4 Wealth Management Remedies for Doctors

Claudia Sawaf, AIF®

Managing wealth is an advanced form of financial planning, providing additional services and resources into Asset Protection and Estate Planning, taxation advice, risk and asset management strategies. It is an all-encompassing form of planning, done holistically, unique to each client's **goals** AND **values**, concerns, the economic environment, profession and potential liabilities.

Remedy number 1: Asset Protection

Apart from solid investments, efficient risk adjusted returns, positioned for steady growth of your assets, the remedy relevant for medical professionals is to adequately **protect your assets from lawsuits.**

Physician, clients and friends agree that what keeps them up at night is how to protect their assets from malpractice lawsuits. While malpractice exposure is the obvious, other sources are more insidious, such as merely being wealthy and visible, owning and driving a car, owning rental properties, having employees or serving on a charitable board.

According to friend and colleague, Asset Protection Attorney Ike Devji, JD[1], the average medical malpractice award is $3.9 MM and up. The average legal cost for even the most frivolous lawsuit is right around $91,000 (plus the settlement itself.) The number of lawsuits filed daily has reached a staggering 70,000 lawsuits filed per day, many without real merit. What we need to take to heart is that litigation attorneys are in big business.

There is a great deal of offense out there. What kind of defensive planning have you done? Sound defense involves the proper titling and compartmentalization of assets into acceptable and easily manageable units of risk. It's easier than it sounds, yet may require experienced guidance to accomplish. The mantras Ike Devji, JD and his team teach clients are simple:

- **Own nothing, control everything;**
- **What you don't own can't be taken from you;**
- **The best defense is being an uncollectible target, take steps to proactively remove the economic incentive to pursue you.**

A properly drafted Asset Protection Plan is your defensive play and needs to be executed by a specialist before something happens.

Remedy 2: Adequate Levels of Insurance on everything: malpractice liability, auto, home, life, long term care and disability. Buy every dollar of liability coverage you can afford, assume it won't be fully adequate and have a backup plan.

What about Life, Long-Term Care and Disability coverage? A dear friend and physician at the Mayo Clinic shared that treating patients with cognitive impairment or critical illnesses made her realize the importance of having a plan in place. Would she have the right coverage?

Are the documents all lined up, such as Powers of Attorneys?

The math may be wrong in many insurance policies. If you passed away today, would the $1MM (or the amount you carry) provide sufficient income to your loved ones? Take the example of the $1MM, invested at a conservative rate of return of 6%. It will produce $60,000 annually in income, pre-tax. Would that be sufficient to replace your income?

Increases in premiums for your liability insurances can certainly leave you somewhat "Insurance tired." However, here is why I want you to give life insurance another look:

Life Insurance can be a Protected Asset Class, not just an expense!

In many states (Arizona, Texas, Florida, Hawaii, to name a few) the cash value of your life insurance is creditor protected to an unlimited amount by law. Let's examine a simple strategy using leverage to attain coverage, and potentially add creditor protection: Your cash or other less productive vehicles that are taxed leave you exposed to professional and personal liabilities which may be a dangerous place for your assets to be. Instead, a cash value life insurance strategy may offer liquidity, is often creditor protected by law, offers potential tax-free growth and a death benefit multiplier of as much as 1000 percent. The power of understanding and using these new strategies becomes quite clear.

Audits can be a good thing and your policies should be audited periodically to ensure you have adequate coverage and to compare cost and value with what is offered in the market place. The life insurance industry has evolved and select companies offer less expensive policies with added values, such as Chronic, Critical and Terminal Illness riders that provide additional liquidity and assistance if the unthinkable happens.

Remedy 3: Diversify your TAXES

You are familiar with diversifying asset classes in your retirement accounts, but how about your taxes?

Physicians usually are in high tax brackets and take advantage of pre-tax vehicles such as SEP IRA's, 401K's, Defined Benefit Plans, Profit Sharing plans and other advanced strategies. All of those plans aim at reducing your tax burden now and offer tax deferral. (Those plans warrant an entire article in a future edition.) Withdrawals from those plans are taxed at ordinary income in retirement and with many of you accumulating sizable retirement accounts, this can leave you in a high tax bracket.

A potential strategy: Incorporating a Roth 401K, an In Plan Roth Conversion or Roth Conversion during a time of lower income due to part time work, sabbaticals or a transition into retirement. With a Roth retirement account you pay taxes now and you and your heirs may avoid paying income taxes on that money ever again, no matter how large it grows[2]. Paying attention to your taxes now AND your taxes later will give you the tax diversification you'll want during retirement.

Remedy 4: A Case for a team of Specialists

In medicine we have long known that the best possible outcome for the patient's health is to enlist a team of specialists, the experts in their field. The same could be said for financial health.

Consider having Top Counsel in place in the three core areas of Asset Protection, Financial Management and Accounting. A good team may help you nurture your success, protect you from loss, mistakes & scams and will make sure that you keep a larger portion of every dollar you make, pay as little in tax as the law allows to help and that your money works as hard for you as you did to get it.

[1]*proassetprotection.com*

[2]*To qualify for the tax free penalty free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½.*

Wealth Manager, Claudia Sawaf, AIF® has more than a decade of experience in developing and executing sophisticated wealth management strategies for her clients. She has specialized in working with privately held firms, medical practice groups, charitable organizations and their donors. With years of international business experience, having worked and lived on three continents, Mrs. Sawaf brings a unique understanding to working with her successful clients who have moved to the U.S. from abroad.

Mrs. Sawaf is a frequent contributor to industry publications and has most recently appeared on FOX 10, NBC and CBS News.

She holds Licenses Series 6, 63, 66, 7, Life and Long Term Care Insurance and an Accredited Investment Fiduciary (AIF) designation. Among her most treasured honors is the President's Call to Service Award for her extensive volunteer work and Trilogy's Woman of the Year Award in 2012. As for her outside passions, she serves on the board of volunteers for Arizona's Starlight Children's Foundation and is an avid Toastmaster, serving as Area Governor for the district.