Top Considerations Ahead of Retirement: A Guide for Physicians


Retired Physicians Segment

Study Objective

The 2018 U.S. Physicians’ Financial Preparedness: Retired Physicians Segment is the latest data release from AMA Insurance, designed to understand the attitudes and corresponding behaviors of physicians related to personal finance and retirement readiness. This is the first time we are sharing responses specifically from physicians who have entered retirement.

Study Methodology

The national email survey was sent to retired physicians as part of a national physician survey in 2016.

This excerpt of the report features insights specific to practicing physicians over age 60 [N=714], of which 34 percent [N=240] plan to retire in the next two years. Results were analyzed in the aggregate and by gender, age and specialty. Survey data collected through Qualtrics©. Results analyzed at a 95% confidence interval; total sample of N=714, +/-3.67% margin of error.

Study Sponsor

For 30 years, AMA Insurance Agency, Inc., a subsidiary of the American Medical Association, has been helping America’s physicians and their families obtain the support and insurance protection they need for a healthy financial future.

AMAI conducts national surveys to share insights with U.S. physicians in order to help them secure their personal financial futures.

Additional financial preparedness reports focused on Women Physicians, Employed Physicians, Young Physicians, Residents and Medical Students can be found at amainsure.com/usphysiciansresearch.
Advisor Insight from Marti Mason:

Be sure you retire to something…. You are coming out of a field with great purpose, and your retirement should be purposeful as well.

About the Advisor

Marti Mason has more than 35 years of experience in the financial services industry. She is CEO of Taylor Wealth Solutions, a fiduciary group with a rich history of serving physicians and other individual clients. Taylor Wealth Solutions has been a member of the AMAI Physicians Financial Partners program since 2010.

Top Considerations Ahead of Retirement

When it comes to such a personal decision as when and how to retire, no two physicians are alike. Physicians’ satisfaction with continuing to work, their financial portfolios, their family situations, their personal health and many other factors come into play. That means each physician’s situation is unique, regardless of age or length of time in the profession.

At the same time, many of the complexities of physicians’ financial journeys (such as paying off hefty medical school debt, securing sufficient insurance coverage, paying for children’s education and investing for the future) are often very similar, so there are important concepts that all physicians can take to heart before making firm decisions about retirement.
Physician Respondents over Age 60

For this special report, AMA Insurance looked at practicing physicians over age 60, and compared those planning to retire in the next two years [N=240] with their peers who plan to continue practicing.
Physician Respondents over Age 60

Among practicing physicians we surveyed, having enough money to retire is their top financial concern, followed by the ability to fund their long-term care and having the right estate plan.

Concern about Personal/Family Financial Issues

<table>
<thead>
<tr>
<th>Issue</th>
<th>Very concerned</th>
<th>Somewhat concerned</th>
<th>Neutral</th>
<th>Not concerned</th>
<th>Not at all concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having enough money to retire</td>
<td>19%</td>
<td>36%</td>
<td>14%</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td>Able to fund long term care expenses (illness or disability)</td>
<td>11%</td>
<td>31%</td>
<td>18%</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>Having the right estate plan</td>
<td>11%</td>
<td>27%</td>
<td>17%</td>
<td>17%</td>
<td>27%</td>
</tr>
<tr>
<td>Having enough or the right disability insurance</td>
<td>5%</td>
<td>13%</td>
<td>17%</td>
<td>22%</td>
<td>42%</td>
</tr>
<tr>
<td>Having enough life insurance for my family</td>
<td>4%</td>
<td>11%</td>
<td>14%</td>
<td>25%</td>
<td>47%</td>
</tr>
<tr>
<td>Funding college expenses for my children</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
<td>16%</td>
<td>67%</td>
</tr>
<tr>
<td>Financially providing for elderly parents</td>
<td>4%</td>
<td>5%</td>
<td>13%</td>
<td>76%</td>
<td>2%</td>
</tr>
<tr>
<td>Paying off medical school debt</td>
<td>3%</td>
<td>9%</td>
<td>87%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Status of Financial Plans

Physicians planning to retire in the next two years are more likely to say their financial plans for retirement are on-track or ahead of schedule, compared to those who are more likely to say they are behind where they’d like to be.

