Finance 101 for Physicians

Christopher G. Stappas, J.D, CFP®

KEYWORDS

• Financial planning for physicians • Retirement planning for physicians • Finance 101 for physicians • Insurance planning • Estate planning • Tax-reduction strategies • Legacy planning • Wealth preservation

KEY POINTS

- Although physicians enjoy extensive educational backgrounds, financial planning typically is not a significant component of the curricula they have completed.
- Many physicians could benefit from greater financial acumen, and their preparation for retirement might be lacking in light of their relatively high-income levels.
- Three pillars of financial planning for physicians include (1) protecting themselves, their families, and their assets; (2) reducing their taxes; and (3) growing their wealth.
- The capstone to these 3 pillars is creating a holistic financial plan, whether it is designed by a financial professional or is personally crafted based on a comprehensive evaluation of financial health.
- The lost benefits of compound growth, tax deferral, and tax reduction never can be replaced, so creating a financial plan early and reviewing it often exponentially increase the odds of success.

As "Finance 101" implies, this article is meant to provide physicians with the basic building blocks to understand and manage their finances. Although physicians enjoy extensive educational backgrounds overall, financial planning typically is not a significant component of the curricula they complete. A 2017 study published by the *International Journal of Medical Education* revealed a mean quiz score of just 52% among 422 residents and fellows, who answered 20 questions on personal finance and 28 questions about their own financial planning, attitudes, and debt.[1]

This study concluded, "Residents and fellows had low financial literacy and investment risk tolerance, high debt, and deficits in their financial preparedness. Adding personal financial education to the medical education curriculum would benefit trainees. Providing education in areas such as budgeting, estate planning, investment strategies, and retirement planning early in training can offer significant long-term benefits."

Clearly, a need exists for greater financial awareness and knowledge among physicians. But, in some ways, effectively navigating financial life can be similar to how physicians work with patients. If a patient asks for advice on how to optimize his or her health, initially, some small but impactful suggestions are given in the hope that the person would implement 1 or 2 and see a positive impact.

This advice could include identifying basic pillars of health, such as maintaining a healthy diet, avoiding smoking, exercising regularly, and receiving annual physical examinations. In the same vein, this article identifies basic pillars of a sound financial strategy, in the hope of providing some actionable items that may offer immediate practical benefits.

These pillars are based on my extensive experience working with physician clients over the past 29 years. Regardless of their specialty, many physicians tend to have similar primary goals that can be categorized into 3 broad areas: (1) protecting themselves, their families, and their assets; (2) reducing their taxes; and (3) growing their wealth. This article addresses these considerations, while

Summit Financial, LLC, 4 Campus Drive, Parsippany, NJ 07054, USA
E-mail address: cstappas@sfr1.com

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also providing suggestions on how best to achieve these goals and tips on how to avoid common mistakes.

PILLAR 1: PROTECTING FAMILY, PERSON, AND ASSETS

Financial planning starts with identifying assets and creating a plan that protects them. Quite simply, a physician is his or her most important asset, and a comprehensive plan is needed to properly protect a professional's future.

Protecting Family

For high earners like physicians, their ability to earn a consistent and reliable income often is their family's greatest asset. Losing that asset—due to either death or disability—could be devastating to their family's financial health. Fortunately, there are several key measures physicians can take to assure they, and their families, are well protected.

The most basic actionable item is to ensure that the proper planning documents are in place. These include a will, which enables beneficiary access to assets and specifies child guardianship. Additionally, a power of attorney of property allows a spouse or another representative to handle financial affairs in the event of incapacity. A health care directive enables an authorized representative to make medical decisions in the event of incapacity, with a living will dictating end-of-life wishes if that incapacitation is associated with no hope of recovery. Any competent estate planning attorney can draft these 4 documents, which commonly are done as a package for the entire family, easily and cost-effectively.

Throughout my career, I have come across numerous successful and wealthy individuals who did not have a will despite having families. This is rectified easily: simply find an attorney, make the call, and get it done. Whenever meeting someone without a will, I tend to paint a vivid picture of the nightmare scenario that would unfold for the spouse and children if the individual dies unexpectedly—because the spouse would need to go through the court system to gain control of and access to their assets. This is a time consuming and expensive process that could easily be avoided, eliminating the burden on already grieving spouse and children.

