

Planning for the unexpected

Disability, financial and estate planning for physicians is crucial. Here's what to know.

*"To expect the unexpected shows
a thoroughly modern intellect."*
—Oscar Wilde

BRUCE ARMON

WHETHER IN CORPORATE transactions or litigation, attorneys always have to consider the what-ifs when analyzing a situation and providing advice. Though it's not possible to anticipate every scenario for every situation, with experience comes wisdom—and the opportunity to advance the interests of a client.

For physicians, the immediate concern in protecting against unsavory developments and advancing career objectives is your employment agreement. There are a myriad of issues in every employment situation: the length of the


initial term and the opportunity for renewal; the ability to terminate with or without cause; base salary and bonus opportunities; professional liability coverage and more.

To help you plan for the unexpected, we'll focus on three critical issues: disability insurance, financial advisors and estate planning.

Disability insurance

One of the provisions often overlooked in a physician employment agreement is the disability protections and benefits offered if you become disabled.

A physician disability, whether short- or long-term, can have debilitating financial consequences for both the physician and their family.

A man with thinning brown hair, wearing a light blue and white checkered button-down shirt and blue jeans with a brown leather belt, stands outdoors. He is looking off to the right with a slight smile. The background is a large tree with green leaves and several red, round fruits, possibly apples or pomegranates. The lighting is bright, suggesting a sunny day.

Jay Weinberg suggests
physicians – even those still in
training – consider personal, not
just group, disability insurance.

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You should review your employment contract and, before it is executed, confirm disability protections. Some employment contracts are very clear in what they provide, such as paid leave for accrued, unused vacation time and unpaid for any time after. Or the agreement may provide a sliding scale of pay over the course of a disability.

Some states have disability plans for which physicians may qualify. These programs may complement or be in lieu of a disability benefit offered by your employer. In essence, the physician cannot double dip on receiving disability benefits.

In addition to short-term disability benefits, many physicians opt to purchase long-term disability insurance.

"If you have a change in health and are no longer able to perform the main duties of your medical specialty, you will then receive a monthly payment from the insurance company," explains Jay Weinberg, owner of PGY1 Financial Solutions Corporation and an expert in physician disability insurance.

Understanding what your employer's disability insurance does and doesn't provide is critical for determining what additional protections you'll need.

"Many employers include a group disability insurance policy as part of their benefits package," Weinberg says. "It is extremely important to understand that there are distinct differences between group policies and individual policies. A physician may not wish to solely rely on a group policy. A well-structured individual policy is much more comprehensive than the typical group policy. There

are many situations where a group policy may not pay out a benefit and an individual policy will."

There are often benefits for a physician still in training to purchase a long-term disability policy. For instance, a physician who purchases an individual disability policy should confirm whether the policy has a flex-up feature. Weinberg notes that the flex-up feature "allows a physician to secure a low cost and low coverage amount policy while in your training years and concurrently maintain the ability to 'flex up' the coverage amount in the future without answering additional health questions."

Weinberg has helped residents and fellows secure Guaranteed Standard Issue (GSI) policies. Weinberg has observed these policies "do not require medical underwriting and may (depending on the insurance company and policy verbiage) cover pre-existing conditions. Each insurance company has 'knock out' questions on their GSI applications. It is important that a physician not apply for a medically underwritten policy in advance of securing a GSI policy, as this can jeopardize the physician's eligibility."

In preparing for the worst-case scenario (and hopeful you never have to use it), disability insurance can provide peace of mind for a relatively low premium.

Financial advisors

A physician will earn more each year than most Americans. This is true no matter your specialty, geographic location or type of employer. Physicians are also generally some of the smartest individuals—but

intellectual curiosity and insight does not always result in financial acumen.

"There's one important life skill that likely wasn't covered in training: financial planning," says Ed Blumenthal, executive vice president/wealth management with Stedmark Partners at Janney Montgomery Scott, LLC.

"Just as a physician wouldn't attempt to rewire your home's electrical system or sew your own scrubs, you don't need to go it alone when managing your financial future," Blumenthal says. "Financial planning—though not quite as complex as medicine—is still complex and best approached with professional help."

Blumenthal says an experienced financial planner can help physicians navigate repayment strategies, savings goals, insurance needs and long-term investment plans. They can help you recognize your level of risk tolerance, your appetite for significant gains and losses and your short- and long-term goals.

