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Financial Wellness: A component of physician wellness

Christopher Robinson, MD, MSCR, FACOG
Charleston Maternal Fetal Medicine
Charleston, SC

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Baseline Metrics: Financial Wellness for Physicians

A physician has only 25-30 years at most to plan and save for retirement.

More than 50% are behind in retirement preparedness

- Of physicians at 55 yoa or older, many have less than 1 million in retirement assets

56% of physicians admit to making investment mistakes (real estate, stock investment, or otherwise)

- Emotional Investment
- Lack of Research prior to Investment

Financial stressors are a major contributor to physician burnout!

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Understanding your best assets . . .

TIME – time allows for planning and taking advantage of growth in investment (start as early as possible!)

TIME = The magic of compounding interest

TIME = Growth

YOURSELF – the capability and training you have achieved are perhaps the most powerful asset you maintain

Disability

Early retirement

Adverse business climate

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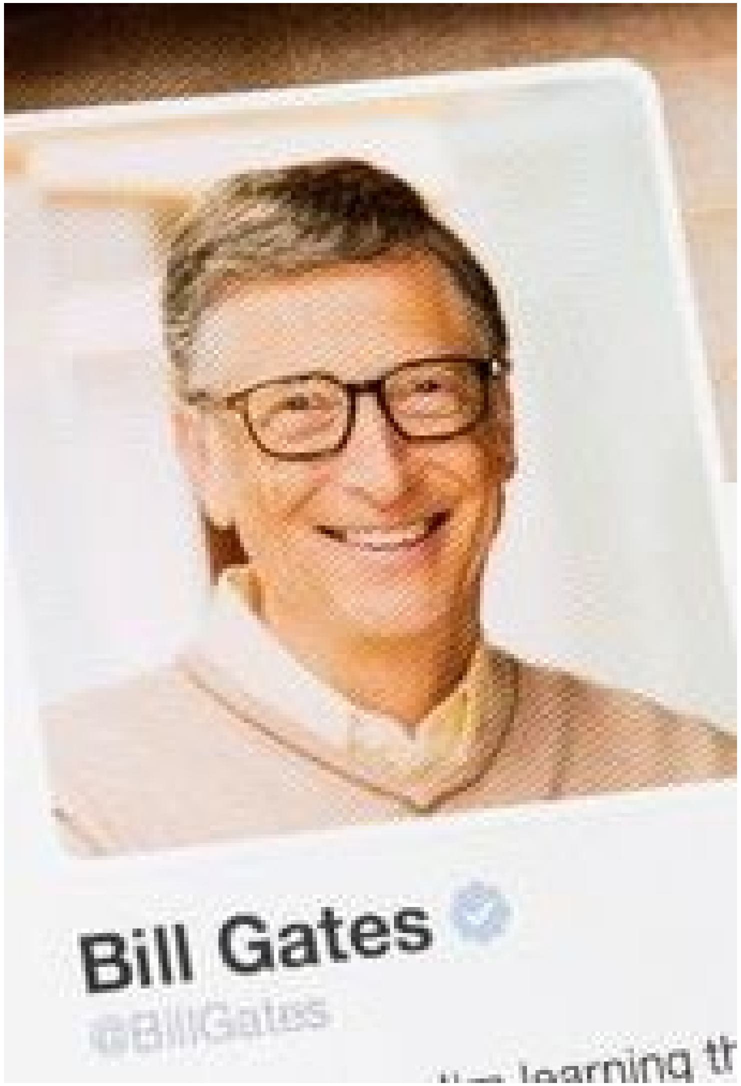


"Most people overestimate what they can accomplish in 2 years, and underestimate what they can accomplish in 10 years."

- Bill Gates

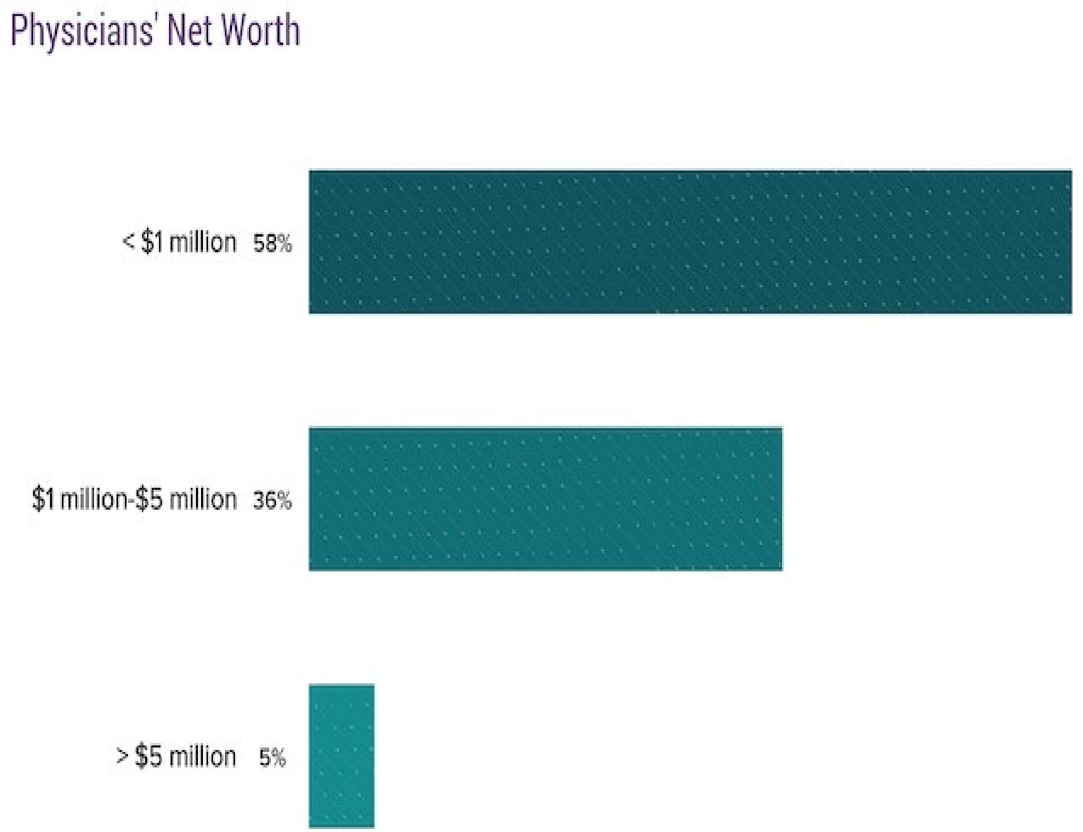
58% of Physicians have a net worth of less than 1 million

58% of physicians surveyed identified as having a net worth of less than $1 million. Thirty-six percent of physicians said they had a net worth of between $1 million and $5 million.