- Ahead of schedule
- On-track
- Behind where I’d like it to be

Total may not equal 100% due to rounding.
Top Considerations Ahead of Retirement

We analyzed 8 characteristics that physicians getting ready to retire share.

1. They plan to retire at a younger age.
   Not all physicians plan to—or even want to—retire in their 60s. In fact, 35 percent of physicians retire in their 70s and beyond. However, physicians planning to retire in the next two years are more than twice as likely as their practicing peers to retire between the ages of 65 and 67 (21 percent, versus 10 percent).

2. They have adequate savings.
   Many of those planning to retire in the next two years have built up a significant nest egg—nearly one-third of this group already has more than $3 million saved in their retirement portfolios, versus 20 percent of those planning to continue practicing.

Physician Retirement Savings Portfolio

More than $3,000,000 \(\text{31\%} \quad \text{20\%}\)

$1,000,001 - $3,000,000 \(\text{43\%} \quad \text{42\%}\)

$500,001 - $1,000,000 \(\text{14\%} \quad \text{17\%}\)

$100,001 - $500,000 \(\text{9\%} \quad \text{10\%}\)

Less than $100,000 \(\text{2\%} \quad \text{10\%}\)

Total may not equal 100\% due to rounding

Advisor Insight:

Even if you’re a physician who has saved well, it’s important to temper expectations for retirement with an eye to the realities of what you may need in retirement, how long that retirement may last and what kinds of market conditions you must weather during that time, Mason notes. “What may seem like a significant sum in the bank now may not seem all that significant when compared to your current annual income,” says Mason. “Those working with a financial advisor are likely having discussions around expectations and whether or not those expectations line up with where they really are.”
Advice from Successfully Retired Physicians:

“In deciding when to retire, ask how you will use your time and your savings. Consider your age, health and interests.”

“Be certain you know how to handle your money in savings and investments, and live within your means.”
They carry little (if any) business or consumer debt. While the amount of savings is important in evaluating retirement readiness, so is the amount of debt a physician has accumulated. Here is another significant divergence between the two groups of physicians: 46 percent of those who are about to retire have no personal debt, compared to 33 percent of physicians who plan to continue practicing. Similarly, 86 percent of soon-to-retire physicians have no professional debt, versus 77 percent of their peers who are not yet retiring.

### Practicing Physicians over Age 60: Debt

#### PRACTICE DEBT

- **Business loan**
  - Those planning to retire in 2 years: 8%
  - Those planning to continue practicing: 5%
- **Line of credit**
  - Those planning to retire in 2 years: 9%
- **Other business/practice debt** (Please specify)
  - Those planning to continue practicing: 2%
- **None**
  - 86%

#### CONSUMER DEBT

- **Mortgage**
  - Those planning to retire in 2 years: 49%
  - Those planning to continue practicing: 37%
- **Car loan**
  - Those planning to retire in 2 years: 20%
  - Those planning to continue practicing: 22%
- **Credit card balance**
  - Those planning to retire in 2 years: 12%
  - Those planning to continue practicing: 19%
- **Home equity/Line of credit**
  - Those planning to retire in 2 years: 19%
  - Those planning to continue practicing: 12%
- **Refinance loan**
  - Those planning to retire in 2 years: 4%
  - Those planning to continue practicing: 12%
- **Other consumer debt** (Please specify)
  - None: 46%
  - None: 33%

Advisor Insight: Do You Have Enough Money to Retire?

“A common rule of thumb is the ‘4 percent rule,’ which says a safe withdrawal amount from retirement portfolios is 3-4 percent of the account balance per year,” says Mason. “While this is a useful ‘back-of-napkin’ assessment, it should only be used as a starting point.”

When thinking about whether you could live off that 3-4 percent, debt can weigh you down if you have a good deal to pay off or have grown accustomed to relying on credit or loans, says Mason.

### Other Factors You Need to Consider

**How long your retirement could last.**

“If you end up living 30 years into retirement, you’ll likely have a much more difficult time making this rule work than if your retirement spans 20 or fewer years.”

**How well you have allocated your assets.**

“You don’t want to be so risk-adverse that your funds don’t grow, but you also don’t want to be so risky that you’re in serious trouble if the market delivers a shock.”

