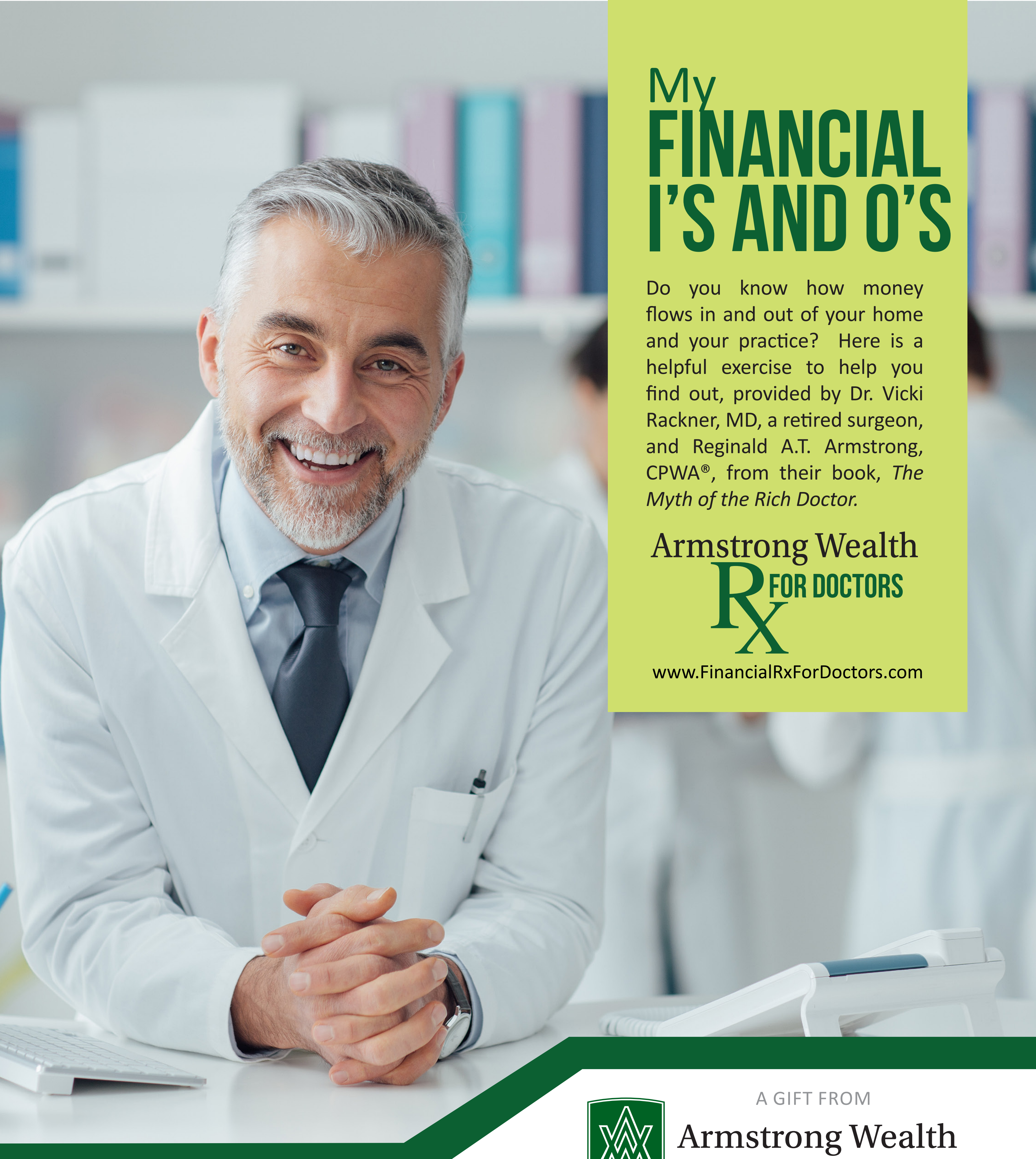


My FINANCIAL I'S AND O'S

Do you know how money flows in and out of your home and your practice? Here is a helpful exercise to help you find out, provided by Dr. Vicki Rackner, MD, a retired surgeon, and Reginald A.T. Armstrong, CPWA®, from their book, *The Myth of the Rich Doctor.*

