AMA

3 vital steps residents can take toward financial stability

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Robert Nagler Miller
Contributing News Writer

Paying off medical-school loans, budgeting and setting aside part of your income for investment are all critical to your and your family's long-term financial well-being. Yet there are other strategies you should employ as you move forward in your career, a financial adviser says.

Protect your human capital

Since you are probably still dealing with sizable loan repayments—possibly in the hundreds of thousands of dollars—it may feel hard to grasp that your income potential over many decades will amount to millions of dollars. To preserve and protect your capacity to earn future income, you should consider several kinds of insurance protection.

"Disability is the most critical kind of insurance you need as a resident, regardless of your current financial obligations or family status," said Allan Phillips, Certified Financial Planner™ with Taylor Wealth Solutions and author of *The Guide to Income Protection for Medical Residents, Fellows and New Practicing Physicians*.

While your employer may offer disability insurance, it typically covers about 60 percent of the salary you earn as a resident, said Phillips. Purchasing supplemental coverage through a group or organization generally provides more generous benefits, should you become disabled and unable to practice medicine. Learn more so that you can make the most informed decision about the coverage you need to protect your cash flow.

Disability insurance is also portable so that you can carry it from job to job. Make sure that when your policy is written, coverage is specific to your medical specialty, Phillips said.

If you have a spouse or children, life insurance should be given equal consideration. "Consider securing a 20- or 30-year block for term life insurance," Phillips said, and do so when you are young and healthy so that you can lock in to more affordable premiums.

Finally, advised Phillips, you may want to consider an umbrella liability insurance policy, which is relatively inexpensive. “In this litigious environment,” Phillips said, “physicians can have a target on them—and that includes residents who are not earning much yet or don’t have much in the bank.” This type of insurance is a safeguard, he said, “in the event of an accident in which you, a member of your family or your property may be involved.”

Hire a financial adviser

At this point in your career, you may be thinking, “I don’t need one. I don’t have that much to invest.” All the more reason, then, to seek out the counsel of a trusted individual who can guide you to make savvy decisions about your money, said Phillips.

In fact, a quarter of all residents use a professional financial adviser, according to an AMA insurance report, whose other data suggest that many more could benefit from a financial planner. Sixty-two percent of residents said they felt behind in financial planning for retirement, while 70 percent believed themselves to be insufficiently knowledgeable about personal finance.

How do you find a financial adviser who is right for you? Get referrals from practicing physicians, and then meet with a few advisers to gauge their style, perspectives, knowledge and your comfort level working with them.

You will also want to ask them about their professional background and credentials: How many years have they worked in the investment sector? What is their history of working with physicians? Do they have any particular licenses and certifications, such as certified financial planner (CFP)? Do they or the institution they represent have any ties to specific investment and insurance products? How are they compensated for any investment trades they make on your behalf? Do they take a certain percentage of each transaction, or do they offer a flat rate for their services?

“You might be surprised that some advisers will charge a very modest fee, such as $500 a year, to work with residents, and others will offer their services free of charge, knowing that there is a long-term partnership potential,” Phillips said.

In addition to gathering recommendations from physicians who use financial advisers, you may wish to look at the Physician Financial Partners program to access a national network of seasoned financial professionals who have been thoroughly vetted by AMA Insurance.

Prepare for your first employment contract

An employee contract extends well beyond the dollars-and-cents figure that you will be grossing each year. The AMA recommends that you make certain that you understand all of the contract's details, such as who is responsible for your tail coverage, which protects you against any claims filed against you for care at an institution from which you have already moved on. Fluency in these details is vital to successfully negotiating your compensation and benefits and setting you in good financial stead.

Be sure to ask your prospective employer about medical liability insurance, licensure fee reimbursement, time and reimbursement to complete continuing medical education requirements, and student-loan repayment support. These items are as important as vacation time and on-call requirements, but they can be overlooked.

Learn more about which benefits you should pay careful attention to in negotiating your contract, and access two AMA e-books that will help you familiarize yourself with contract terminology and other relevant information.

Remember, too, that you don't have to be the only one reviewing your contract. An extra set of professional eyes—an attorney's, preferably—is also advisable. If you don't have an attorney, get a referral from your state medical association, a mentor or financial adviser.

More on this

- Negotiating your first employment contract as a new physician
- How to kick your financial plan into high gear

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