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Good news and bad news for doctor retirement funds

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Western North Carolina certainly has a lot of people involved in our medical community. According to the Asheville Chamber of Commerce, three of the top 10 employers are in the medical field. You guessed it, Mission Health System and Hospital is the second-largest

employer after Buncombe County Public Schools.

As a financial adviser, I am often asked to help build a strategy for retirement. And with my doctor clients, I often see pitfalls they fall into and also positive approaches they can take on their financial strategy. Many of these issues pertain to other professionals as well.

The bad news

Doctors get a late start to investing. A normal route to becoming a physician requires four years for a bachelor's degree, four more years at medical school and four to seven years of residency. That easily puts doctors at 30 years or older before starting their career.

Then there are the school loans. In 1992, the average student loan debt for new medical graduates in the U.S. was \$25,000. For the class of 2009, the average debt of a medical student was \$157,990. Paying off a substantial student loan can mean years before it's possible to accumulate for retirement.

This is an increasingly challenging environment for those working in the medical world. Worries include declining physician reimbursements; the many unknowns and changes occurring to health care in this country; a demand to see more patients each day; an increase in paperwork requirements; and the demands of insurance companies. I often see my doctor clients working well into the night at the end of their already busy day. We can see why there is little time for proper financial planning under these stressful circumstances.

Also, depending on the structure of the practice, income can vary widely year by year, which can make consistent planning

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difficult.

Finally, there is pressure to plan correctly considering the malpractice threats faced.

The good news

I find my doctor clients are very used to consulting with other professionals and feel comfortable consulting with an adviser who has their best interests in mind. While not wanting to become educated for a new career in the financial world, I often find them wanting to be involved in the process and understand the research behind the ideas presented. They want to know the basics to the strategy and be part of the decision making process.

While there is flux in the current environment, doctor income is higher than the average person in this country. Because of the high level of education required and the intense demands and stress of the job, doctors make some of the highest salaries of all occupations in the United States. Family doctors make an average salary in this country of \$168,550. For internists it is \$161,660 to \$190,940. The overall median personal income for all individuals in this country over the age of 18 was \$25,149 in 2005.

Another positive: Jobs are available nationwide and there is still a need for more doctors in this country, which points to income longevity.

What's a doctor to do?

Build your team. Have a CPA, attorney and financial adviser all working on consort. If your schedule doesn't allow daytime meetings, find a team willing to meet with you in the evening or the weekend.

Awareness is an important step; know your income and expenses. Update this information yearly, and watch for "budget creep."

Pay off loans as quickly as is feasible and maximize 403(b), 401(k) contributions through work. With tax-deferred growth and possible matching contributions from the employer or practice, this is a no-brainer.

Examine your current lifestyle and consider how you want to live in retirement. This will help you become educated regarding how much you need to save: Know the number and have the goal.

Design a long-term strategy incorporating investment goals, retirement, education needs if you have children. Remember

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there are short-term goals and long-term goals. In general, the longer your investment horizon, the more risks you can afford to take.

An investment strategy isn't speculating or just saving, it's a planned and prepared approach to managing the accumulation of assets.

No one in my family works in the medical community, yet I see many of the same challenges faced by my family and friends similar to the issues I outline above.

It's easy to become distracted from the very important task of planning for retirement. If you start too late there is a good chance you will not be able to succeed.

Any opinions are those of Karen M. Clerici, financial adviser with Webb Investment Services, an independent investment advisory firm, and not necessarily those of Raymond James. Consult your financial adviser before implementing any investment strategy.

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