Young physicians, get a handle on your finances

MAY 26, 2016

Michael Winters
Contributing News Writer

When it comes to financial planning, one-half of young physicians go it alone. But such independence may cost you dearly in the long run.

Establishing a strong financial foundation

A recent study by AMA Insurance found that 71 percent of young physicians feel somewhat or not very knowledgeable about financial planning. At a time when your income climbs from modest to six figures, your biggest mistake could be counting only on yourself to get your arms around your financial future.

That future likely includes higher income, increasing taxes and a set of pressing financial priorities, including retirement, your children's education, and the long-term health of you and your spouse.

"Finances are a primary concern among new residents," said Adam Cantor, who starts his residency in June at Indiana University School of Medicine. "Many of us have not had an income since starting medical school and will have difficulties establishing a budget."

"My key concern is to be able to save enough money to support a family eventually," said Cantor, who is part of the Young Physicians Financial Advisory Committee, a think tank that helps AMA Insurance address the financial needs of students, residents, fellows and young physicians.

AMA Insurance, in collaboration with Jerry Moran, a senior wealth strategist with Millennium Brokerage Group, examined the finances of young physicians in its report, "2015 report on young physicians' financial preparedness: Young physicians segment." The research found that those with financial advisers felt more confident about their finances, were more on track for retirement, had more money saved and had more diversified portfolios.

Experts say going without an adviser is a fundamental mistake that can set the stage for others, like
basing investment moves on market news and mishandling retirement funds.

But the one-half of all young physicians who do not hire an adviser cite a lack of time, the cost and the inability to find someone they’re comfortable with and trust. And some feel they have the skills to manage their own finances.

“With our busy schedules, I think a financial adviser can help save a lot of time and avoid pitfalls,” Cantor said.

How to choose the right financial adviser

In his report, Moran offered a few guidelines for finding an adviser who is right for you:

- Ask colleagues for at least three referrals.
- Take time to vet the advisers you’re considering.
- Do a quick FINRA check of a prospective adviser’s certifications, employment history, license and complaints.
- Conduct your own interviews. Ask about your prospective adviser’s credentials, experience working with physician clients and fee structure.
- If you’d prefer a referral to a financial planner, AMA Insurance offers the Physicians Financial Partners program.
- Trust your gut. This is going to be a face-to-face relationship, so choose someone you can see yourself partnering with.

Advisers and established physicians agree that investing some time now can pave the way to financial health and happiness for the long haul.

“Get mentorship on investing and financial and business practice now,” one established physician advised. “Don't wait until you have a good income.”

Gain additional insights on physician finances

- 5 financial planning tips every young physician should know
- How to partner with a physician-friendly financial adviser
- How to kick your financial plan into high gear