32% of Ob/Gyn physicians are currently paying off student debt

Half of physicians surveyed said they live "at their means" and typically use up most of their income with little left over.

Slightly more than half (53 percent) of physicians said they have a goal for how much they want to save by a certain age, compared with the 47 percent of physicians who said they do not.



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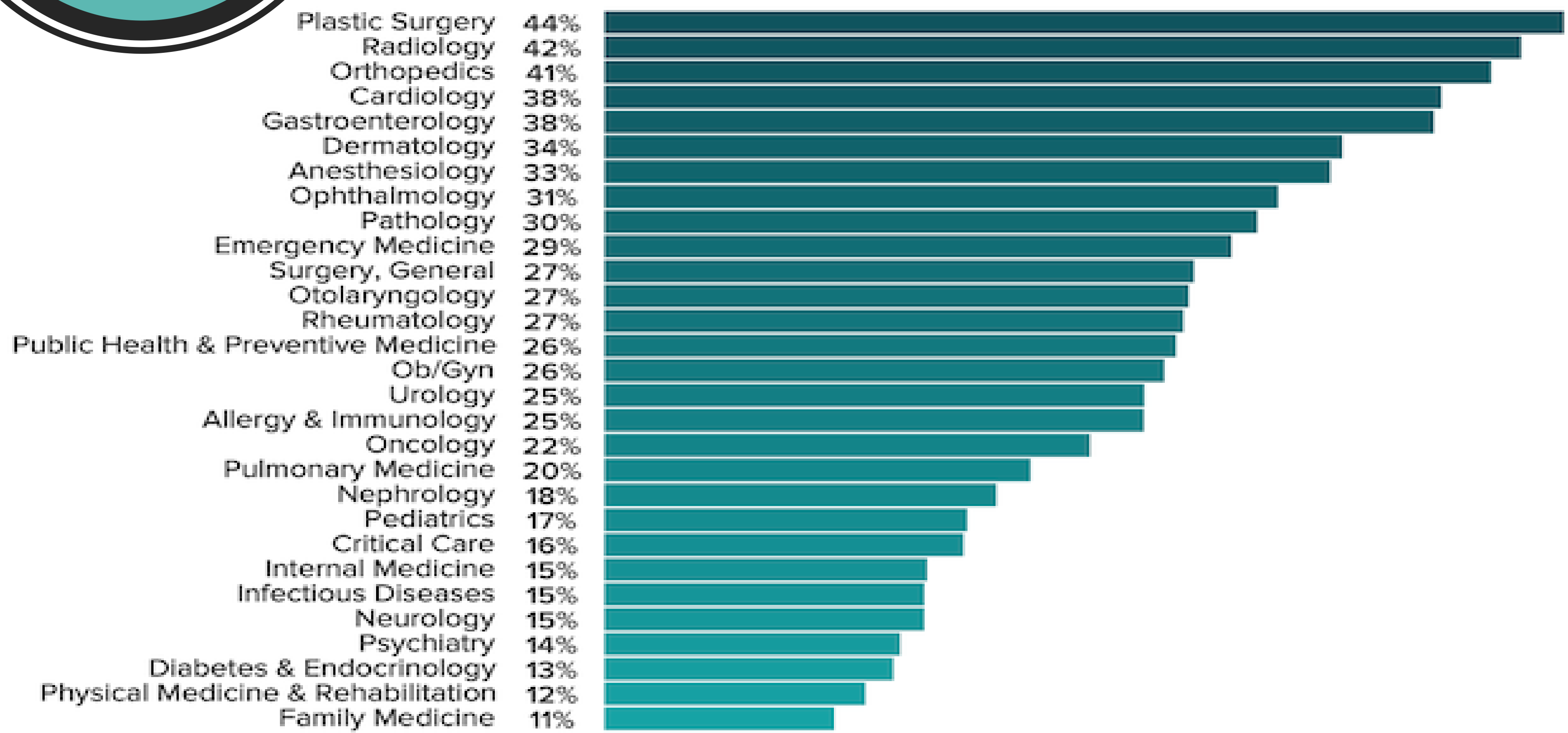
Physicians with Net Worth of 2 million +



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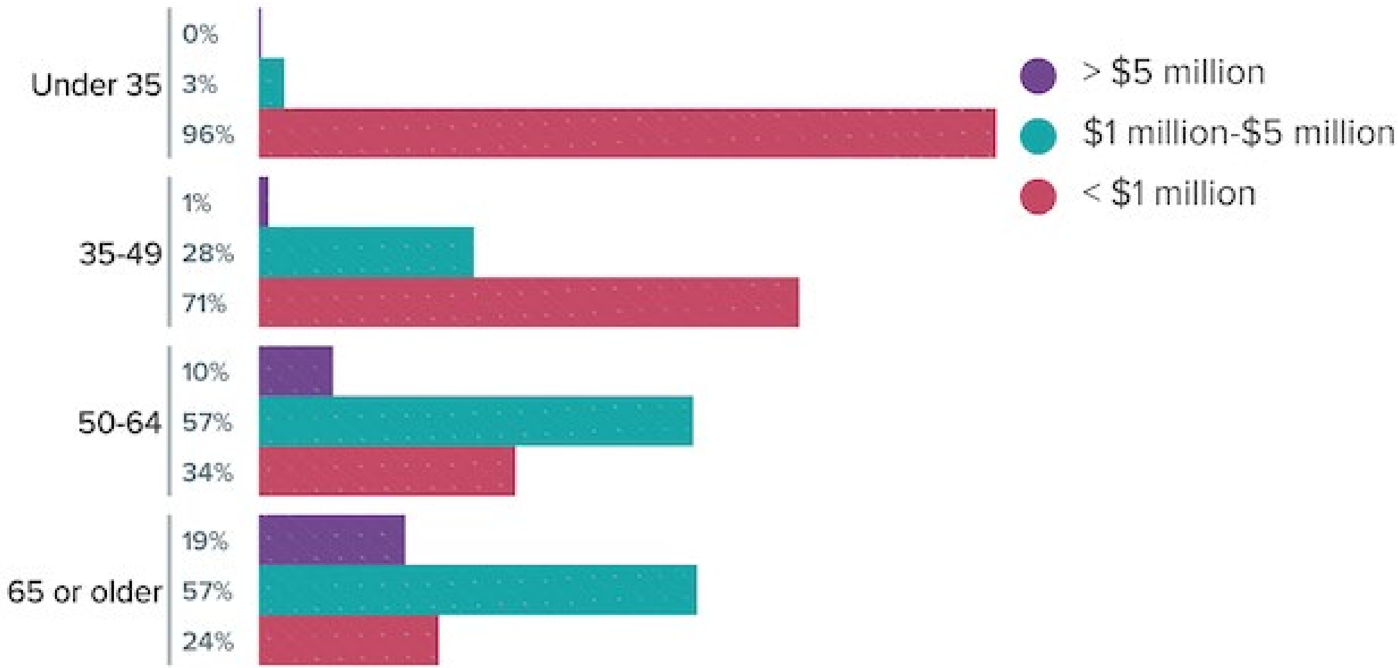
Physicians' Net Worth by Age



