5 Steps to Successful Financial Protection for Family Physicians

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As a family physician, you spend a lot of your time and energy caring for the needs of others. After all, it is part of the job. From your loved ones to your patients, you manage the health and well-being of those around you without asking much in return.

But you should start thinking about yourself and how you can protect everything you’ve worked so hard to achieve. We’re talking about financial protection.

You have unique and complicated financial needs, but no matter where you are in your medical career, it’s never too late – or too early – to start managing your hard-earned income. If you’re not sure where to begin, we’re here to help.

In this guide, we highlight five steps you should take to successfully protect your finances, and money management mistakes to avoid for a healthy financial future.

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1. Manage Your Personal Finances Early

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Manage Your Personal Finances Early

Managing student loans
Don’t wait until you complete your residency to start paying off your student loans. Below are six ways you can manage your student loans:

1. Set up an automatic payment fund
2. Pay the minimum monthly loan payment
3. Evaluate loan repayment plans
4. Consolidate multiple loans
5. Avoid defaulting on your loans
6. Contact a loan service for deferment or forbearance

Major money mistakes to avoid
Whether you’re a 3rd year resident or a physician who has been practicing for 20 years, it’s crucial that you avoid these common financial mistakes:

- Overspending
- Not having an emergency fund
- Making poor investments
- Declaring bankruptcy
- Borrowing from friends and family
- Tapping into your retirement account early

Prioritize your paycheck
As a young doctor or resident, you will need to make financial sacrifices.

Instead of spending your paycheck on:
- A new car
- Nights out on the town
- Subscription services
- Luxury goods
- The latest electronics

Focus your energy on the essentials such as:
- Rent
- Transportation
- Groceries
- Utilities
- Credit Card Debt
If you’re considering starting your own private practice or are in the middle of making the transition, there are key financial matters for you to consider. In this section, we’ll review what it takes to run a successful solo practice and how you can protect it.
Operate Your Private Practice with Care

Calculating initial costs
Initial startup costs will vary based on practice model, location, renovations and other practice essentials, but generally you’ll need to invest at least $100,000. Costs that you will need to consider include:

- Rent for office space
- Staff salaries
- IT support
- Office supplies
- Medical equipment
- Furniture
- Staff insurance (health, dental, etc.)

Types of insurance for your practice
As a small business owner, there are certain types of insurance you’ll need to protect your practice from situations that could put a financial strain on your operations such as injuries, lawsuits and natural disasters.

- Malpractice insurance
- Business liability insurance
- Property insurance
- Practice overhead insurance
- Workers’ compensation

Physicians’ financial preparedness snapshot5:

- 76% have life insurance
- 73% have disability insurance
- 30% don’t have an emergency fund
- 42% are behind in saving for retirement
- 53% don’t spend enough time planning their finances

Stop mishaps before they start
Here are four things you’ll need to do to ensure your practice runs smoothly:

- **Know the marketplace:** The medical industry is highly competitive, so it’s crucial to understand what a major undertaking operating a solo practice can be.
- **Don’t be afraid to ask for help:** Seek advice from colleagues and other family physicians who have made a similar career choice.
- **Review old contracts:** If you’re exiting an employed position, find any agreements or contracts you signed that may hinder your ability to open a practice.
- **Hire competent staff:** Consider hiring former colleagues or classmates you personally know and trust to help get your practice off the ground.

Secure Your Family’s Financial Future

Life insurance can be an uncomfortable topic. Everyone knows they need it, but no one wants to talk about it. While it may seem like a grim subject to discuss, it’s a smart financial move to strongly consider. And the best part is the sooner you purchase a policy, the lower your rates will be.
Secure Your Family’s Financial Future

Life insurance basics
When shopping for a life insurance policy, it’s important to know the differences between the types of policies offered. The two major types are:

Term: You pay a premium for a certain period of time and the policy provides a death benefit during that time. Policies can range from one to 30 years. As you get older, your premiums will increase. However, with Level Premium Term Life, you can lock in rates for 10 or 20 years.

Whole Life: Whole life or permanent insurance is a policy that continues for your lifetime. In most cases, your premium will stay the same (level). This type of policy provides a cash value or investment feature.

