

Five Steps for Physicians to Avoid Being Victims of Investment Fraud

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When a physician has worked hard and invested well over the course of a lifetime, it is no surprise for a sizable nest egg to be the fruits of this intelligent labor. However, insidious financial abuses can all too easily put large cracks in the egg. Often silent and unreported — or widely underreported with no easy or immediate solutions — elder financial abuse can affect even the savviest physicians.

So how can it be prevented in our fast-paced, digital, 24/7 world where our personal information can be used to commit highly exploitative crimes? Here are five steps to get you started.

Step 1: Be vigilant. Know who is opening the mail, paying the bills, and who has daily access to both personal and professional financial information. Each year, according to a MetLife study, Americans lose an estimated \$2.9 billion in financial fraud. The study also revealed: 34 percent of the culprits are family, friends, and neighbors; 12 percent is by the business sector; and 4 percent is related to Medicare and Medicaid fraud. It is estimated that only 1 out of 44 incidents is officially documented. In many cases the perpetrators of financial crimes are close to their victims —so know who is doing what when it comes to management of your personal finances.

Step 2: Hire a financial "bodyguard." Can everyone have a personal chief financial officer (CFO)? This is a key aspect of the Physician Family Office structure. All parties involved in a client's personal wealth plan (CPA, attorney, professional investment adviser) work together and the CFO oversees clients' assets collectively. This allows personal net worth to be managed like a business. Coordinated management also means all financial information has a go-to person; a metaphorical "bodyguard" to assure the facets of the wealth plan are and remain protected — and are always executed according to the client's wishes and not someone else's whims, legal or not. It also renders some of the most commonly committed financial crimes virtually impossible to execute. If the Physician Family Office format is not for you, hire a fiduciary financial adviser who may assume components of the CFO role. No matter who your CFO is, do your homework and know what tasks s/he is going to assume, and, find out if there are costs associated with these services.

Step 3: Delegate tasks to reduce risk of theft and bolster security. Routine financial affairs can be burdensome or time-consuming for any investor. Optimally, in retirement a physician is robust and healthy in mind and body. However, if deterioration in physical health or a decline in

cognitive ability occurs, over time the most basic tasks may be considerably harder to do. Routine activities such as bill-paying, balancing a checkbook, review of financial statements, and other tasks can be managed within the secure structure overseen by the CFO or financial adviser. This "velvet rope" approach provides the oversight sheltering physician investors from direct solicitations or offers which can range from illegal scams to the [predatory salesperson one grandmother describes](#). Of course, not all offers will be illegal; some produce offerings may actually be beneficial. However, given the complexity of today's financial offerings, it is recommended to have a "financial bouncer" to eliminate the all-too-common abuses which routinely occur.

Step 4: Asset protection. Typically used as a means to limit liabilities and title assets correctly, this protects assets from creditors. However, appropriate structures also protect assets from getting into the wrong hands. LLCs, trusts, and proper titling of assets are the necessary underpinnings of thoughtful estate planning. Yet, they have the added benefit of acting as a metaphorical private security team for your assets; a one stop shop for asset protection.

Step 5: Have an estate plan. It is astonishing how many people don't have a formal plan, or, they have not maximized the tax advantages available to them. In *Beating the Midas Curse*, Rodney Zeeb and Perry L. Cochell write that 37 percent of people with net attributable income of \$10 million and more do not have a will, healthcare proxy, or trust, and they have not named a trustee or administrator for their estate. Those without a formal, written plan are not likely to have their wishes met no matter what their estate is worth. And the more it is worth, the more the tax man is likely to take — if there aren't the right structures in place from the get go. Proper estate planning reduces uncertainties around the probate process and maximizes the real value of the estate through reduced taxes and expenses. This is something to put in place immediately if you're without one.

Given the stigma surrounding financial abuse, it is vital to change the cultural dialogue around this problem. It starts with a conversation between the physician and his fiduciary financial adviser or CFO to review what plans are in place now as well as the game plan for future events, positive and negative. Then it extends to family members as well as those involved with any investments and family business. Here, *Consumer Reports* offers its [recommendations](#).

Brian Luster and **Steven Abernathy** co-founded The Abernathy Group II Family Office and the country's first Physician Family Office (PFO). The PFO is independent, employee-owned, and governed by an advisory board comprised entirely of thought-leading professionals. Abernathy and Luster were ranked No. 1 by Nelsons World's Best Money Managers 16 times and are regular contributors to several publications and blogs including *The Huffington Post*. E-mail them [here](#).

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