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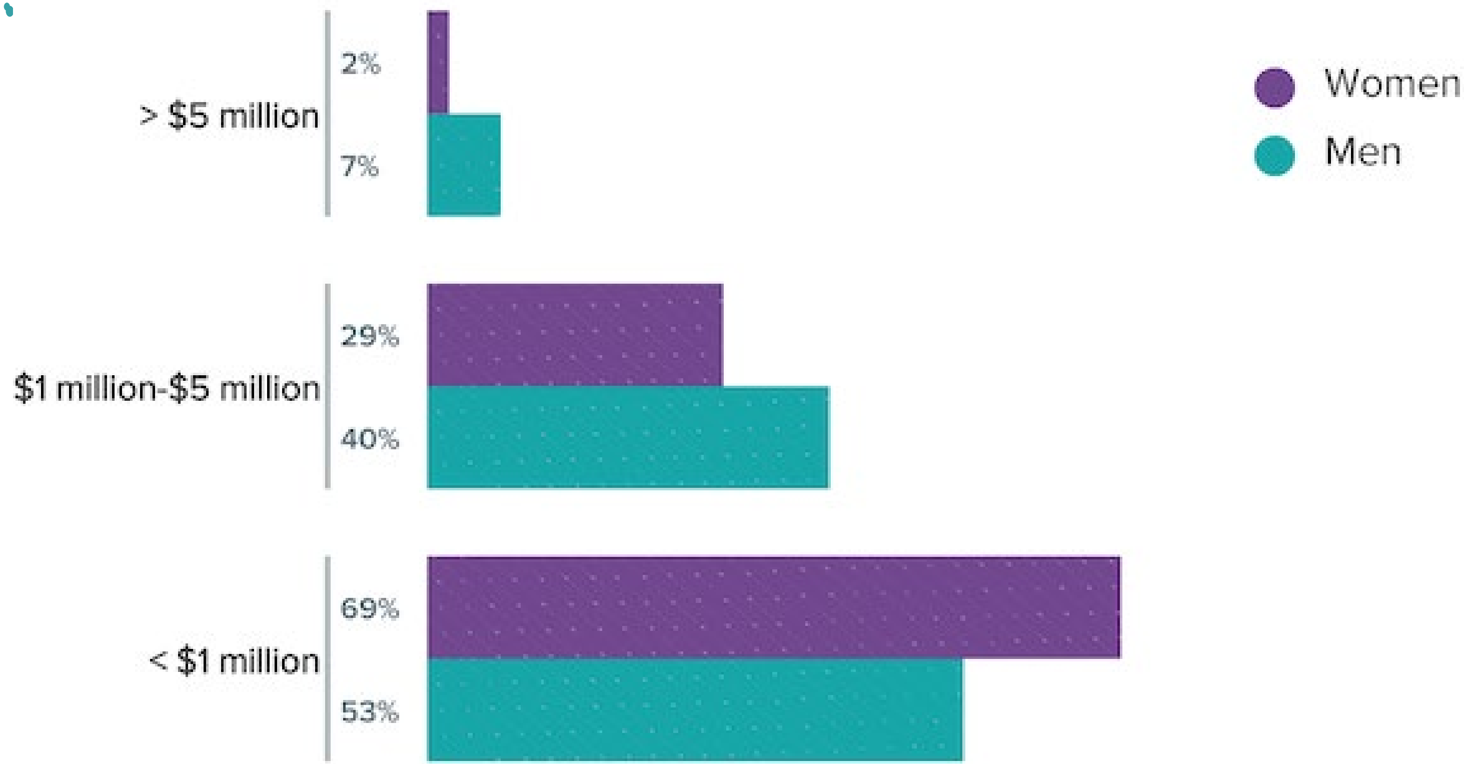
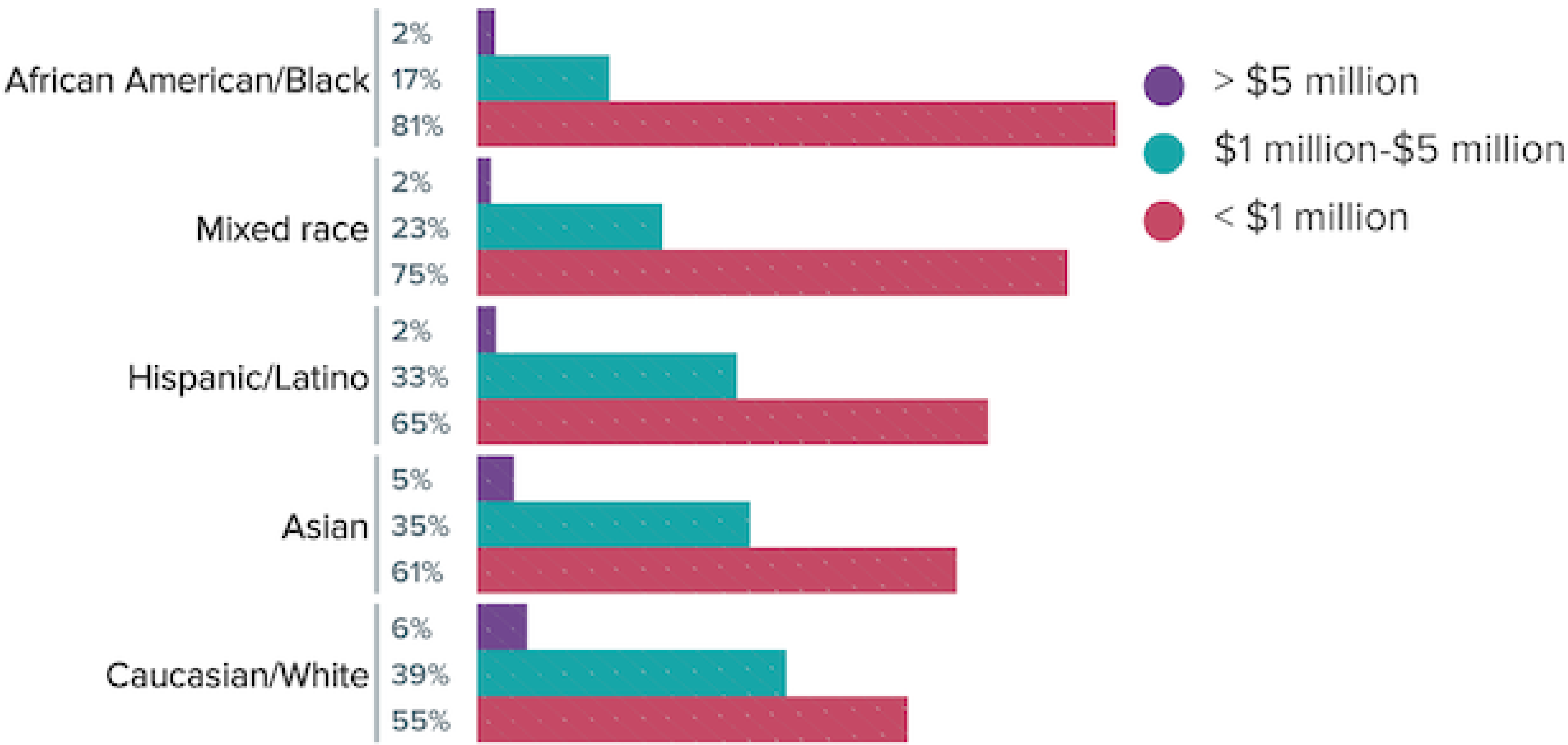
Net Worth Disparity - Gender



