

How senior physicians can respond to big inflation spike

FEB 16, 2022

Len Strazewski

Contributing News Writer

Have you shopped recently? Groceries are more expensive. Housing and transportation costs are on the rise. Inflation has jumped to 7.5%, the highest in 40 years.

Will inflation damage the future prospects of physician retirees and pre-retirees? Not if they plan effectively for the long term, according to Mike Hegwood, director of brokerage marketing at AMA Insurance, an AMA subsidiary committed to helping physicians protect their finances and their assets.

AMA Insurance 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.

“Inflation has certainly caught the attention of a lot of people in the last 60 to 90 says, particularly those who are relying on a fixed income for their retirement,” Hegwood said. “Ultimately, inflation will lead to the erosion of purchasing power and value of retirement savings.”

Steps to take now

As inflation rises, prospective retirees who chose stability with fixed-income investments are earning under 5%, resulting in stable savings value. But what those savings will buy will decline as prices rise.

However, Hegwood said that senior physicians who are retired and doctors preparing to retire can take steps to secure their assets against rising inflation.

First, prepare your savings for a financial onslaught.

“Plan for it,” he said. “Factor in an inflation rate that you think is likely and build that into your overall savings target.”

Savings rates vary, and while savings and checking accounts earn very little interest, some instruments earn more than others and savers can choose certificates of deposit or annuity plans that pay better than others.

Learn more about the options to secure your physician retirement income.

Review household budgets

Hegwood also recommends that senior physicians and doctors nearing retirement review their spending and family budgets.

“Think about modifying your spending plans,” Hegwood said. “You may want to reduce the number of nights out and restaurant meals.”

Housing is a huge expense for any family, he said, and as physicians prepare for retirement, they may want to downsize housing, eliminating big mortgage payments and property taxes in anticipation of inflation-fueled expense.

Is it time to unload real estate? Learn about the factors for senior doctors to consider.

Cut debt costs

As inflation rises, so do interest rates, so Hegwood also suggests reducing debt and the interest payments that debt demands. Credit cards are the worst, so eliminating credit card balances is a step forward. Also, paying off any remaining student-loan balances will reduce future financial headaches.

Investment portfolio changes are critical, he added.

“You might consider investments that are more likely to increase as inflation rises: real estate stocks, real estate investment trusts or energy sector stocks are traditionally better positioned with inflation,” Hegwood said. “Or consider investing in companies that are somewhat insulated from inflation. Tech companies like Apple and Google offer products that may still be in high demand—even as prices rise. In some cases, a simple reallocation of your assets can help protect your portfolio from inflation.”

Hegwood also suggests that senior physicians who are retired and doctors nearing retirement pre-fund any expenses that are expected to become more costly. These include long-term care, medical expenses and other relatively unpredictable expenses which can, in many cases, be addressed with insurance products.

Despite concerns about inflation, the Employee Benefit Research Council's annual survey of retirees and pre-retirees—completed near the end of 2021 indicated that 72% of U.S. workers felt very or somewhat confident in their ability to retire comfortably, up 12 percentage points from 2017.

Consult with financial advisers

Hegwood recommends that physicians preparing for retirement also consult with qualified financial advisers to review their retirement savings and how they respond to continued inflation. 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 AMA Insurance Physicians Financial Partners program.

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.