



## This Prescription is FOR the doctor...

### How to keep your finances healthy

#### Top Money Tips for Doctors

##### Pay off all debt.

Start with the debt at the highest interest and pay off even mortgages and low interest student loans as soon as possible. This is an effective saving technique, especially in these turbulent times when investment performance is uncertain. Paying off debt is a great way to get risk-free, positive returns. Such returns have been tough to come by of late. Additionally, by paying off their home, doctors in particular get greater asset protection in the event of a lawsuit.

##### Reduce risk.

Reduce liability exposure through retirement investments, paying off house notes, etc. Saving for retirement and paying down a mortgage are important in their own right, but both also offer some liability protection. Retirement assets, such as IRA balances or annuities, are normally protected from lawsuits up to \$1 million. Similarly, equity in a principal residence is protected in Texas. Other assets can be moved into trusts or limited partnerships, but this approach does incur overhead costs.

##### Assets vs. Spending

Understand wealth is a function of assets and spending, not just assets. No matter what your income is, you are only as wealthy as what you spend relative to your assets. This is especially the case when planning for retirement. For example, if you spend \$5,000 per month with a \$2 million portfolio you have real, sustainable wealth. However, with the same \$2 million portfolio,

if you spend \$10,000 per month, you do not have the assets to support your spending in retirement. Our favorite rule of thumb is 4%. If your annual spending does not exceed 4% of your investment portfolio, your assets should be able to support you through retirement.

##### Insurance.

Determine the amount of disability and life insurance for your needs; it could be zero. After monitoring your spending, you can determine how much if any disability and life insurance you need. In some cases, if your assets are high enough and your spending is low enough, you may be able to self insure.

##### Plan ahead.

Review current and past tax returns for planning opportunities. Fight the urge to file and forget your tax returns. Those old returns may include loss carryovers with real economic benefit. We frequently meet new clients who come to us with real opportunities languishing in old tax returns. Some investments are even specifically designed to take advantage of these opportunities.

##### Diversify.

Invest in alternative assets such as oil and gas income property, private real estate, commodities, to diversify your portfolio. As a health care professional, your first inclination may be to invest in health care-related investments, since that is your area of expertise. Since your regular income is also derived from the health care industry, this investment approach concentrates your risk. Diversifying your income sources across a number of industries should help protect you.

##### Roth 401k

For those in private practice, establish a Roth 401k plan and make maximum contributions to the extent possible. The Roth 401k is a relatively new option, so not many firms have yet taken advantage of this powerful retirement saving option. Our general advice is to contribute as much as possible first to any available Roth accounts, then to any normal tax-deferred retirement accounts, and last to normal taxable brokerage/bank accounts. The Roth 401k is particularly attractive to high-income earners, as it allows for significantly higher annual contributions, and does not have maximum income limits for contributions.

##### Strictly business.

Evaluate the economics behind any sale of all or part of a medical business – whether to an insider or a third party. Think of the sale of your business as you would the sale of any investment. In fact, your business is likely to be your largest investment. As with any other investment, you should receive adequate compensation on a sale. This is particularly true when bringing on a new partner, as the negotiations can be delicate among colleagues, but such a transaction is indeed a sale, and should be treated as such.

##### You get what you pay for.

Understand completely who is giving you advice and how they are compensated. As we have all learned from the recent turmoil on Wall Street, incentives matter in the world of finance. Make sure the interests of those providing services or selling products are aligned with yours. Asking someone assisting you how they are compensated is not always easy, especially if they are a friend from church or your community, but it is absolutely critical. You do the due diligence when hiring a babysitter, why not do the same when it comes to the person watching your finances?

Janet Briaud is owner of Briaud Financial Advisors in Bryan and was recently recognized as one of the top 150 wealth advisors for medical professionals by Medical Economics magazine.