Net Worth Disparity – Race/Ethnicity



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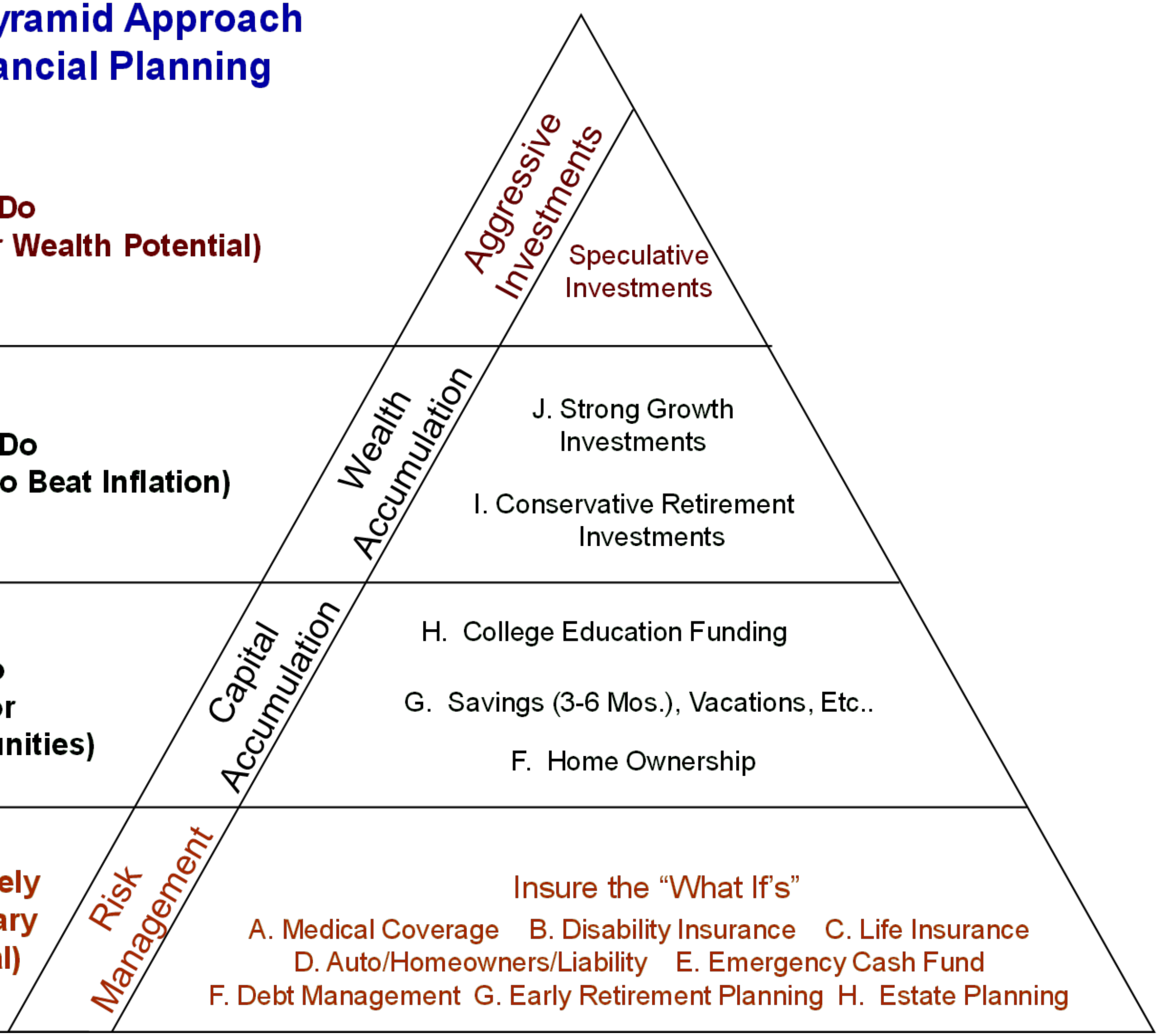
The Pyramid Approach to Financial Planning

Nice to Do (Greater Wealth Potential)

Should Do (Strive to Beat Inflation)

Must Do (Save for Opportunities)

Absolutely Necessary (Survival)