**What your plans are for when the market does drop—because it will.**

“You need to be prepared for the adjustments you might make, whether temporary or permanent.”
Advice from Successfully Retired Physicians:

“Start to simplify your lifestyle. Critically evaluate your savings for retirement. Focus on maintaining and/or improving your health. Eliminate, or at least minimize, your debt.”

“Pay off all debt that you can—in particular, credit card debt and mortgage.”

“Avoid debt, and live modestly.”
Physicians who are about to retire are less likely to be financially supporting others, including elderly parents and older children. 26 percent of those soon to retire report that they are still financially supporting children who are 18-26 years old, versus 35 percent of those who plan to stay in practice longer.

Similarly, physicians who are divorced are less likely to be among those who are getting ready to retire (divorces make up 3 percent of soon-to-retire physicians but 8 percent of those waiting longer).

Advisor Insight:

Make sure you are accurately accounting for how your financial support of other people will affect your retirement savings, says Mason.

“Divorce is a factor that must be built into effective planning. If alimony payments persist into retirement, that will need to be incorporated into the plan as its own goal. It’s easy to make errors in mental accounting, like double counting assets or income. This can be very damaging if you haven’t planned for it,” says Mason.

Parents also need to establish a ceiling for how much they plan to invest in their children and/or grandchildren’s educations, Mason advises.

“Have realistic expectations of how much should be spent on private education for your children,” says Mason. (Or if you’re helping pay for your grandchildren’s educations, you should ask yourself not only how much you might give toward tuition but also for how many grandchildren you will be able to do that.) “Of course you can spend as you like, but you need to understand the repercussions of these decisions.”
Advice from Successfully Retired Physicians:

“Be prepared for the unexpected (e.g., illness and family needs for your children and grandchildren).”

“Don’t get divorced at the end of your career.”

“Start early in your career to save money, and never adopt an expensive lifestyle. Get college funds for children set up and fully funded.”
They are knowledgeable of personal finances.

Physicians who consider themselves “knowledgeable” of personal financial issues are more likely to be retiring in the next two years, while those who consider themselves to be “somewhat” or “not very knowledgeable” (37 percent) are more likely to be postponing their retirement.

### Practicing Physicians over 60: Knowledge of Personal Finances

<table>
<thead>
<tr>
<th>Category</th>
<th>Very knowledgeable</th>
<th>Knowledgeable</th>
<th>Somewhat knowledgeable</th>
<th>Not very knowledgeable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning to retire</td>
<td>23%</td>
<td>49%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td>Planning to continue practicing</td>
<td>22%</td>
<td>41%</td>
<td>28%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Total may not equal 100% due to rounding.

### Advisor Insight:

According to AMA Insurance’s 2018 Report on U.S. Physicians’ Financial Preparedness: Retired Physicians Segment, physicians who have already retired are statistically more likely to be satisfied with their retirement if they consider themselves “knowledgeable” or “very knowledgeable” of personal financial issues.

This correlation comes down to being realistic about goals and the steps required to achieve them, says Mason.

“In most cases, when you’re retired, you can’t maintain the same lifestyle that you had when you were actively producing income,” says Mason. “You can, however, stay firm on the things that mean a lot to you, as long as you live within your means and stick to your detailed financial plan.”

### Advice from Successfully Retired Physicians:

“Two years prior to retirement, review your current expenditures and plan your retirement budget. In the year prior to retirement, live on the annual income you predict for your retirement to be sure it is comfortable for your needs.”

“Stick to safe investments, and avoid gimmicks offering large returns on money.”
They get expert advice.

Working with a financial advisor they trust also makes physicians more likely to be among those who are retiring in the next two years (74 percent, versus 65 percent of those who plan to continue practicing).

Advice from Successfully Retired Physicians:

“Use a professional advisor you can trust.”

“Listen to your advisors … and inform [your family] of decisions that will affect them.”

“Get an actuary and a financial advisor who will invest for you. A good doctor who is a good investor is an oxymoron.”

Advisor Insight:

The first criteria you should have for an advisor is that they will be a fiduciary, serving your best interests above their own, says Mason.

“You need to fully understand how your advisor is compensated. The advisor should be forthcoming with that information up front,” says Mason.