It also is important to implement proper planning documents for children who have reached the age of majority, which is 18 in most states. At the very least, it is prudent for them to have health care directives. Physicians know the importance of these documents. When children go to college and potentially face medical emergencies, there could be instances where parents cannot properly access information and authorize care for them because they lack legal authorization to do so.

Additionally, verify that the beneficiaries on insurance policies, individual retirement accounts (IRAs), and pension plans are named properly (this is especially important following a divorce, birth, death, or other life-altering event). There have been cases when, after a divorce and remarriage, the husband never changed the beneficiary of his IRA from his ex-wife to his new spouse or to his biological children. As a result, the ex-wife legally was entitled to the husband's IRA after his unexpected passing, with his children and new spouse having no legal recourse.

Protecting Self

From a life insurance standpoint, the first step is to determine an appropriate amount of coverage. This analysis should be customized based on each individual's personal situation. How much indebtedness is there? Should this debt be paid off in the event of untimely death? What is the earning ability of the spouse and the value of other family assets. How many children need to be cared for and what are their anticipated costs for education? What income is required to maintain the family's lifestyle? How much of a legacy should be left to children after spousal demise?

I take all of my clients through a comprehensive analysis to determine the amount of insurance they truly need based on the answers to these questions. At the least, it is prudent to have enough life insurance to pay off all debts (mortgages, student loans, and so forth) and still retain enough cash to fund an investment portfolio that replaces the income lost due to death. For example, a \$100,000-a-year earner who enjoyed a 4% portfolio return needs a \$2.5 million investment account earning a 4% return to replace that income ($\$2,500,000 \times .04 = \$100,000$) and keep the investment principal in tact.

After determining an appropriate amount of coverage, identify the best insurance portfolio design based on affordability. Term life insurance is the least expensive and can be purchased for guaranteed time periods, such as 10 years, 15 years, 20 years, and 30 years. Although term insurance is relatively inexpensive, it offers no cash accumulation and disappears without value at the end of the designated time period. In a sense, obtaining term insurance is like renting an apartment rather than buying a house.

There also are permanent insurance strategies that offer coverage throughout the life of the

holder. These strategies can be structured to provide additional retirement benefits and are beneficial from a tax perspective, because life insurance proceeds are 100% income tax–free to beneficiaries. When designed properly, these polices also can be utilized to generate tax-free distributions during retirement, thus creating an additional lifetime benefit.

It is wise to conduct a thorough insurance analysis with a competent and qualified advisor to determine the most appropriate insurance portfolio design. And then, make sure that the appropriate coverage is implemented. Unfortunately, I have had my share of conversations with grieving spouses who were not clients and could not understand why their partner had insufficient life insurance to meet the basic needs of their families.

The consequence of the failure of basic planning is a family faced with a lifetime of financial burden in addition to the emotional grief. For premium payments of just a few hundred dollars per month, which would have had negligible impact on the family's lifestyle, a lifetime of hardship could have been avoided. The simple fact is this: nobody ever plans to die prematurely or unexpectedly, but, unfortunately, it happens all the time. Thus, after ensuring the proper documents are in place, assessing the status of and securing appropriate life insurance coverage are the next most important steps in financial planning for professionals.

Statistically, experiencing disability is much more likely than premature death. Although a life policy typically is the first consideration when assessing insurance needs, another often overlooked key aspect to financial planning is proper disability coverage. There are 2 broad types of disability policies to consider: individual and group. Individual coverage can be obtained independently, and, although it usually is more expensive, often can provide additional benefits that stay with the policyholder, regardless of workplace. Group coverage relies on employment status or society membership, and, although it generally is less expensive, it is also less customizable because the terms and rates are negotiated for a cohort of individuals. A critical point is that this coverage is contingent on continued membership in the group; the policy may not be transferable and a physician may lose this coverage upon leaving a practice.