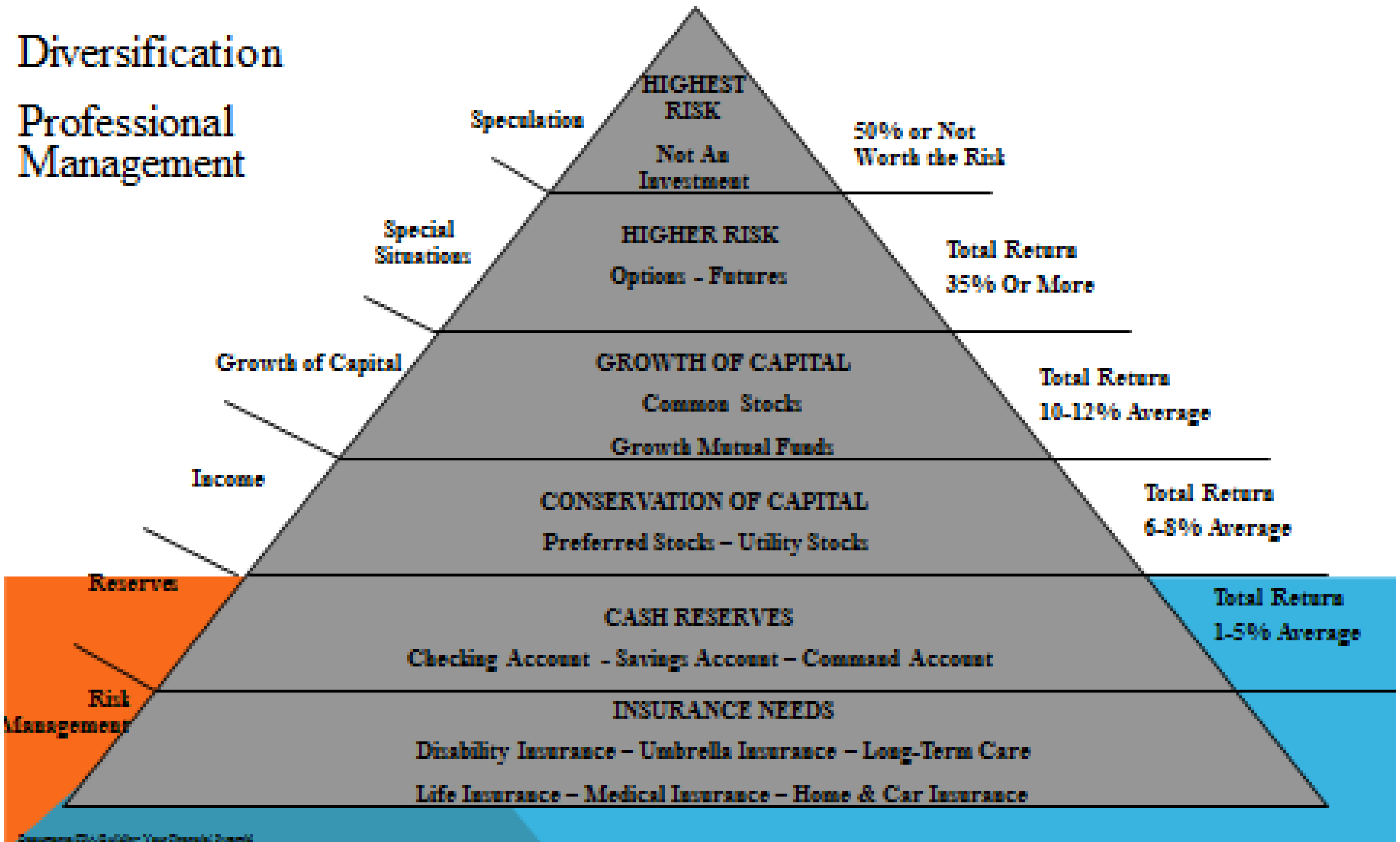


BUILDING YOUR FINANCIAL PYRAMID

Risk Vs. Reward

Diversification

Professional Management



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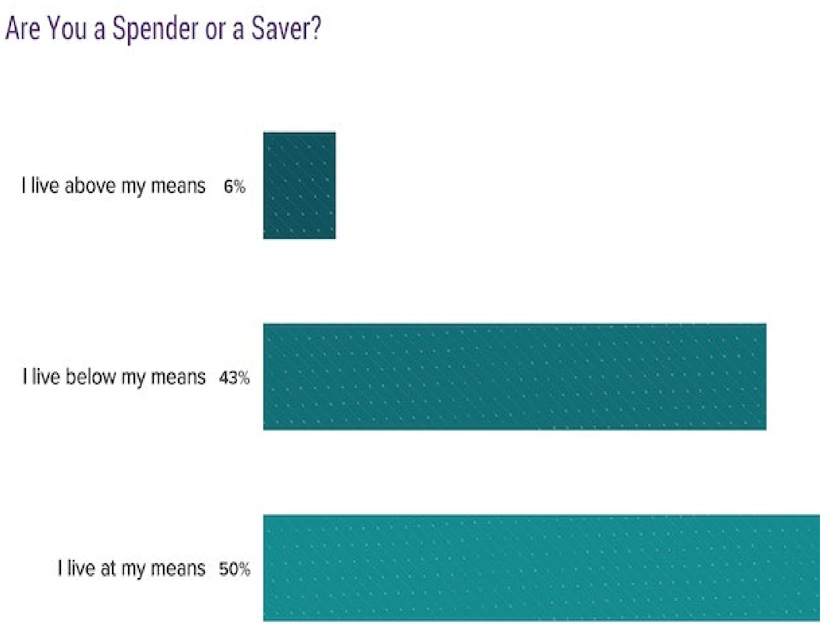
Start Saving as soon as possible

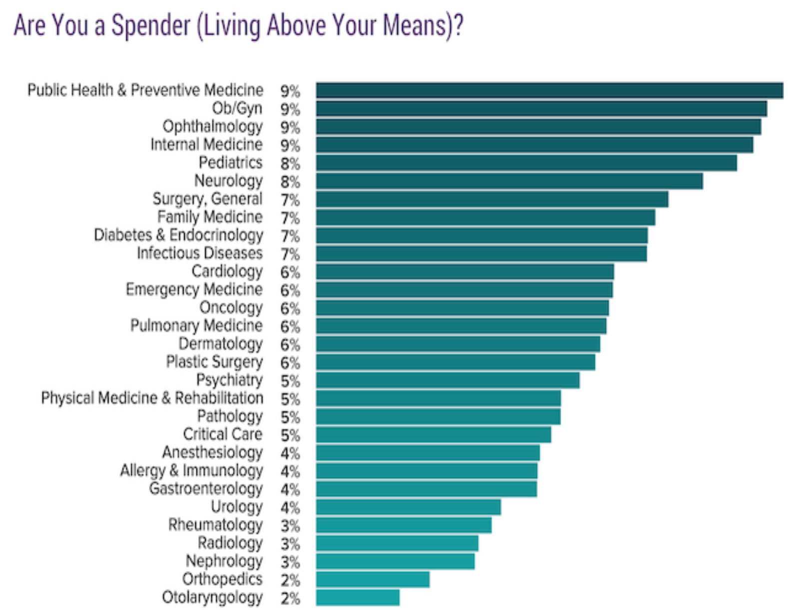
"My goal when I finished my residency was to be able to walk away from medicine at age 55– knowing I never would, but having the financial security to do so."

-Louis Weinstein, MD, professor and former chair of obstetrics and gynecology at Thomas Jefferson University Hospital.

Initial Savings Goal:
3-6-month cash reserve goal of 10-15% per month
Make additional savings work for you!

Am I a spender or a saver?





