

30 Ways Doctors Can Create And Protect Their Wealth



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Many doctors do an excellent job with their practice finances, maintaining low overhead and above average profitability. Unfortunately, many of these doctors' personal finances are in shambles, as they lack the time, energy, and expertise to translate their practice profits into personal wealth. Below are our top 30 strategies to cure the problem.

1. Begin tracking your monthly personal spending using Quicken, or QuickBooks for doctors using that program for their practice accounting. Another option, Mint.com, aggregates and categorizes personal spending from multiple accounts including checking, savings, credit cards, etc. to determine your total monthly personal spending. Accurately determining this number is a critical first step in calculating the assets you need to accumulate by age 65 or 70 to assure financial security in retirement.
2. Once you're in the know about your total monthly personal spending, compare your spending against the professional average for over 700 doctors that we've consulted with since January 1, 2009 (also see *The McGill Advisory* article "How Does Your Personal Spending Stack Up?" December 2017), and identify excessive spending areas to cut back. We've helped hundreds of doctors trim \$2,500-\$5,000 a month or more off of their personal spending, slashing the assets required at age 65 to fund their retirement by \$800,000-\$1,600,000 or more.
3. Got a certified black belt credit card junkie in your household? If so, trim spending on discretionary purchases by 30% or more through paying by cash or check, rather than credit card, to quash impulse purchases.
4. Excessive credit card debt? Pay off card balances more rapidly by transferring high interest rate balances to new cards issued by lenders that offer 0% interest rate teasers for up to 12-24 months (JP Morgan, Discover, Citigroup, Navy Federal Credit Union, etc.), but be sure to avoid one-time balance transfer fees.
5. Establish a home equity line of credit to maintain liquidity, allowing you to use all existing cash to pay off high interest rate debt, or significantly improve your investment return by investing all cash in higher yielding, longer term investments such as stocks and mutual funds.
6. Dramatically improve investment returns on a guaranteed basis by using all available cash (earning 0-1% now) to pay off higher interest rate business, investment, or credit card debt, with rates ranging from 4-18% or higher.
7. Slash interest rates by consolidating existing high interest rate debt including mortgages, investment, and business loans, and refinance to obtain a new home mortgage at today's lower interest rates (3.50% for 15-year fixed rate conventional mortgages; as low as 3.0% for 10-year fixed rate mortgages).
8. Got a high rate "jumbo" mortgage? Contact Steve Southwell at Arthur State Bank (call 803.909.6490 or email ssouthwell@arthurstatebank.com) to refinance into a 20-year amortization/10-year fixed rate with minimal closing costs and hassles (available to North and South Carolina doctors only).
9. Insufficient home equity to refinance? Contact your current home mortgage lender and request a reduced interest rate on the loan or other favorable modifications (principal reduction). While it's a long shot, some mortgage lenders are under the "government gun" to favorably restructure home loans for borrowers with little or no equity, often granting an interest rate reduction for a nominal fee.
10. Take out the life insurance coverage you need using the ADA's annual renewable term to minimize premium costs. While rates rise with age, you'll need less coverage in the future as your investments grow. Once coverage is in place, drop your existing coverage for significant premium savings, and provide access to any cash surrender value in more expensive whole life/universal life policies.
11. Eliminate life insurance coverage on children, since you're not economically dependent on them. Cut premiums further by eliminating accidental death riders, since you need the same coverage level no matter how you die. Further cut costs by dropping the waiver of premium rider, since you should have sufficient cash and personal investments from which to pay premiums in the event of your disability.



