 65.

1. **The Keogh Plan**

The most important benefits decision that you must make within six months of becoming an Associate is electing how to participate in the Keogh Plan. The choice you make is irrevocable. Any decision you make stays in place for your entire tenure at Kaiser.

The Keogh plan is a defined contribution retirement savings account. You can choose either the 100% or 70% options. The base contribution rate is 12.5% for the 100% plan and 8.75% for the 70% plan. The maximum annual contribution is $53,000. Contributions are made on a pre-tax basis and lower your taxable income.

The Keogh plan offers an extensive range of approved investment options. Choosing the self-directed brokerage option gives access to an expanded range of investments including individual stocks and bonds. You can manage your portfolio or contract with an approved Registered Investment Advisor to manage the funds for you.

1. **The Physicians’ Tax Savings Retirement Plan (TSR)**

The Physicians’ Tax Savings Retirement Plan (TSR) is a 401k plan. You may make a pretax contribution of up to $18,000 of your income. Unlike the Keogh Plan, your contribution is adjustable at any time. TSR contributions combined with Keogh contributions are limited to $53,000 per year. You may choose from a variety of investment fund options.

**Kaiser Insurance Benefits:**

A dizzying array of group insurance policies are available to you; life insurance, optional life insurance, spouse/domestic partner life insurance, business accident travel insurance, accidental death and dismemberment, disabled physicians life insurance, long-term care insurance, health insurance, professional liability insurance, disability insurance, accident insurance, dental insurance.

The two most important types requiring immediate evaluation are life and disability as many private policies are less expensive and have more features than group insurance.

1. **Group Life Insurance**

Kaiser will automatically provide you with 100% to 300% of your annual base compensation depending on your years of service. The catch is that until you have three years of service you receive no coverage. You can choose to purchase optional insurance issuable up to 200% of your base annual compensation without proof of insurability. However, if you are young or in good health private insurance may be less expensive.

1. **Group Disability Insurance**

As an Associate, you automatically receive long-term disability income insurance equal to 50% of your gross compensation. Kaiser pays the premium, but the premium is taxable to you. Optional increased group coverage is available at your expense.

1. **Income Changes from W-2 to K-1 (for Associates Transitioning to Partners):**

As an Associate Physician, you are paid as an employee of Kaiser and you report your income on Form W-2. When you transition to a Partner, you begin receiving significantly more income and this income will be reported using Form K-1. There are major differences in being paid as an employee versus a partner including: 1) as a partner, Kaiser will no longer withhold income-taxes for you; you will need to pay your estimated taxes throughout the course of the year to avoid penalties 2) Kaiser will no longer withhold payroll taxes (social security and Medicare taxes) 3) You have flexibility when deducting business expenses and therefore this may help you reduce your taxes; Now keeping track of these expenses is important, and tax planning will become a key process each year.

**The Next Step**

Now is the perfect time for a financial wellness exam to evaluate your how all of these options fit in with your specific situation and goals; as well as reviewing options for cash-flow management, investment planning, tax-planning, and maximization of employment benefits. Future articles will address each of these topics in greater detail while providing understandable explanations as to the value and impact of each one.

As always please feel free to call to discuss any questions or concerns,

Thank you!

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