An important nuance for physicians to consider regarding potential disability is "own occupation" coverage. Those with highly specialized occupations should have this type of insurance because it extends specific and long-term benefits when they are unable to carry out the job they were trained to perform. For example, consider a surgeon who suffers a hand injury and no longer can fulfill his or her job responsibilities. Own-occupation coverage ensures that person still receives a disability benefit, even if he or she also chooses to receive income through lecturing or conducting research following the injury.

Protecting Assets

Another protection to have in place is excess liability (umbrella) coverage. This typically is purchased through a homeowner's insurance policy and designed to provide coverage in the event someone is injured by a family member or at a domicile. A good rule of thumb is to have coverage similar to net worth. For most physicians, a policy of at least $3 million to $5 million would be prudent and economically feasible. Typically, the cost to increase coverage by an additional $1 million to $2 million is not that significant and probably worth it from a risk management perspective.

Additionally, proper home and auto insurance should be obtained as well as reviewed on an annual basis to assure that appropriate coverage and deductibles are included. It also can be simple to restructure these policies to provide maximum cost savings. For instance, while reviewing a client's insurance coverage, I found that the homeowner's policy included a $1000 deductible. This was much more expensive than a $5000 deductible would have been, and it is rare for a policy owner to submit a homeowner's claim for less than $5000. Simply by increasing the deductible to $5000, that client was able to enjoy a lower premium bill every year without significantly increasing risk exposure.

Many other asset-protection strategies could be sensible as well but are beyond the scope of this article. The tips provided in this article are viewed best as a helpful primer on the topic.

Protect the Future

Protect the business

For business owners, there are additional considerations to keep in mind. For example, owners should ensure that the practice and any owned real estate associated with it are classified within a legal entity (limited liability company [LLC], professional LLC, S corporation, partnership, and so forth) and not owned individually. This measure can help protect personal assets in case of a business liability event. It is wise to consult with an attorney to determine the most applicable legal structure.

Start exit planning early
In a practice owned jointly with partners, it also is important to have buy–sell agreements in place, because, if 1 partner suddenly dies, a tremendous strain can be put on the practice, causing business interruptions and necessitating the hiring of a new physician.

Likewise, if the deceased was an income-producing active partner, consideration must be given to spouse and family. Any assets (including accounts receivable) and good will generated over a professional career have value, and that value should be tendered as appropriate to the deceased partner's estate. Accordingly, it is prudent to negotiate a partnership agreement that specifies the group's legal obligations under such circumstances—again, leaving this to a bereaved spouse and family adds insult to injury. Fortunately, such agreements can be funded with inexpensive term insurance on each of the partners. It makes sense to review a practice's buy–sell agreement every 3 years to 5 years to ensure it is relevant to the business scenario and partnership composition.

PILLAR 2: TAX PLANNING

One of the most consistent messages I deliver to clients is the importance of mitigating and eliminating taxes whenever possible. Successfully achieving this objective year in and year out, throughout all aspects of finances, offers one of the best avenues to accumulating wealth.

Even the most cursory perusal of current events reveals an ever-loudening drumbeat in this country to increase the tax burden on those who produce the most. Such tax raises likely are a matter of when, not if. Given these circumstances, it is prudent to not delay tax planning, to appropriately take advantage of every opportunity to decrease tax burden as long as such vehicles exist.

First, Maximize Retirement Contributions

The importance of maximizing annual contributions to a practice retirement plan (if one exists) cannot be overstated. In 2020, a typical 401(k)/profit-sharing plan may allow a maximum annual contribution of $57,000, or $63,500 for those over age 50.[2]

This is a key difference between income and wealth: what matters is not what is earned but what is kept. Sometimes, a client says that he or she cannot afford to contribute the maximum amount. But whatever is not contributed up to the maximum is considered ordinary income and is fully taxable. Due to the graduated tax system, that $57,000 comes off the top. A physician earning $500,000 is in a 35% federal tax bracket; so, assuming a state tax rate of 9%, the $57,000 (earned) really is netting just $31,920 (kept).

