6 top financial planning mistakes physicians make

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Planning for your financial future is a personal priority for most physicians, but ensuring the security of the lifestyle you wish to maintain is a complex process fraught with risk. *AMA Wire®* spoke to an expert in physician finances, who shared the top mistakes physicians make—and ways to ensure they don't derail you from your financial goals.

Know what not to do

It's important to understand the major pitfalls facing physicians so you can plan accordingly. We spoke to Bill Zelenik, CEO of Millennium Brokerage Group, about the issues he has seen during his decades of experience in financial planning. Zelenik said several common mistakes rise to the top of the list of things to avoid:

- **You skip a "wellness approach" when it comes to personal finances** — "It's very important to take a wellness approach to finances," Zelenik said. The essence of this approach is that "you treat your retirement and your finances like you would your health. You should do a full review at least once a year, and it's better to do a review of your finances in their entirety at least quarterly." Zelenik said the problem is that many physicians don't regularly meet with a financial professional to "go over their financial world in its entirety." That means that physicians may make errors that could be prevented, such as allocating their savings without the appropriate diversity that would keep them from being exposed to too much risk.
- **You make decisions based on market news** — Just keeping track of the ups and downs of finances via the news is too general in nature, Zelenik said. "The average person gets into and out of markets later than the experts, which can cause you to lose money." You need a professional who stays on the pulse of these trends day in and day out.
- **You manage and invest your finances on your own** — "A lot of doctors make the mistake of handling their own money," Zelenik said. "That's kind of like performing surgery on

yourself." "Many physicians have several people that they work with, but it's on individual accounts, such as their retirement plan or insurance," Zelenik said. But none of these professionals are connected or trusted with everything. "This is too much to keep up with," Zelenik said. Instead, physicians need a good financial advisor who can look at their "whole financial world," Zelenik said. That way, the advisor can help you make wise overall decisions. For instance, an advisor would be able to tell you if your mortgage is out of sync with your other investments or if you need to put greater emphasis on paying down your debt.

- **You choose your financial advisor simply based on a friend's recommendation** — Getting a friend or colleague's recommendation of a financial advisor they trust and have enjoyed working with is a good start, but Zelenik said it's even more important to find an advisor that you feel completely comfortable with. "A lot of people don't spend enough time interviewing financial professionals," he said. "But you need to find an advisor who fits with you. Long-term relationships with a financial advisor can be really beneficial—they come to know your kids, what you've set aside and your goals." Zelenik said another important step is to do a search on a potential advisor's Central Registration Depository (CRD) number. You can plug this number into an online lookup tool offered by the Financial Industries Regulatory Authority (FINRA), which will list any issues associated with that advisor.
- **You don't involve your spouse in the planning and decision-making** — Physicians often don't include their spouse enough in the overall financial management, Zelenik said. "It's important so you both understand your shared goals and what you're trying to accomplish," he explained. "You need to understand your budget and what it includes." And there's another benefit beyond being on the same page: "Many times, involving a spouse … helps to keep things more conservative."
- **You don't know how to access your funds during retirement** — Having sufficient funds for retirement is a big achievement—but it's only part of the equation for a secure financial future. Another major component is understanding how to take that money out during retirement. "You need to understand what the most efficient ways are," Zelenik said. "The answer is not always to take it out of your retirement plan." A good financial advisor should be able to help you make these decisions as well.

Fewer than 5 percent of physicians consider themselves "very knowledgeable" about personal finances and retirement planning, according to recent research by AMA Insurance. If you think you need to learn more about strategies to secure your financial future, you're not alone.

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