In addition to knowing which type of policy you want to purchase, certain habits and lifestyle choices may affect your premium:

Your life insurance checklist
There are certain major life events that may occur in your lifetime that can change your need for life insurance:

- You’re buying a home
- You’re getting married
- You’re having a baby
- You had a salary increase
- You have more debt
- You've expanded your practice
- You’re taking care of an aging family member
- You want to leave a charitable legacy

If any of these situations apply to you, it’s time to re-evaluate your policy.

How much coverage do I need?
Calculating how much life insurance you need isn’t as difficult as you might think. Consider the way you and your family live:

- How much is your rent/mortgage?
- What do you pay in monthly expenses?
- How much debt do you owe?
- Do your children have a college fund?
- What is your family’s total annual income?

*Note: It is generally recommended that you should buy a policy that is worth at least seven to 10 times your annual earnings.
Your ability to earn an income is your greatest asset. But what if you were unable to practice medicine for an extended period of time? Whether a few weeks or a few years, how would you and your family get by if you couldn’t work due to an injury or illness? Learn how disability insurance can protect your hard-earned income.
Protect Your Ability to Earn an Income

Your risk of becoming disabled

Whether you’re young, healthy or both, you are still vulnerable to the threat of disability. Risk factors that can increase your chance of disability include:

- Excess body weight
- Smoking
- Alcohol/substance abuse
- Risky behaviors/activities
- Chronic health conditions

In addition to your own personal health, you’ll need to consider possible workplace injuries. The leading causes of workplace injuries are:

- Overexertion
- Car accidents
- Slips and falls
- Caught in between equipment
- Being struck by an object
- Repetitive motions

Disability insurance snapshot:

Most Americans agree they need disability insurance; however, only 26% have it.  

86% of workers believe people in their 20’s or 30’s should plan for an income limiting disability.

The average individual disability claim lasts 31.6 months.

For 2015, the average Social Security Disability Insurance payment is $1,165.

Types of disability insurance

**Short-term:** Covers a percentage of your income if you are unable to work anywhere from a few days up to six months. This type of policy generally has shorter waiting periods before your benefits kick in.

**Long-term:** Protects your income from more severe disabilities and illnesses that may put you out of work for years. This policy can come into play after you’ve exhausted your short-term benefits.

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Plan for a Comfortable Retirement

As a family physician, coming to the realization that one day you will have to retire from a successful and rewarding career can be tough to handle. But what’s even more difficult to grasp is entering retirement without a plan. To avoid financial struggles later in life, here are some tips to help you plan for your golden years.
Plan for a Comfortable Retirement

Is it too late to plan?
If you begin saving for retirement late in the game, you can still develop a solid financial strategy. To help calculate what you will need to retire with peace of mind, ask yourself:

- What are my outstanding debts?
- How much do I have in my savings, investments, stocks, etc.?
- How long will I need to pay for my child’s education?
- What is the state of my health?
- Will I be able to sustain my current spending habits?
- What will my household expenses be in 10, 15, 20 years?
- Can I afford to quit my job before I am ready to retire?

Use this retirement calculator to get a ballpark estimate of what you’ll need to retire comfortably.

3 things you shouldn’t overlook

1. Ignoring rising healthcare costs: When you’re 65, Medicare won’t cover all of your health expenses. You will need to account for that when calculating your retirement needs.

2. Not planning for long-term care: Planning for your long-term care needs can be overwhelming. Know your options and determine how you plan to pay for these expenses.

3. Not updating your plan: Markets rise and fall, so do income levels and expenses, so it is important to revisit your plan every few years.

Which retirement plan is right for me?
There are a number of retirement plans for you to choose from.

Depending on how aggressive or conservative you want to be with your savings and investments, one plan may get you to your retirement goals faster than another.

- 401(k)
- 403(b)
- SEP IRA
- SARSEP
- Simple IRA
- Roth IRA
- ESOPs

These are just a few of the many retirement options available. Do your research and consult with a financial advisor who can guide you through the retirement process.

*Note: If you choose to buy into an employer sponsored 401(k), find out if they match contributions. That’s essentially free money to help fund your retirement.
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