Given these figures, the client can make a truly educated decision. Is it better to have $57,000 growing in a tax-deferred pension plan for the next 10 years or 20 years until retirement or to have $31,920 now, which comes out to $2660 net cash per month? When I conduct retirement funding analyses with clients, long-term wealth accumulation in a tax-deferred pension plan almost always emerges as a better option than forgoing the maximum deduction and investing that after-tax money in a taxable investment account—if the funds ever get invested at all rather than simply being spent.

Countless clients have told me they never seem to miss the pension money that was automatically deducted from their pay, and they never felt as though they had to compromise their lifestyle. But if that money is not contributed to the pension plan, it always seems to be spent on something else and not utilized to accumulate wealth in another investment account.

For practice owners, it is important to be aware of all available pension strategies. Numerous designs (cash balance plans, defined benefit plans, and so forth) can enable physicians to make hundreds of thousands of dollars of tax-deductible contributions each year. All these plans also require, however, that certain mandatory contributions be made for employees. So, the relative cost and benefit to the practice owner can vary greatly, depending on the number of employees and owners as well as their respective ages and salaries.

It is prudent to engage a retirement specialist to determine the different plan options available and the most appropriate design. For a physician practice, I was able to implement a 401(k)/profit-sharing/cash balance plan design that allowed a 60-year-old owner to contribute more than $290,000 annually and a 50-year-old owner to contribute more than $195,000 each year.

Contributions of this size create significant benefits for the physician owners. Not only do substantial allocations continue to grow tax-deferred for decades, but the large tax deductions can also move the physicians into lower tax brackets and reduce their current income tax liability.

Next, Minimize or Eliminate the Tax Burden on Personal, Nonpension Investments

An important goal from an investment portfolio standpoint is to emphasize tax efficiency, which entails both tax location and tax-preferential strategies. In the case of tax location, there are a couple of concepts to remember: (1) try to invest

in qualified plans (IRA, 401[k], and so forth) for assets that generate interest and dividends taxed at ordinary income tax rates, and (2) emphasize investing in personal accounts for assets with capital gains or preferential tax treatment. When it comes to tax-preferential strategies, assets, including permanent life insurance, real estate, and municipal bonds, could all come into play.

Having the correct tax location for investments often is advantageous. Physicians tend to be in the highest tax bracket and most probably are not living off their portfolio on a day-to-day basis. So, if an investment is generating a 4% taxable dividend and it appears on the tax return, then ordinary income taxes are being paid on money that is remaining in the investment portfolio and not being used for living expenses. At an effective income tax rate of 45% (federal and state), the net earnings on a 4% return are effectively only 2.2%.

My clients have various investment strategies that generate interest and dividend income, which are taxable as ordinary income. These include corporate bonds, real estate investment trusts, senior secured collateralized lending strategies, mutual funds, and so forth. If a client has IRA accounts, it typically makes sense to position these investments within them because all of that interest and dividend income continue to grow tax deferred in the account, rather than being taxed today as ordinary income.

Other investment strategies offer tax benefits as well. These include municipal bonds that generate tax-free income and real estate strategies that can provide depreciation and tax-deferral / opportunities. Additionally, there are stocks/exchange-traded funds (ETFs) that typically generate long-term capital gains when sold, and these rates currently are lower than ordinary income rates. Whenever possible, structuring these investments within the personal, nonpension accounts of clients is an advisable strategy.

Be Aware of Alternatives

Interest rates are the lowest they have been in decades, leading to extensive news coverage about how fixed-income securities, such as bonds, can be expected to deliver much lower returns for the next 10 years.

As detailed briefly previously, permanent life insurance can offer a beneficial complement to a fixed-income portfolio on a tax-preferential basis. The cash value within these permanent policies can grow tax deferred. If structured properly, such a policy also can generate tax-free distributions during retirement.

There are countless ways to structure a permanent insurance portfolio, with dozens of companies/products/options to choose from. It is important to research all available options and ensure that counsel is independent and objective from an advisor who has experience with and expertise in these strategies. Because of the complexity and potentially significant advantages involved, I take clients through a thorough analysis detailing all of their options as well as the associated costs and benefits.