Ob/Gyn are among the most likely to live above means
9% self report this attribute

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Remember to Pay Yourself First: Importance of Saving

Initial Best Steps in Financial Wellbeing . . .

Pay yourself first!

Remember – this is the BASIS for the foundation of financial well-being.

Bank 10-20% of your monthly salary if you can. One unexpected crisis can create havoc.

Establish an "emergency fund" or financial safety in case things don't go as planned. (generally 3-6 months of liquid asset)

Consider conservative investment strategy for these funds (money market, bonds, CD)

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Investigate Benefits Smartly

What are opportunities for savings with cost-shared employer benefits?

- Insurance Products
- Long Term Disability (be aware this is not always mobile and must consider tax considerations of benefit (taxable proceeds))
- Life Insurance
- Short Term Disability
- Savings through other purchasing programs

However, also plan for contingency if you were to leave current employment! Backup plan may consist of personal policies!

When considering benefits, over reliance on group benefits may lead to disruption with job change/employment change.

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Buying Insurance

FIRST: Buy disability insurance – YOU ARE THE GREATEST RESOURCE!

- INSURE your own income! (ability to work)
- Ideally this will be a portable personal policy – ability to move with you if job change.
- Supplement this private policy with organization policy.
- Inquire about "specialty specific" coverage. Avoid generic coverage for "physicians" (may lead to placement in alternative roles to avoid payout).
- NEVER – deduct the annual policy invoice payment (subjects the benefits to taxation whereas, this is avoided when payment is with post-tax dollars).
- Pays 70% of income at maximum benefit.

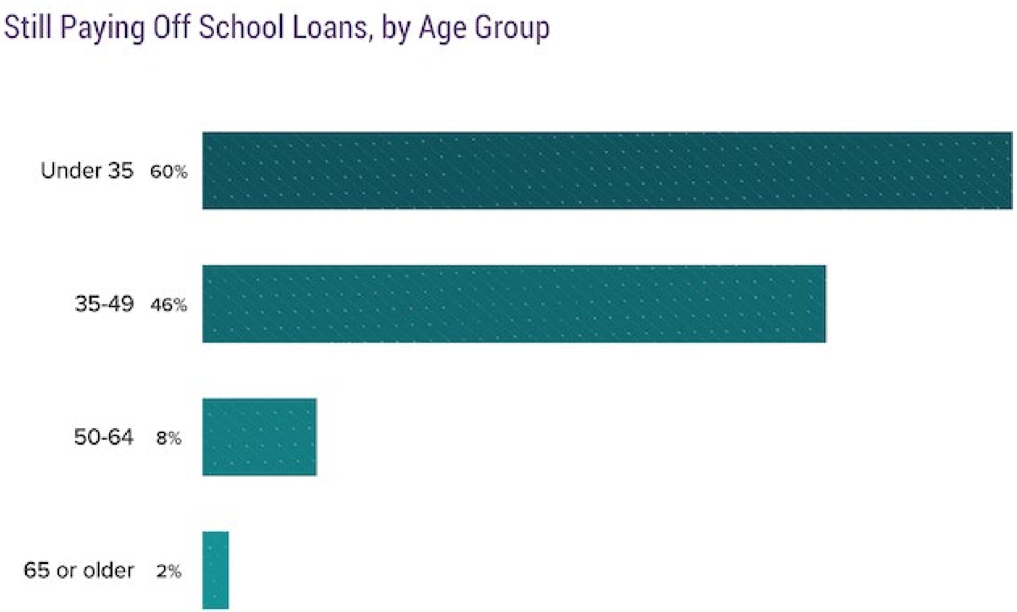
Manage Debt

Plan debt pay back – 75% of physicians graduate with significant debt

- Can someone shoulder the burden for you?
- NIH Loan Repayment Program
- Service Repayment through practice / hospital / healthcare corporation
- Service in a designated region of need – Federal programs

Timing and execution of consolidation (only happens once but reduces interest rate if executed along correct timing).

AVOID combining debt with partner/spouse (extinguishes the death benefit and would leave debt to partner/spouse).



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Manage Debt

Avoid or Eliminate Credit Card Debt

- Though credit cards may have short term benefits, the credit industry is built around collected interest.
- Pay off entire debt each month.
- Research best options for benefits. Ensure that the benefits are those that will benefit your specific situation.
- If you cannot completely $0 the bill each month, a new financial plan is necessary!
- Do not CLOSE card accounts (effects on credit score) – rather discontinue use.

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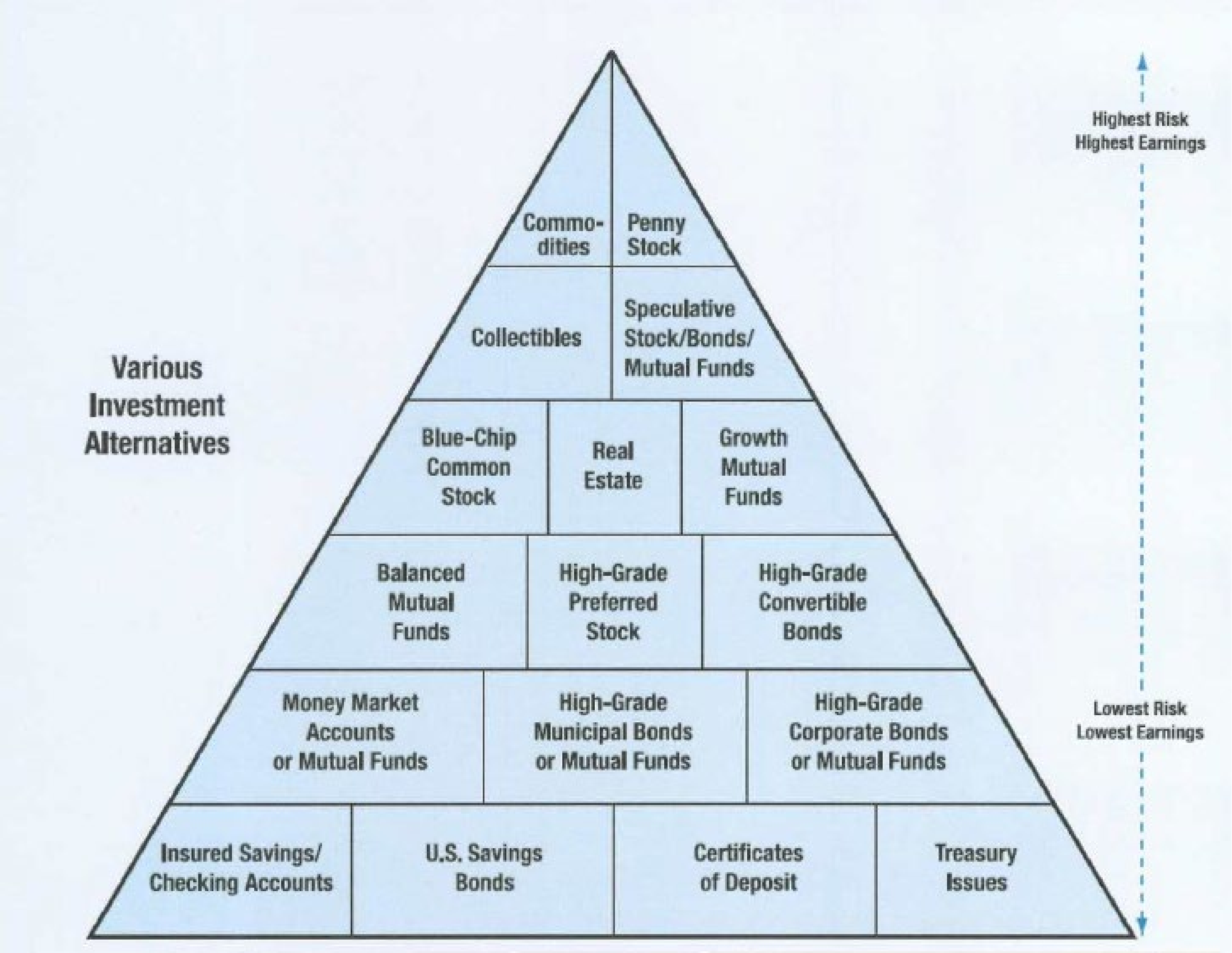
Investing – Time to Start