Armstrong Wealth
RX FOR DOCTORS

www.FinancialRxForDoctors.com

A GIFT FROM
Armstrong Wealth
MANAGEMENT GROUP

1807 West Evans Street, Suite A | Florence, SC 29501
Telephone: 843.292.9997 Email: armstrongwealth@lpl.com Web: armstrongwealth.com

In order to build wealth you want to

- Plug money leaks
- Save aggressively
- Invest wisely

Let's look at how money flows in and out of your practice and your household.

HOUSEHOLD
MONEY INFLOW

On average, how much money do you bring home each month from your practice?

____

On average, how much money does your partner bring home each month?

____

On average, how much passive revenue do you generate each month?

____

On average, how much portfolio revenue do you bring in each month?

____

Do you have other sources of revenue?

____

What are your fixed expenses each month?

Mortgage or rent ______________________

Property taxes ______________________

Homeowner's insurance ________________

Utilities ______________________

Phone/Internet ______________________

What do you spend each month for transportation?

Car payments ______________________

Auto insurance ______________________

Maintenance ______________________

What do you spend each month to maintain your home?

Housecleaning ______________________

Yard maintenance ______________________

Home repairs ______________________

What do you spend in the average month on medical and dental expenses?

Medical insurance ______________________

Medical and dental care ________________

Medications ______________________

Long-term care insurance ______________

What do you spend in the average month for food and entertainment?

____

What do you spend each month for vacations?

____

What do you spend each month on clothing, health, and beauty?

____

What do you spend each month on gifts?

____

What do you spend each month on professional services?

____

How much do you spend each month on luxury services?

____

How much do you spend each month on your kids' tuition, sports, band, and other expenses?

____

How much do you spend each month for charitable donations?

____

How much do you spend each month in membership dues?

____

How much do you spend each month in taxes?

____

How much do you save each month for your retirement?

____

How much do you save each month for your kids' college education?

____

How much do you spend each month for the care of your parents or other relatives?

____

LESSONS FROM A DRIPPING FAUCET

You see a little drip from your kitchen faucet. No big deal, right? **Wrong!**

A slow leak of thirty drips per minute wastes

4.32 GALLONS DAILY

129.6 GALLONS MONTHLY

1576 GALLONS YEARLY

A family of four consumes 12,000 gallons of water annually washing their clothes.

So, too, the slow dripping of little expenditures adds up.

WHAT ARE YOUR ASSETS and LIABILITIES?

ASSETS

What is the value of your home?

What is the value of other real estate holdings?

What is the value of your cars, art, furnishings, and jewelry?

How much do you have in savings and checking accounts?

How much do you have in your stock/bond portfolio?

What is the cash value of your insurance policies?

What is the value of other assets you own?

What is the value of any IP you own or ownership stakes in businesses?

What is the value of your medical practice?

Tip: Take a video to document the items in your home. In the event of fire or theft, it will make your life much easier! And load the video into the cloud.

LIABILITIES

How much do you owe on your mortgage?

How much credit card debt are you carrying?

How much do you owe on personal debts?

How much do you owe on medical school debts?

How much do you owe for your cars?

How much do you owe for investments you have made in your practice?

What is my net worth?

Add up your assets, subtract your liabilities, and you have your **net worth**.

MY PRACTICE I'S AND O'S

Now, let's take a look at your practice.

MONEY INFLOW

How much do you bill insurance companies for your clinical services in an average month?

____

How much do you collect from insurance companies in the average month?

____

What percentage of your revenue is generated by Medicare patients?

____

Medicaid?______________________

How much do you bill patients in your average month?

____

How much do you collect from patients in your average month?

____

What are your three most profitable clinical activities?