PILLAR 3: GROWING WEALTH

Control What Is Possible and Recognize What Is Not

No one can precisely predict the day-to-day variations of the stock market, but decades of data prove that staying invested over a long time period should provide positive results. The key to long-term success is managing what is controllable and not diverting resources to what is not. A few examples include the following:

1. Keep investment expenses as low as possible. Investors may elect to take advantage of low-cost, passively managed ETFs, in particular those tracking broad indexes (eg, S&P 500). Data have shown that over long time periods, many actively managed funds fail to outperform their indexes, which can make it difficult to justify their higher internal expenses.[3] On the other hand, some actively managed funds in less-efficient sectors (small cap companies, international/emerging markets, real estate, alternative fixed income, and so forth) have demonstrated a better ability to outperform their indexes. For these reasons, when structuring client portfolios, I tend to allocate 60% to 70% in low-cost indexing strategies to track the broad markets at a very low cost, with the balance in more actively managed and alternative strategies in less-efficient sectors.
2. Maintain a proper allocation among various investment opportunities. Most retail investors typically are invested in US equities, international equities, and fixed income. But well-respected endowments (Yale, Harvard, and so forth)[4] often have much more diversified portfolios that include real estate, hedging strategies, commodities, alternative lending/credit strategies, and so forth. These also can be useful allocations within a personal portfolio, and suitable investments are available with appropriate due diligence.
3. Continually evaluate risk tolerance, goals, and objectives at least annually and rebalance the portfolio accordingly.

A professionally designed portfolio takes these aspects into account and is reviewed and adjusted

on an ongoing basis. Often, such portfolios are described as 80/20 or 40/60, where the first number is the percentage of the portfolio invested into equities and the second is the percentage invested into fixed income. Typically, the equities portion of the portfolio grows (or declines) in value faster than the fixed-income portion. During a bull market, a portfolio that originally was designed to be 60/40 might tilt closer to 80/20, as market growth outstrips fixed-income growth. If a market downturn hits at this point, the investor experiences greater losses than planned since 80% of their portfolio is now subjected to equity risk rather than the originally allocated 60%. Conversely, if the initial portfolio investment occurred just prior to a bear market, the portfolio might veer toward 40/60. In this scenario, only 40% of the investor's portfolio would then participate in the subsequent equity market recovery rather than the originally allocated 60%. Regular rebalancing can ensure that investors participate in market fluctuations to the extent suggested by their risk tolerance, goals, and objectives. To ensure portfolios are being properly designed and rebalanced, I take all clients through a comprehensive risk tolerance analysis and match their portfolio with their specific goals and objectives.

Welcoming the Harvest

Another advisable approach is utilizing tax-loss harvesting strategies for nonqualified accounts.[5] Consider this hypothetical scenario from 2020: in January, an investment account was worth $100,000. Then the steep downturn in March suddenly reduced the account value to $70,000. By November, the market had recovered and the account value returned to $100,000.

If that portfolio was being actively managed for tax-loss harvesting, the managers would have sought opportunities to make trades and capture part of that tax-deductible $30,000 loss before the market recovered. In the process, they would have simultaneously attempted to replace those assets with similar investments.

In the absence of these measures, because the dollar amount in September matched the amount from January, no value would have been created for this account due to the downturn. But if the tax-loss harvesting transactions occurred, the account holder would be able to claim a $30,000 loss to offset taxable gains potentially realized during the year.

Every Little Bit Helps: Economic Benefits for Families with Children

For single-filing taxpayers who earn less than $139,000 annually,[6] another effective wealth-accumulation strategy is contributing to a Roth IRA. The current annual contribution limit for this vehicle is the lesser amount of $6000 or total earned income.[7] All of the growth within a Roth IRA is completely tax-free, and when the account is accessed for income in retirement, distributions also are 100% tax-free.

For anyone who has teenage children with summer jobs or who are in college with paid internships, utilizing a Roth strategy can be beneficial. If the child receives a W-2 for $6000, why not set up a Roth IRA in his or her name? He or she likely is more interested in spending the hard-earned money on desired items rather than putting it toward a retirement that could be 60 years away, and that perspective certainly is understandable. But there is nothing to stop a parent from gifting a $6000 annual contribution on the child's behalf.

