

Early retirement? 5 factors physicians should evaluate

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Many physicians wait to retire until their late 60s or 70s, but if you're considering an early transition to retirement, you're not alone. Nearly 30 percent of physicians retire between the ages of 60 and 65, and 12 percent retire before the age of 60, according to a report that looks at the financial preparedness of retired physicians. The report was released by AMA Insurance Agency Inc., a subsidiary of the AMA.

Age matters

A common piece of advice from successfully retired physicians is to retire while you are still healthy enough to enjoy your retirement, assuming your finances are in order.

At the same time, physicians who retire early are the most likely to be very dissatisfied with retirement. The AMA Insurance report found that 8 percent of physicians who retired before the age of 60 identified themselves as very dissatisfied, compared with 4 percent of physicians aged 60–65 and 3 percent of those aged 66–70.

Here are five questions to include on your list of things to think through before making a decision to retire early.

Are you still happy and healthy practicing medicine? The answer to this question may be one of the biggest motivators for your decision. As part of the report on retired physicians' financial preparedness, more than 1,000 successfully retired physicians shared their advice for their colleagues yet in practice.

Two common themes emerged about the timing of retirement:

- Don't retire from practice too early, especially if you still love being in practice.
- But don't wait too long to retire because poor health—yours or your spouse's—may prevent

you from enjoying your retirement years.

Will you have sufficient health insurance? If you're thinking about retiring before you hit the Medicare eligibility age, health insurance needs to be a big factor in your decision. Nothing will eat into your savings like having health needs that aren't sufficiently covered by insurance.

"You need to be sure you can afford health insurance prior to being eligible for Medicare," said independent financial adviser Marti Mason, who has more than 35 years of experience advising physicians and other individual clients. "A financial planner is a great resource to help with this." She is CEO of Taylor Wealth Solutions, a member of AMA Insurance's Physicians Financial Partners program since 2010.

How do you envision your retirement lifestyle? When you think about your retirement years, what do they look like? If they resemble your current life but with more leisure activities and less work, you may be in for a surprise—particularly if you retire early and have several decades of retirement through which to make your funds stretch.

"Physicians often have a hard time thinking that things will look different at retirement," Mason said. "There are adjustments you have to make."

Mason said this concept comes as a surprise to a lot of physicians. She recently spoke to a 61-year-old physician who wanted to start dialing back to part time. The physician and his wife had made a lot of the right financial moves.

Mason helped the couple look at what their expenses would be in retirement based on their desire to maintain a similar lifestyle, entertaining in their current home and taking part in all the activities they had worked hard to be able to enjoy in retirement.

"I thought at the end of the meeting that we might have to get a marriage counselor," Mason said. They were so unhappy about what their retirement savings would need to look like to ensure they could cover their desired living expenses.

Have you consulted a professional financial adviser? In addition to helping you calculate whether you have sufficient funds to retire and when, professional financial advisers can help you think through and plan for the many financial nuances of retirement. Just as there are different ages at which you could retire, there are many different versions of what your retirement could look like.

Mason said her firm has software that allows their clients to take a look at their adviser's projections from home and play around with the "what ifs" of their future.

“They can tweak their financial plans before coming back to their adviser to finalize them,” she said. “It gives them an opportunity to start thinking through all the possibilities.”

In the case of the physician Mason recently advised, he and his wife decided to sell their home and buy a more affordable one. That helped cut their ongoing home maintenance expenses, and the sale gave them \$600,000 to reinvest toward their retirement.

Will you be volunteering or working part-time? After a very busy professional life, many physicians find it rewarding to stay active in part-time or volunteer work.

Many retired physicians recommend easing into retirement by gradually cutting back on work hours over a year or more, instead of stopping abruptly. They say doing so can give you time to work out your plans for retirement, such as where you will live when you retire, what hobbies and volunteer work you will take up, and what your weekly schedule will look like.

It also can give you something of a trial period to determine whether you really are ready to step into fully retired life.

Additional considerations

The decision to retire is certainly a complex one—and one that has different components for every person. Other important factors every physician should evaluate are included in the new AMA Insurance report: Take a look at “5 factors that impact satisfaction in retirement” and “Top considerations ahead of retirement.”