____

____

____

What are the three insurance carriers from whom you collect the most generous fees?

____

What is your average total accounts receivables?

____

What percentage of your practice revenue comes from insurance payments?

____

Patient payments?_______________

How many days, on average, elapse between the time you bill and the time you collect?

____

What percentage of your insurance claims are rejected?

____

What do you do with rejected claims?

____

What percentage of your patients' co-pays do you collect?

____

What percentage of your practice revenue comes from procedures for which patients pay cash?

____

If you sell products in your practice or offer ancillary services like in-house formularies, how much revenue does it generate in your average month?

____

How much revenue do you collect in the average month for activities outside of your main clinical practice?

____

Consulting ______________________________

Speaking ______________________________

Expert in med mal cases ______________________________

Writing ______________________________

Locums work/shifts in nursing homes

____

Leadership positions ______________________________

If you sold your practice today, what would the sale price be?

____

Will any junior physicians buy into your practice in the next one to five years?

____

If so, what revenue would that generate for you? ______________________________

Does your employer or corporation contribute to a retirement account?

____

How much? ______________________________

If you own your building, how much rent do you collect each month?

____

MONEY OUTFLOW

What are your fixed expenses each month?

Rent ______________________________

Payroll ______________________________

Phone/Internet/Answering service

____

Vendors ______________________________

(medical billing, bookkeeping, EMR)

Insurance

Med mal ______________________________

Disability ______________________________

Health ______________________________

How much bad debt do you write off each month?

____

How much do you pay in taxes each month?

____

What is your monthly marketing and advertising budget?

How much do you spend on CME, subscriptions, books, and access to educational content?

How much do you pay in dues, licenses, and fees?

How much do you spend each month on professional fees?
(CPA, lawyers)

How much do you spend to maintain your office and its furnishings?

How much do you spend in office supplies, mailing, and other expenses?

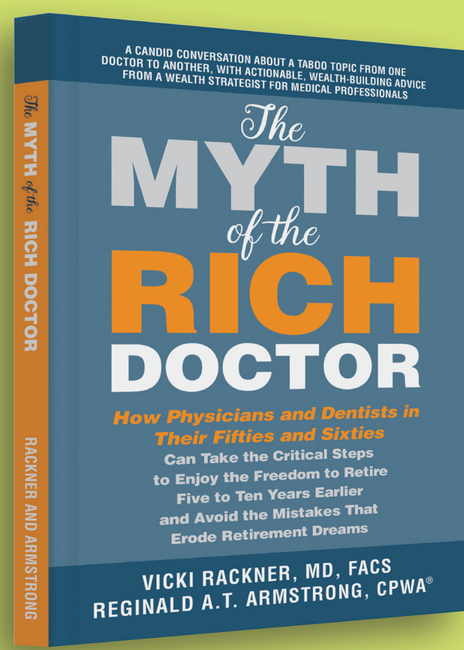
How much do you spend for leases or payments of medical equipment?

What is your total practice debt?____________________________

How much do you spend each month to maintain a professional image (clothing, hair and makeup, manicures)?