12. Extend the elimination period to 30 days for business overhead coverage and 180 days for personal disability policies, and self-insure during this initial period using cash and/or personal investments to significantly cut premium costs.
13. Reduce disability insurance premiums further by obtaining the coverage level needed through the ADA (which has an “own occupation” definition of disability) and thereafter drop existing policies for significant premium savings. Eliminate group disability coverage on staff since this benefit is costly and rarely appreciated by them.
14. Drop business overhead insurance coverage if you have an associate, partner, or Mutual Assistance Agreement with other doctors to provide coverage for your practice in the event of death or disability. If you need coverage, take out necessary amounts through the ADA and then drop your existing policies for significant premium savings.
15. Cut auto and homeowners insurance premiums by bundling them with a single carrier and increasing the deductible to \$1,000 on autos and \$10,000 (or maximum amount allowed) on homeowners provided you have sufficient personal cash and investments to self-insure, to substantially reduce premium costs. For example, at Fireman’s Fund, if you have a \$1,000 homeowners deductible and a \$3,000 premium, you’ll save 24% by going with a \$2,500 deductible, 37% by raising it to \$5,000, 47% by raising it to \$10,000, and 53% by going with the maximum \$25,000 deductible.
16. Do not purchase long-term care insurance (or drop it if you have it), if you are on track to reach financial independence by age 65 or 70. If you’re financially independent, you can self-insure against this risk for significant premium savings.
17. Switch to a qualifying high-deductible health plan (HDHP) at your next renewal date to cut health insurance premium costs and qualify for tax-deductible contributions of up to \$6,750 in 2017 (\$6,900 in 2018) to an HSA investment account, assuming family coverage. Invest HSA funds in stocks, bonds, or mutual funds to build a second retirement fund to meet future medical expenses on a tax-free basis.
18. Add the monthly amounts from debt payments eliminated, personal spending reductions, and insurance premium cuts to your current monthly savings amount to boost monthly savings and investment assets available to fund retirement.
19. Set up an automatic monthly draft for retirement plan, IRA, Health Savings Account (HSA), and personal savings. Doctors who do so have a 95% chance of reaching their financial goals since all “found” money gets saved, cash flow disruptions are minimized, and investment returns are improved through dollar-cost averaging.
20. Cut shopping costs by downloading one or more free shopping apps such as RedLaser or ShopSavvy, allowing you to scan a product’s barcode to find the best price at nearby stores and online. Ask the store clerk to match or beat the better price in order to earn your business.
21. Cut dining costs by buying certificates from Restaurant.com for discounts of up to 60% at more than 18,000 restaurants nationally. Regular promotions on the site can pile on additional savings.
22. Cut cable, phone, and internet costs by bundling with a single provider. Also, negotiate cable rates with your provider every six months to cut costs by \$30-50 a month. Alternatively, switch to a streaming service such as Netflix or Hulu Plus to trim costs even further.
23. Get a great deal on a new car by purchasing this fall when dealers are clearing out space for the new models. Go to TrueCar.com to compare the average actual sales price in your area with the sticker price. Then head to Edmunds.com and choose the make, model, and trim accessories desired to see the dealer invoice price, as well as the incentives and rebates the dealer will receive from the manufacturer. After a test drive, contact the internet sales managers (skip the salesperson) at several dealers and ask them to bid on your purchase by email. Ask for a loyalty discount if you are a repeat buyer, or a “conquest” discount if you are new to the brand.



24. Trim vacation costs by vacationing at owner's condos, homes, apartments, etc. at deeply discounted rates using Vacation Rentals By Owner (VRBO.com), or HomeAway.com with more than 2 million homes around the globe. Even better, enjoy free lodging in houses, apartments, and condos at destinations worldwide if you're willing to share your place, using HomeExchange.com. This site has 65,000 listings in 150 countries, with an annual membership fee of \$150. For steep discounts on luxury travel, check out Jetsetter.com which holds short-term "flash sales" on high-end hotels and other services.
25. Nail down your tax deductions with Write It Off Tax, an app available for iPhone and Android users. When you get a receipt for a deductible purchase, enter the date, amount, and category into the app and then take a photo of the receipt. The export function allows you to transfer this record to your personal computer and edit it to fully document your tax deductions and provide accurate accounting. (For more helpful personal finance tools, see *The McGill Advisory* article "Save Time And Money With These 6 "Best In Show" Financial Apps" June 2017.)
26. Use TripAdvisor.com, which has thousands of user-written reviews of hotels, resorts, destinations, cruises, attractions, and restaurants, and provides the most comprehensive tool when selecting the best spot for your next trip. A great place to start is the "Best of" menu.
27. Compare the top-rated credit cards and make sure that you are carrying the best card to meet your personal goals (cash back, travel rewards, low interest rates, etc.). (Also see *The McGill Advisory* articles "What's The Best Credit Card For You?" December 2016 and "Lower Your Credit Card Fees And Rates—Here's How!" April 2017.)
28. For the best rates on rental cars, go to Hotwire.com which consistently offers lower rates because it doesn't disclose which rental company you are working with until after you've paid. While this approach might be risky for airline flights or hotels, with cars you get the same category of sedan regardless of which company provides it.
29. For the best domestic and international airfares, KAYAK.com is the place to start since it has the fastest and most comprehensive search engine. Unfortunately, KAYAK doesn't list prices for some major discount carriers (such as Southwest), as well as some smaller airlines, so use AirfareWatchDog.com to keep an eye on these, as well as to sniff out the lowest fares offered through unadvertised "fire sales" when airlines try to sell empty seats by dropping fares. For booking spontaneous, last-minute vacation deals, check out LastMinute.com which allows you to simultaneously purchase airline tickets and book a hotel just a few hours before taking off.
30. For the cheapest hotel accommodations, check out Hotels.com for accommodations at over 300,000 properties. After finishing the search, contact the hotel directly (not the 800 number) and ask for a better deal since many hotel chains make it a policy to undersell third party vendors. Also, inquire about corporate, AAA, shareholder, senior citizens, and military discounts over and above the special rates. ➤

About The Author



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John McGill is a nationally prominent tax attorney and CPA who has specialized in working exclusively with the dental profession for more than 30 years. He is Editor of *The McGill Advisory* dental financial newsletter and President of John K. McGill & Company, Inc., a member of The McGill & Hill Group, LLC. McGill & Hill Group is a group of independently owned companies providing tax and business planning, transitions, legal, accounting, retirement plan, and investment management services **exclusively for the dental profession**. McGill & Hill Group also offers dental continuing education seminars and webinars. For more information, visit www.mcgillhillgroup.com or call 877.306.9780.

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