This strategy can be continued for as long as a child is earning income less than $139,000 a year. If that income scenario exists from ages 15 through 30, a total of $90,000 in deposits could grow 100% tax-free for several decades. Assuming a 5% annualized rate of return, by the time the then-adult reaches age 65, that money would amount to more than $1,250,000, completely tax-free under current law. So, an investment strategy that might not seem very impactful today can yield significant wealth in the future.

Pay for College with Tax-Free Dollars

Speaking about planning and children, 529 plans are a great vehicle to leverage because the earnings are 100% tax-free if utilized for qualified educational expenses. When funding a college education, it always is better to start saving sooner rather than later. Early investment in a 529 plan could see $100,000 grow to $150,000; that extra $50,000 literally is free money for tuition and other related expenses. Alternatively, if those funds were contributed to a conventional investment account, that $50,000 is subject to capital gains and/or ordinary income taxes depending on the tax treatment of the investment gains.

I conduct a college funding analysis with all clients who have children, so they know how much money eventually will be needed as well as the monthly contribution amounts necessary to achieve that goal. Committing to an automatic monthly deposit, no matter how small, is a good practice when beginning this process. As discussed previously regarding retirement contributions, when the money comes out of a bank account every month, it somehow is never missed.

A GOAL WITHOUT A PLAN IS SIMPLY A WISH

Although this article stresses the importance of 3 basic pillars, the capstone is creating a financial

plan. Whether designed by a financial professional or personally, having a plan is of paramount importance. It is impossible to make accurate financial projections for the future without an understanding of what that future should be; the more practical decisions of what is the fastest and/or safest route to get there then can be answered.

Often, new clients present with what can be called piecemeal planning. When they need a will, they find an attorney. When they need insurance, they find an insurance agent. And when they need tax work, they find an accountant. Although each professional may be an expert in his or her field, that expertise addresses only 1 specific need of the client.

Physicians understand how treating 1 medical condition as a standalone issue can be risky. A broad medical, surgical, family, and medication history are among the first questions asked by all health professionals. After the initial evaluation, additional tests may be ordered as well as consultation with other professionals, as appropriate. Once the evaluation is complete, an ideal treatment plan emphasizes a holistic approach, considering the patient's overall health and any possible comorbidities.

An appropriate financial plan follows a similar rubric, promoting overall financial security and simultaneously balancing needs and resources. Financial advisors, regardless of their expertise, need to assess a client's overall financial life or else risk missing an opportunity to create a holistic plan that maximizes benefits in all areas (Fig. 1).

Avoiding Common Errors

As a financial advisor for almost 3 decades, I have seen many common pitfalls[8] within physicians' financial plans. These include

1. Failing to act. Long hours, family commitments, work pressure, and caring for patients all can make it difficult to find time to plan financial health and security. Critical decisions to design and implement strategies can easily be put off for weeks, months, or even years. Albert Einstein once said, "Compound interest is the most powerful force in the universe."[9] Delaying investment decisions results in lost time, which minimizes this important benefit. One of the greatest values an advisor can provide is being proactive about bringing strategies to the attention of clients and then diligently following-up to ensure time is scheduled to discuss and properly implement them.
2. Attempting to time the market. This rarely is a successful strategy and can yield disastrous results (Fig. 2). Attempts to time the market are based on guessing when to sell holdings ahead of a potential downturn and then when to buy back in ahead of a possible climb. Despite the poor odds, many investors try to pull it off. The problem is that the timing must be exactly right not just once (when to sell) but twice (when to buy back in). I have come across situations where someone made the "right" decision to go to cash, but then the stock market recovered 5%, 10%, or 20%, and the person decided it was not time to get back in yet. Suddenly, 6 months or a year passed by and that investor completely missed the rebound.
3. Not considering tax consequences. This pitfall certainly is understandable, considering how complicated and ever-changing tax law can be. When working with a new client, one of the most common missteps I discover is that the investment portfolio was structured with seemingly little attention to proper tax planning. As a result, the client unknowingly was paying additional taxes for years that could have been avoided with appropriate portfolio design and implementation.
4. Lack of proper planning and ongoing review. Every surgeon has a plan in place before entering an operating room. There are not only clear courses of action but also contingency plans for the unexpected. Such careful preparation ensures the best possible outcome for each patient. Unfortunately, the same diligence and care often are not applied by physicians to their personal financial health and well-being. Take the time to clearly define long and short-term goals and objectives. Create a plan and continually review it to ensure proper adjustments are made based on evolving environments. Without a plan, the best possible results never will be achieved.