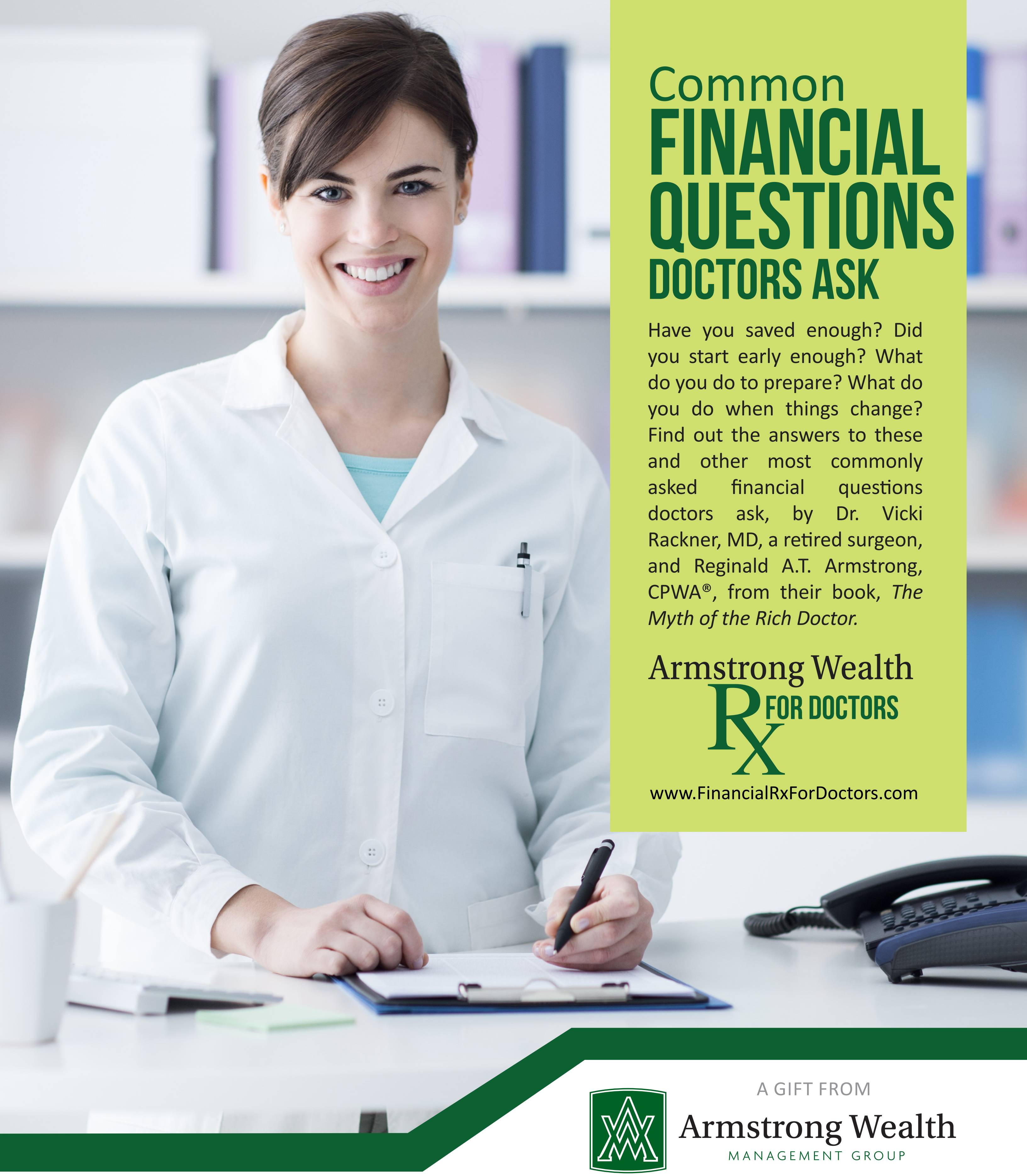
Are you incorporated?_____________________________________

What percentage of your expenses do you run through your corporation?____



TO LEARN MORE
about what critical steps physicians and dentists can take to
ENJOY THE FREEDOM TO RETIRE FIVE TO TEN YEARS EARLIER
get a copy of the book by visiting
FinancialRxForDoctors.com

To schedule your
NO-OBLIGATION DISCOVERY MEETING
with Reginald Armstrong
call Armstrong Wealth at
843.292.9997



Common FINANCIAL QUESTIONS DOCTORS ASK

Have you saved enough? Did you start early enough? What do you do to prepare? What do you do when things change? Find out the answers to these and other most commonly asked financial questions doctors ask, by Dr. Vicki Rackner, MD, a retired surgeon, and Reginald A.T. Armstrong, CPWA®, from their book, *The Myth of the Rich Doctor.*

1807 West Evans Street, Suite A | Florence, SC 29501
Telephone: 843.292.9997 Email: armstrongwealth@lpl.com Web: armstrongwealth.com

Question
HAVE I SET ASIDE ENOUGH MONEY FOR RETIREMENT?