Additionally, you want an advisor who can explain things well. “Look for an advisor who approaches it as a teacher would, so you fully understand the advisor’s approach and strategy for your portfolio.”

In addition to helping you work through detailed financial plans throughout your career, Mason notes that partnering with an expert professional on retirement planning gives physicians a leg up in decision-making of all kinds.

Advisors can provide calculations for how various financial decisions would impact your retirement (such as the difference between owning your home or selling it and then renting, or buying a cheaper vehicle versus a luxury one). They can also use algorithms for different stock market scenarios to help their advisees plan for the unknown, Mason says.
Advisor Insight:

Just like you need to start saving for retirement early, you don’t want to put off estate planning until it’s too late, says Mason.

“People don’t think it’s going to happen to them,” says Mason. “I can think of three different doctors we helped get their wills in place over the last year when they received life-threatening diagnoses.”

“Sometimes you don’t keep your backyard in order the same as you would when helping somebody else,” says Mason. “But estate plans are essential for helping your own loved ones when your time comes.”

Advice from Successfully Retired Physicians:

“Update everything—personal directives, will, legal directives and estate distribution.”

“Hire the services of a highly respected ethical financial advisor and estate planning attorney.”

7. They have updated estate plans in place.

While many physicians across the board need to tend to their estate planning documents, physicians who are planning to retire in the next two years are much more likely to have updated estate plans in place than their peers who are planning to stay in practice longer.

**Practicing Physicians over Age 60: Estate Plans**

- **Updated Will**: 81% (Those planning to retire in 2 years) | 72% (Those planning to continue practicing)
- **End-of-Life Directives**: 70% (Those planning to retire in 2 years) | 61% (Those planning to continue practicing)
- **Power of Attorney**: 70% (Those planning to retire in 2 years) | 59% (Those planning to continue practicing)
- **Medical Directives**: 69% (Those planning to retire in 2 years) | 59% (Those planning to continue practicing)
- **Living Trust**: 49% (Those planning to retire in 2 years) | 39% (Those planning to continue practicing)
- **Plan to Address Estate Taxes**: 38% (Those planning to retire in 2 years) | 35% (Those planning to continue practicing)
- **Charitable Giving Provisions**: 25% (Those planning to retire in 2 years) | 18% (Those planning to continue practicing)
- None of the above: 8% (Those planning to retire in 2 years) | 17% (Those planning to continue practicing)

Those planning to retire in 2 years | Base: 240
Those planning to continue practicing | Base: 473
They map out detailed retirement plans.

More than 1,000 retired physicians passed on their words of wisdom for their colleagues still practicing full time. A recurring theme from these successful retirees was the importance of making detailed plans for retirement, going beyond financial considerations. Part of retiring to something is mapping out what you plan to do with your time—and how you will make the transition from practice to retirement.

Advice from Successfully Retired Physicians:

“Plan carefully a few years ahead of time on how you will be spending your retirement time in a meaningful way. A slow transition to retirement is better than a sudden, complete termination of practice.”

“Start working half days for a year or more and then transition into full retirement.”

“Transitioning from a very busy hectic professional life to a more relaxed pace can be a challenge. Being productive is not necessarily the goal of being retired. Develop hobbies, goals or volunteer activities that aren’t tied up in being a physician.”

“If you haven’t done it already, begin spending time now in activities you plan to pursue in retirement.”

“Plan for it ... when, where, how, with whom. Identify priorities. Make sure you have your health care needs identified along with a plan to manage them.”

“There is a huge world open to you, and you should be ready to take advantage of the myriad opportunities that lie ahead.”

“Like most stages of life, retirement takes time to ‘grow into,’ perhaps as much as one or two years. But it is a wonderful time of life. My husband and I are blessed to be sharing it together!”
Additional Articles and Resources for Physician Retirement

Financial and Insurance Planning
“Bear proof” your retirement: How to protect your finances

5 ways to partner with a physician-friendly financial advisor

6 top financial planning mistakes physicians make

Costly IRA mistakes physicians should never make

4 IRA questions for which you need answers

The three phases of physician insurance planning— who needs what and when?

The Physician Dilemma of Funding Long-Term Care

Early retirement? 5 factors physicians should evaluate

6 key physician retirement insights from doctors already there