Start Investing

Investments offer growth and benefits in many ways

- Self Investment
  - Often we forget to invest in ourselves!
    - Not a car!
    - A skill! Consider how this will improve yourself and earning ability
  - Training, revenue producing skills, business degree
- Starting early yields highest rewards.
- Types: Cash, Bonds, Mutual funds, Stocks

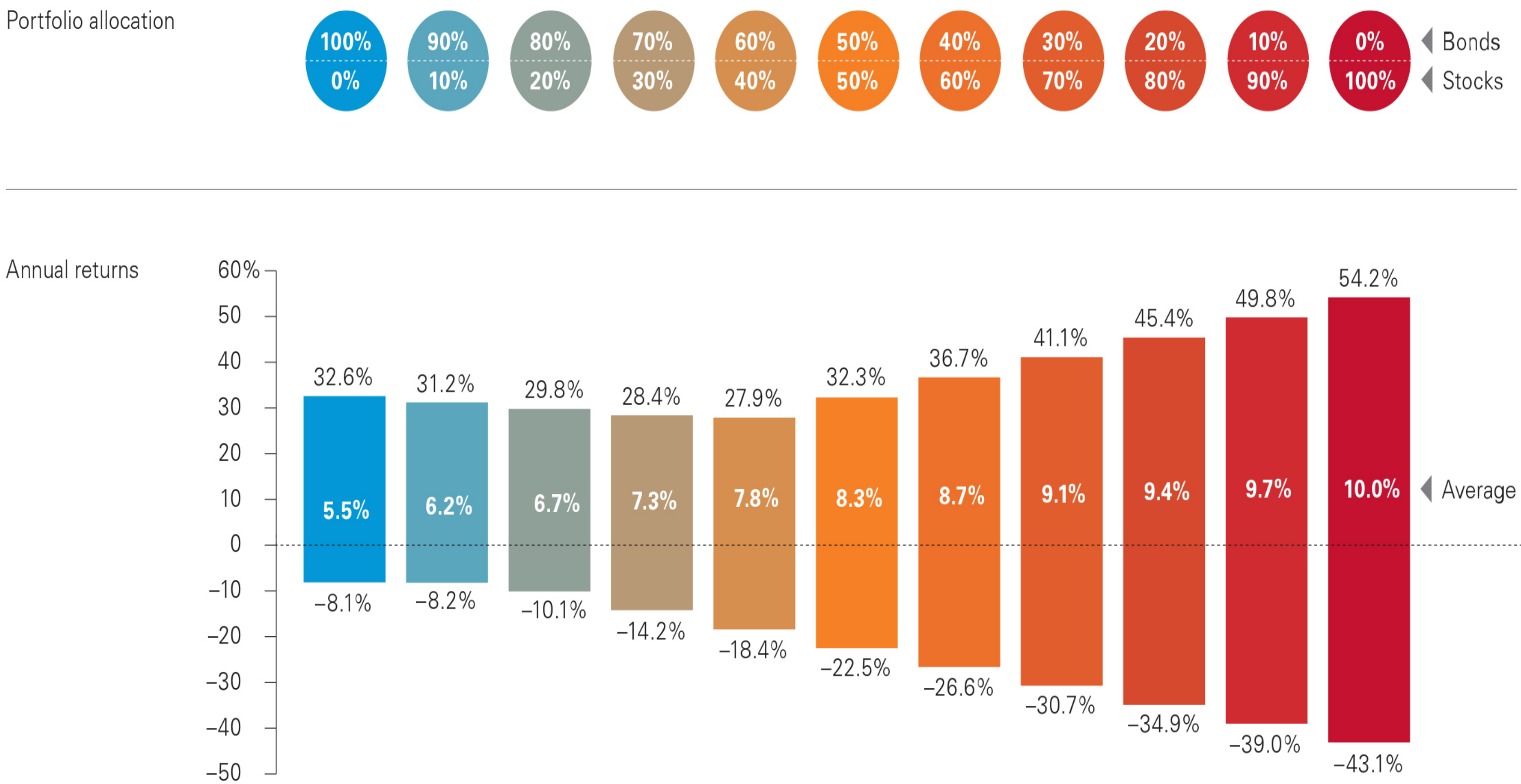
Start with a plan . . .

Do I need a financial advisor?

Should I take advantage of free tools by brokerage firm?

Do I understand my exposure to risk and my tolerance to risk/volatility?

How do I diversify my holdings to balance exposure, risk and volatility with growth?