A My doctor clients have very different dreams about their retirement. I can think of one doctor who plans to travel internationally. I know another who can't wait to putter in his garden for days on end.

Clearly the amount of money that you need is tied to the amount you want to spend and how much of a financial cushion you want and need.

The biggest fear most doctors have is compromising their lifestyle in retirement. Put this fear to rest by putting pencil to paper and calculating your financial needs.

I recognize that this is an exercise some avoid, just as a patient who needs to lose weight avoids stepping on a scale. Three things usually happen. First, it's a relief to replace worry with information. Second, doctors are often surprised that their actual cash flow is very different than they expected. Third, this discussion makes it easier to take that next step and create a concrete plan.

Question
HOW CAN I CATCH UP IF I DELAYED SAVING AND INVESTING?

A A doctor client told me, "One of the smartest things I did was to take the advice of a couple of my partners. They encouraged me to put away $1,000 per month. My only regret? I wish I had started earlier. I wish I had started earlier. I WISH I HAD STARTED EARLIER."

You know about the power of compound interest. Because of your prolonged training period, you already lost about a decade of compound interest. Yes, I see many doctors who lose another decade or two of savings as they pay off medical school loans, buy big houses, and purchase toys. If this is you, you are not alone.

In terms of specific advice, there is no substitute for supercharging your salary deferrals into retirement plans that qualify for any tax-deferred or tax-exempt status like a 401(k). Take full advantage of it and maximize the available plans. We recently consulted with a physician with a major hospital system who was unaware of the availability of a 457(f) plan that he could use to double the amount he was deferring toward retirement.

Don't forget to also invest in nonqualified accounts you purchase with after-tax dollars that are held in tax-deferred accounts, plans, or trusts. They are more accessible before retirement without governmental penalties.

If you cannot find extra dollars to save and invest, I recommend you review your current spending habits. Do you have too much in house and car payments? Bottom line is you must run the numbers (or have an advisor do so).

Please avoid the biggest mistake I see midcareer doctors make. Some doctors in this situation make things worse by investing in high-risk ventures hoping to enjoy big rewards. Do not take on extra risk in order to catch up for lost time. This strategy can backfire. For instance, one of my physicians wanted to invest in a certain social media stock hoping to not miss out on the next big thing. While it may still work out someday, being down 40 percent almost right out of the box is not the way to catch up.

This is the time to be a safe and prudent investor. Work with a professional financial advisor who can help you identify the best plan to get you to retirement.

Question
HOW CAN I SPEED UP RETIREMENT?

A Many of my doctor clients are burned out. They used to derive great pleasure from their work, but now the administrative burdens and financial pressures have eroded their joy.

If you are in this situation, you can take either dramatic or small financial steps that can significantly move up your retirement date. A dramatic step might include downsizing now if you are empty nesters. You might not need that much house or that much car. Some of my clients would rather exchange a skiing vacation in the Swiss Alps for a stay-cation if it means that they can retire five years earlier than expected.

I also help clients identify simple ways to save and invest. For most doctors, it's not the big Italian leather sofas that drain the budget; it's the smaller sums that slip through their hands. In a documentary about Warren Buffett, they show him going through the drive-through window at McDonald's to pick up breakfast. He said that if the market isn't doing well, he gets the lower cost breakfast item.

However, I also invite you to take a look at a different question: Are there changes that you can make to return to the joy in medicine?

Question
HOW WILL THINGS CHANGE IN RETIREMENT?

A The way you manage your money can and should reflect your life stage.

The post-retirement distribution phase follows different rules than the pre-retirement accumulation phase. The reasons are obvious—there are no do-overs in retirement. If you lose a third of your wealth on a bad investment (what Dr. Rackner calls Dumb Doctor Deals) or in a bear market when you are forty years old and twenty years from retirement, it is painful but not devastating. You can always work longer. The same scenario at age fifty-eight is much more painful with potentially dire, goal-altering consequences.

