Physician's MONEY DIGEST

How to Plan More and Work Less

Steven Abernathy and Brian Luster | Thursday, September 19, 2013

The demands of the 21st century, nationalized health care, the EMR, and other expected changes in the practice and business of medicine may at first seem to indicate physicians will invariably be working more and receiving less. This is likely to be true, especially if a physician fails to plan ahead.

However, planning smart is only one component of working smart — albeit a large one. It is no secret. Some families just seem to get it right; they make their money — and more importantly, *they excel at keeping their money.* How do they do it?

People who manage their personal wealth effectively often treat their resources as assets in a corporation. Perhaps it sounds overly simplistic — somehow too obvious — but it works. The affluent have been putting this practice to work for years. When families assess their wealth through a corporate lens, they make certain the operation of the assets (money, property, holdings, etc.) are not only managed well in this generation, but also will be robust in the next.

The mass affluent, which counts many medical doctors in its ranks, has the opportunity to employ strategic wealth planning for estate, tax, and legal decisions as well as asset management decisions. An early commitment to this kind of plan could be the difference between retiring well or not retiring at all.

While some investors are tempted to do everything themselves, we urge physicians to be aware of the opportunity cost when an integrated plan is not in place. Not only can costly mistakes be made by overpaying fees, but the absence of relatively simple legal and tax structures could be the difference between a high tax bill and the sound asset protection found within a well-run family enterprise.

Here are the seven actions we recommend:

1. When determining who to seek out for wealth management advice, hire professional investors rather than working with commissioned salespeople. Sometimes it's hard to tell who's who, but in order to preserve wealth, this is non-negotiable. Have anyone managing your money sign a fiduciary oath. If they refuse, don't work with them.

2. Use up-to-date, accurate reporting that tracks progress and progression over time and offers a clear picture of the here and now. Innovations in technology mean a customized, relatively sophisticated asset profile can be available 24/7.

3. Focus on sound decision-making, oversight and preparation for a strategic and clear succession plan. This will require communication between family members and, perhaps, with outside parties who have administrative or managerial roles within the family enterprise.

4. Understand each individual's role in managing both the family's affairs and the roles of support staff. While a physician starting out may not employ a large staff, it's reasonable as a practice grows and prospers to grow his or her personal/home staff. When these employees have financial responsibilities, know what they are and how they can be managed within the bigger decision-

making picture.

5. Clarify and connect how all activities required to manage your wealth are connected and identify effective providers to achieve each action. If there is a team to be managed, who is in charge? The family enterprise generally has a CFO, whereas the head of the family acts as the CEO.

6. Decide to employ strategic, purposeful management of all assets and wealth. This requires attention to detail, a regular review of what's working and what's not, and committing to regular communication — and possibly a periodic review process.

7. Adhere to and honor a cohesive plan — and stick to it. The more clarity and integration that exists between investment, tax, legal structures and estate plans, the higher the chances are of optimizing the family's overall wealth picture. Budgeting is one facet of this plan; another might be sticking to specific goals over time.

No two families are alike and no two families will have the same plan. However, everyone who takes the time to clearly execute the recommended steps will be taking an active role in preparing themselves and their family for whatever the future holds.

Practicing medicine may have financial rewards — but reaping financial freedom for retirement and subsequent generations is not a guarantee. Opting to take active steps toward creating an integrated wealth strategy, early on, may not only mean retiring on time but, maybe, also having a bit more leisure time to do the things you love — as well as the peace of mind to dedicate yourself fully to practicing medicine rather than worrying about your financial affairs when you don't have to.

Steven Abernathy and Brian Luster co-founded The Abernathy Group II Family Office and the country's first Physician Family Office. The Abernathy Group Family Office sells no products, receives no commissions, and is independent, employee-owned, and governed by its Advisory Board comprised entirely of thought-leading professionals. Find them online at http://www.abernathygroupfamilyoffice.com. Have questions you want answered? Email them atsabernathy@abbygroup.com or bluster@abbygroup.com.