Lower Risk
Lower Average Return
Lower Volatility

Higher Risk
Higher Average Return
High Volatility

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Source: Vanguard 2018

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (1999–2018)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Non-U.S. Equity 27.92%	Real Estate 13.84%	U.S. Fixed Income 8.43%	Non-U.S. Fixed Income 22.37%	Emerging Market Equity 55.82%	Real Estate 37.96%	Emerging Market Equity 34.00%	Real Estate 42.12%	Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%
Small Cap Equity 21.26%	U.S. Fixed Income 11.63%	High Yield 5.28%	U.S. Fixed Income 10.26%	Small Cap Equity 47.25%	Emerging Market Equity 25.55%	Real Estate 15.35%	Emerging Market Equity 32.17%	Non-U.S. Equity 12.44%	Non-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Non-U.S. Equity 24.21%	U.S. Fixed Income 0.01%
Large Cap Equity 21.04%	Cash Equivalent 6.18%	Cash Equivalent 4.42%	Real Estate 2.82%	Real Estate 40.69%	Non-U.S. Equity 20.38%	Non-U.S. Equity 14.47%	Non-U.S. Equity 25.71%	Non-U.S. Fixed Income 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Non-U.S. Fixed Income 4.36%	Non-U.S. Equity 16.41%	Non-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%
Real Estate 8.87%	Small Cap Equity -3.02%	Small Cap Equity 2.49%	Cash Equivalent 1.78%	Non-U.S. Equity 39.42%	Small Cap Equity 18.33%	Large Cap Equity 4.91%	Small Cap Equity 18.37%	U.S. Fixed Income 6.97%	High Yield -26.16%	Non-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Non-U.S. Fixed Income -2.15%
Cash Equivalent 4.85%	Non-U.S. Fixed Income -3.91%	Emerging Market Equity -2.61%	High Yield -1.37%	High Yield 28.97%	Non-U.S. Fixed Income 12.54%	Small Cap Equity 4.55%	Large Cap Equity 15.79%	Large Cap Equity 5.49%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Non-U.S. Equity -3.04%	Real Estate 4.06%	Non-U.S. Fixed Income 10.51%	Large Cap Equity -4.38%
High Yield 2.39%	High Yield -5.86%	Non-U.S. Fixed Income -3.75%	Emerging Market Equity -6.16%	Large Cap Equity 28.68%	High Yield 11.13%	Cash Equivalent 3.07%	High Yield 11.85%	Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Non-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Non-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%
U.S. Fixed Income -0.83%	Large Cap Equity -9.11%	Real Estate -3.81%	Non-U.S. Equity -15.80%	Non-U.S. Fixed Income 19.36%	Large Cap Equity 10.88%	High Yield 2.74%	Non-U.S. Fixed Income 8.16%	High Yield 1.87%	Non-U.S. Equity -43.56%	Non-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%
Non-U.S. Fixed Income -8.83%	Non-U.S. Equity -13.37%	Large Cap Equity -11.89%	Small Cap Equity -20.48%	U.S. Fixed Income 4.10%	U.S. Fixed Income 4.34%	U.S. Fixed Income 2.43%	Cash Equivalent 4.85%	Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Non-U.S. Fixed Income 4.95%	Non-U.S. Equity -12.21%	Non-U.S. Fixed Income 4.09%	Emerging Market Equity -2.60%	Non-U.S. Fixed Income -3.09%	Non-U.S. Fixed Income -6.02%	Non-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Non-U.S. Equity -14.09%
		Non-U.S. Equity -21.40%	Large Cap Equity -22.10%	Cash Equivalent 1.15%	Cash Equivalent 1.33%	Non-U.S. Fixed Income -8.65%	U.S. Fixed Income 4.33%	Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Non-U.S. Fixed Income -3.08%	Non-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.58%

The Callan Periodic Table of Investment Returns conveys the strong ***case for diversification*** across asset classes (stocks vs. bonds), capitalizations (large vs. small), and equity markets (U.S. vs. non-U.S.). The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance, as returns for the top-performing asset class span a wide range over the past 20 years.

20th Anniversary Edition

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Asset Classes from Standard Market Indexes (n=8)

- **Large Cap Equity (S&P 500)** measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.
- **Small Cap Equity (Russell 2000)** measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.
- **Non-U.S. Equity (MSCI World ex USA)** is an international index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.
- **Emerging Market Equity (MSCI Emerging Markets)** is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.
- **U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index)** includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.
- **High Yield (Bloomberg Barclays High Yield Bond Index)** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.
- **Non-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index)** is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.
- **Real Estate (FTSE EPRA/NAREIT Developed REIT Index)** is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.
- **Cash Equivalent (3-month Treasury Bill)** is a short-term debt obligation backed by the Treasury Department of the U.S. government with a maturity of less than one year.

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Diversification across asset classes insulates against volatility!

Mutual Funds

A mutual fund is a pool of money managed by a professional money manager or team.

The objective and the risk level are outlined in a document called a prospectus. The prospectus provides detailed guidelines for the types of investments the manager can purchase.

Mutual Funds - Basics

Professional Management: The fund company hires skilled money managers supported by resources behind (including a team of people dedicated to researching, tracking, identifying trends, and performing analyses).

Diversification: Lowers the risk because, regardless of the size of your investment, each unit purchased is made up of many different investments.

Liquidity: Mutual funds can be sold anytime, and easily.

Flexibility: Mutual funds allow you to purchase as much or as little as you want, and offer a variety of purchase plans.

Mutual Fund - Basics

Load Fund: Pay a commission to a sales agent when you buy shares usually 3-8%.

No Load Fund: No sales charge paid and purchased directly from the investment company.

Closed end fund (10% of funds) has limited number of shares issued initially and can only purchase shares from another investor willing to sell theirs.

Open end fund (90% of funds) has no limitations on the number of shares the investment company can issue. Shares are issued and redeemed by the investment company.

Types of Cash Basis Accounts Essentially NO risk

Certificate of Deposit: Variable rates according to preset maturity date. Guaranteed payout if reaches maturity

Money Market Account: Variable rate of return (usually very low)

Savings Accounts: VERY low rate of return

Good for Emergency Funds / Foundational Funds

Mutual Funds – Lower Risk/Return

Money Market Funds

- Liquid & secure on short term basis. Low risk and not guaranteed. Ex: treasury bills and short-term notes

Bond Funds

- Provides steady stream of income. Bonds are issued by government or corporation.

Balanced Funds

- Mix of investments – cash, equity and income producing. Better return than fixed and less risky than equity.
- Similar to *"lifestyle" funds* – driven by age now to age of retirement (i.e. target date retirement funds).

Mutual Funds – Higher Risk/Return

Equity Funds

Goal is long term growth through equity/stock investments with a professional manager overseeing trades/performance. Types are:

- Diversified
- Sector specific
- Index
- International equity

Specialty Funds

Investment for one particular sector or geographical region

- Ex: Health care, telecommunications, technology, financial services, Euro markets

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Key Take Away Points

Have a plan – make sure the plan includes a budget and safety net for your income.

- Home mortgage payment should be < 30% of gross monthly income
- Drive a reasonable car

Start investing early – even small investments take advantage of significant growth over time.

Consider a professional – Do you have time to manage this? Find a reputable agent to work with in achieving financial goals.