

# How short-term financial goals undermine doctors' retirement plans

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Planning for future retirement is a top priority for most medical professionals, but it is hard to plan ahead when there are plenty of other financial concerns and distractions. New research from Northwestern Mutual, a financial services company in Milwaukee, reveals that managing present financial risks and debt conflicts with retirement-planning goals.

The “2020 Medical Professionals: Financial Planning Priorities Study” surveyed 43 Northwestern Mutual financial advisers who consult with physicians and dentists about personal wealth and risk management. The advisers participated in an online survey in March.

The survey data shows that retirement planning is the top financial concern among their clients, as ranked by 67% of respondents. But this longer-term goal conflicts with more immediate financial concerns including personal risk management involving life and disability insurance, ranked by 63% of respondents, debt reduction identified by 51%, and tax management, a concern for 40% of respondents.

## Few are free of student-loan debt

One of the key financial issues facing physicians is paying down student-loan debt while also trying to build towards long-term goals such as retirement. More than half of advisers cited managing debt as a factor that affects their clients' ability to reach their financial goals. About 58% of advisers say their medical clients have student debt totaling more than \$200,000. Only 14% of clients are student-debt free.

The financial advisers recognized that more than three-quarters of their medical clients, about 77%,

don't have enough time to focus on a financial plan and that more than half of these clients are informal planners. That means these doctors and dentists have a general sense of their financial goals and how to meet them, but have trouble sticking to a formal plan.

Physicians and dentists are also concerned about managing their personal and professional risk, the survey indicates. They are three times as concerned about personal risk, such as incurring a disability and being unable to work, as they are about professional risk, such as malpractice, 74% and 26%, respectively.

## What AMA's research shows

The Northwestern Mutual study parallels research from the AMA Insurance Agency, a subsidiary of the American Medical Association, on the financial preparedness of physicians at various stages of their careers. However, Mike Hegwood, assistant vice president of brokerage marketing at AMA Insurance, noted that their research has gone straight to the source. AMA Insurance interviewed 1,200 practicing and retired physicians—not just financial advisers—for its “2018 Report on U.S. Physicians' Financial Preparedness.”

He said that AMA Insurance research agrees that retirement is a top priority for mid- to late-career physicians, indicating that saving is a higher priority for physicians who want to retire comfortably.

“Preparing for retirement is indeed a top priority for most physicians,” Hegwood said. “But physicians are also concerned not just about being able to retire but, more importantly, about having enough money to retire comfortably.”

## Nearly 1 in 5 doctors behind on planning

While many physicians say they are on track with their financial planning, not all are confident or ready for retirement. About 73% of respondents said they are on track for retiring but only about 10% said they are ahead of schedule. About 18% reported that they are behind schedule.

Hegwood said the research indicates that physicians are concerned about how they can manage financially if they cannot work and are not yet retired. “Physicians are indeed interested in disability insurance and funding long-term care for themselves and their family,” he said.

The AMA Insurance survey indicated that about 72% of respondents work with a financial adviser, but only about half of young physicians—those under 40—do so. Hegwood recommends that doctors, at

all ages, seek professional financial guidance if they do not have an adviser. “Our research, Hegwood said, “indicates that even doctors in their 30s who have advisors in place tend to have more money saved than their peers.”

If you don’t have an adviser, you can find one with information from the Certified Financial Planners organization, Financial Industry Regulatory Authority or through the Physicians Financial Partners program of AMA Insurance. The program provides access to a nationwide network of independent and experienced financial professionals who have undergone a comprehensive due-diligence process by AMA Insurance. AMA Insurance also offers life, disability, home and auto insurance and provides access to other financial services products through Millennium Brokerage Group LLC, a strategic marketing partner of AMA Insurance.