Retirement normally has three phases, characterized by different financial demands.

The go-go phase of retirement. This is the earliest stage of retirement when you have your health and can enjoy life. Some of my doctor clients are surprised that their expenses do not go down as much as they thought in early retirement. The children may be out of college, but you may be spending money on the grandkids, vacations for yourself, and perhaps still taking care of your elderly parents.

The slow-go phase of retirement. Somewhere around age seventy-five or eighty, expenses often fall. Health concerns may limit travel. The death of a spouse can also change spending patterns. If the surviving spouse has not historically dealt with the finances, their stress level may skyrocket.

The no-go phase of retirement. Finally, as we enter the final phase of retirement, the no-go years, expenses may rise again as health costs pick up. Also, legacy planning, if not yet addressed, likely becomes a focus.

The bottom line is that retirement changes as we go through it, and we each have our unique response to those changes. Having a trusted financial partner to help you anticipate and navigate through each phase is critical.

Question
WHAT ARE SOME OF THE THREATS TO MY WEALTH, AND HOW CAN I PROTECT MYSELF?

A You will experience many risks to your wealth as a midcareer physician or dentist. It is easy to skimp on the parts of financial planning that cover risk management. But you simply must cover the four major risks: death, disability, long-term care, and lawsuits.

Death. For most of your career the focus will be on protecting your loved ones in case of your untimely demise. In the latter stages of your career, estate taxes may end up being a serious consideration.

Disability. This is by far the greatest risk for medical professionals. Statistically you are far more likely to be disabled than to die during your working years. According to the American Dental Association, one out of four dentists will become disabled during their careers. You need customized solutions for your unique needs.

Long-term care. With a five-year stay in an eldercare facility approaching $500,000 in total costs, even wealthy doctors need to review their options to protect their assets and their freedom of choice in the event of need.

Lawsuits/liability. As a doctor, especially if you are a business owner, you have a bull's-eye on your back for lawsuits, and not just malpractice suits. For example, if your office manager left a laptop on the plane, and that laptop contained medical records, you are liable for a $250K penalty for each medical record compromised. Make sure you are protected from all the "what if's" in life.

Question
WHAT'S THE BEST WAY TO SAVE FOR COLLEGE FOR MY CHILDREN OR GRANDCHILDREN?

A As a successful medical professional, you may be tempted to think that you will be able to pay for college with current earnings. Certainly that is one option for some doctors, but may be impractical for those with many children. For most doctors, Section 529 plans will likely be the best option.

First, your money potentially grows tax-deferred and is tax-free if used for qualified secondary education expenses. The money can be used at practically any school. Second, there are potential state tax deductions in certain states. For example, in South Carolina under current law there is an almost unlimited state tax deduction. So if a doctor puts $50,000 in 529s for her kids, she gets to deduct $50,000 from her state return, saving her 7 percent on the $50,000 or $3,500. Third, the child is a beneficiary; the parent or grandparent always controls the money.

Fourth, the money is considered outside of the estate. This can be an important part of estate planning for wealthier families, especially since the money can be shifted to close relations of the original beneficiary. For example, when my grandchildren were born, I shifted part of my daughter's 529 plan she had not used to them. Not only did I shift assets down another generation, but there are potentially eighteen years of growth ahead for the assets before they go to college.

Question
HOW CAN I MINIMIZE MY TAX BURDEN?

A As one of my clients who is in his forties mentioned, the two biggest obstacles to his financial freedom are education of children and taxes. And while the kids eventually get out of college, the tax challenge is always with us. So how do we minimize the tax burden?

First, defer as much as you can legally. In 2017, you can put away as much as $54,000 between employee and employer contributions. Second, check if your state has a state tax deduction for Section 529 contributions and take that into consideration. Third, pay attention to tax location, not just allocation. Some investments are better suited for taxable accounts, while others are better in qualified accounts such as IRAs.