"For many new physicians, student loans are a pressing concern, but it's also so important to begin laying the foundation for long-term financial stability," says Blumenthal. "That means building savings and taking advantage of retirement accounts like a 403(b), 401(k), Roth IRA or others based on your situation and income level. Just as importantly, you'll want to establish a budget—one that allows you to save but also permits you to enjoy life now a little bit, too!"

Even the best financial planner can't predict exactly how or when the market will react to different events or circumstances. Riding the economic wave can be exhilarating



“...You wouldn’t want your patients self-diagnosing and treating themselves—and you deserve the same quality care in your finances,” says **Ed Blumenthal**.

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and frustrating. Most of us don’t have the time, inclination or stomach to be active day traders. A financial planner can help keep your eye on the prize: a comfortable and financially secure retirement.

Choosing the right financial advisor is a personal decision that starts with trust. Blumenthal suggests physicians “get a few suggestions from colleagues, friends and family. Look for someone who understands and has experience working with physicians.”

When you interview prospective financial advisors, get a sense of if the advisor will be available when you are. Blumenthal recommends asking about “their experience—especially with physicians, how they’re compensated (fee-only, commission-based, etc.), communication style and frequency,” and sense whether you feel comfortable and understood.

A good financial advisor will give you the

ability to be the best physician you can be.

“Let a financial professional help you do the same for your personal financial health,” Blumenthal says. “After all, you wouldn’t want your patients self-diagnosing and treating themselves—and you deserve the same quality care in your finances.”

Estate planning

At some point, each of us is going to die. Hopefully, this occurs after a long and successful career and an equally enjoyable retirement surrounded by family and friends. The best-made plans, however, do not always come to fruition.

Taking care of your estate planning is one of those items that should be addressed sooner rather than later. Your documents can always be updated as life events—marriage, divorce, additional children, etc.—occur.

Just like seeking professional assistance for disability insurance and financial planning, a physician should engage an estate attorney skilled in their field who stays apprised of important tax developments.

Maurice D. Lee, III, an estate planning partner at Saul Ewing LLP, notes that physicians should have “a will, a durable power of attorney, and an advance healthcare directive.” The will is the most common estate planning document.

“A will governs the disposition of property you own in your own name at the time of your death,” says Lee. “Assets held by you jointly with another, or assets for which you have designated a beneficiary (typically life insurance or retirement plans) would not normally be governed by a will, unless the named beneficiary or other joint owner predeceases you. If you don’t have a will, assets you own at the time of your death will pass via the state’s interstate laws, which may or may not reflect what you would want to have happen.”

Having a will in place is critical for physicians with children. “A will can also nominate a guardian to have custody of your minor children,” Lee says. “Otherwise, a court will end up appointing a guardian—how comfortable are you with that prospect?”

State law is very important to consider in estate planning. In some states, according to Lee, “individuals use a revocable trust rather than a will to govern the disposition of their assets at death. Whether this is appropriate is very state specific. In some states, revocable trusts are nearly always used because the probate process is either very expensive or very time-consuming. In other states neither is the case, so whether a revocable trust is appropriate in your case needs to be discussed with a qualified estate planner.”

In addition to a will or revocable trust, a durable general power of attorney is an important estate planning tool. Lee notes that a general power of attorney “enables someone to act for you with respect to business and financial matters if you are unable to act for yourself, either temporarily or permanently. Otherwise, your loved ones may be forced to go to court to have a guardian appointed, and that’s both expensive and court intrusive, and it’s so easy to avoid by having a power of attorney in place.”

Many physicians see families struggle with end-of-life choices. To avoid that same situation, consider having an advance health directive in place.

This document allows you to identify an individual who can represent your interests to medical professionals if you are unable to do so yourself. For instance, according to Lee, the advance health directive “allows you to state what your wishes would be with respect to treatment or care if you are either in an end-stage medical condition or permanently vegetative.” An advance health directive allows you to control the healthcare decisions to be made about you—and can ease the emotional burden on your loved ones. Even if they do not agree with the choices you made, the healthcare professionals providing your care will be bound by those decisions.

None of us can predict the future. A physician’s employment contract can and should provide many protections, including for issues that are unexpected and may never come to fruition. There are certain business-related issues, however, where you must take initiative.

Ensuring adequate and appropriate disability insurance is in place can help provide financial security for you and your family—and peace of mind. Proper financial planning can help ensure a happy retirement and even provide generational wealth opportunities. Finally, diligent estate planning will ensure your estate plans are formalized when you pass away or if you are unable to make decisions on your own. Relying on a skilled professional to address each of these issues could be the best decision you make. •

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