"You Don't Know What You Don't Know"

In addition to physicians, I work with many business owner/entrepreneur clients. The most successful of them have an important trait in common—they find the time and allocate the money to work with various coaches/strategists. These specialists help the entrepreneurs constantly grow and improve their businesses while also making them aware of all their options and opportunities.

Many top athletes also use private coaches to improve their skills and success. I work with coaches as well, in both my personal life and professional practice. Through the years, these professionals have helped me implement many

Fig. 1. This graphic illustrates a comparison of 2 different methods of financial planning: a piecemeal financial approach *(left)* which utilizes separate resources for each area of financial planning (ie, an accountant for taxes, an attorney for a will, and a stockbroker for investments), and a coordinated financial planning approach *(right)* that unites all areas of financial planning via a comprehensive financial plan led by a financial advisor. Utilizing a financial advisor streamlines all aspects of financial planning and ensures each segment is working in unison toward an investor's financial goals.

beneficial strategies that I had no previous awareness about. It calls to mind the insightful adage, "You don't know what you don't know."

Busy clinicians cannot possibly find the time to identify, research and fully comprehend every potentially beneficial legal/tax/financial strategy available. This is where developing a relationship with an independent, expert advisor who works for a firm with the capabilities to evaluate these strategies; ideally, a long-term relationship between client and advisor results in more perfect knowledge and trust, both of which are beneficial in financial planning.

The alternative can be perilous. I have come across new physician clients in their 50s and 60s and seen the devastating financial scenarios caused by them never putting plans in place or not properly reviewing and adjusting plans over time. In some cases, physicians can be their own worst enemies regarding financial health—perhaps partly due to their significant education, expertise, and insight. When presented with a strategy, they may feel compelled to analyze it repeatedly, to the point of never making a decision or doing so long after it would have been most advantageous.

Time unfortunately is something that never can be recovered, and the same is true for lost benefits related to compound growth, tax deferral, and tax reduction. When prostate cancer is diagnosed early, at the localized or regional stage, the 5-year relative survival rate is nearly 100%.[10] Similarly, early action can help ensure effective financial planning. Take the time to create a financial

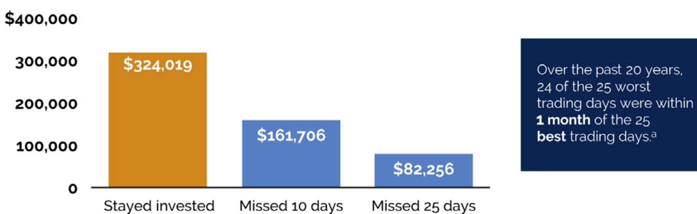

Fig. 2. Impact on a $100,000 portfolio of missing the market's best days. This chart shows an analysis of investors' behavior over the past 20 years and how it had an impact on their investment return. Investors who kept their $100,000 investment in the stock market consistently throughout the past 20 years saw the highest portfolio return. Investors who missed out on the top-10 performing days cut gains on their $100,000 investment by nearly half, whereas investors who missed out on the top-25 performing days cut gains on their $100,000 investment by nearly 75%. [a]The only period without a corresponding best day within 1 month was September 17, 2001. Past performance does not guarantee or indicate future results. (*Data from* BlackRock; Bloomberg. Morningstar as of 2/28/20. U.S. stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. Index performance for illustrative purposes only. It is not possible to invest directly in an index.)

plan sooner rather than later and review it often—with this strategy, the odds of success increase exponentially. So, whether as an individual or in partnership with an advisor, taking action is essential and there is no better time than now.

DISCLOSURE

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