Keep in mind that as of mid-2017, nonqualified dividends and short-term capital gains can be taxed as much as 43.4 percent in taxable accounts, while long-term capital gains top out at 23.8 percent for those in the highest tax bracket.

Be sure to use the tax code to your advantage. For example, to offer an incentive for saving, the government has created a program called the cash balance plan. For the right doctor, this is potentially a way to significantly reduce your taxes.

Further, a well-executed legacy plan can help you support causes that are important to you while enjoying tax benefits today.

Question
IS IT POSSIBLE TO INVEST WHILE KEEPING THE VALUES OF MY FAITH IN MIND?

A The short answer is yes. On one hand, most of my doctor clients express their values through their philanthropic efforts. As one of them put it, "Don't forget that giving whether it is to church, charity, or other worthy causes is important to us as humans at a visceral level. It makes you feel good and prosperous, and there is significant value to that as well. I don't regret any of the contributions I have made."

On the other hand, some clients prefer that the investments they select not violate their faith-based value system. The good news is that portfolios can be crafted that screen out companies that violate core ethical principles. Our firm, in fact, specializes in this form of portfolio construction.

Question
WHAT ABOUT INVESTING IN REAL ESTATE?

A You most likely know people who have made money in real estate; you may also know people who lost money in real estate.

Before you purchase real estate, you want to have clarity about your purposes. Would you like to buy a beach-front getaway that you can enjoy with your family? This is the kind of property that could potentially be passed through the generations.

Would you like to buy something that you could potentially rent out and generate cash flow?

Are you interested in investing in commercial real estate that will appreciate in value so you can sell it for a profit?

Many of our doctor clients, especially dentists and veterinarians, own the building that houses their practice. Some upon selling the practice, retain the building for some time to continue a revenue stream during the go-go years of retirement.

As with any other investment, it's important to make informed choices. You want to get advice from the right people.

Question
WHAT'S THE BEST WAY TO RESPOND TO A DIVORCE, A DEATH, OR EVEN A "BUSINESS DIVORCE" WHERE A DOCTOR BREAKS AWAY FROM THE PRACTICE? WHAT DO YOU DO WHEN YOU'RE SUDDENLY SINGLE?

A Losses from divorce or death can be devastating events—both emotionally and financially. So can a failed medical partnership.

Sometimes there are basic mechanical problems. For many couples one of the partners takes responsibility for the money. They make investing choices and pay the bills. It's important that all parties put their financial houses in order. Sometimes that means developing new skills or hiring experts.

This is a time to get back to core values. What's most important? How can spending and investing reflect core values?

Question
SHOULD I PAY OFF MY MORTGAGE EARLY?

A Many doctors want to know if they should pay off their mortgage early. Obviously, this can only be fully answered individually, but here are a few thoughts.

Before paying off a mortgage, ensure the other priorities are in place, such as emergency cash reserve, high-interest ugly and bad debt paid off, fully funding retirement, ensuring adequately insured. Once that has taken place, then it depends where the stock market is. If it is near a bottom like in 2009 or 2010, then putting extra into investments is likely to be more beneficial than paying off the mortgage.

On the other hand, if the market has had a very long run up such as 1999 or 2007, perhaps paying off the mortgage early is the better move. Also, I find most doctors would rather be debt-free in retirement so at some point making the payoff a priority needs to happen. Finally, some doctors are allergic to debt and it really makes them uncomfortable. I have yet to meet a client who regrets paying off their home before retirement, but I have met many who regret not paying it off while they were still earning an income.

Question

WHAT ARE THE BIGGEST MISTAKES DOCTORS IN THEIR FIFTIES AND SIXTIES MAKE?

A Some doctors in their fifties and sixties regret they did not start saving and investing earlier. They think they need to play catch-up. They take more risks than they should. So the underlying question is really: Can you protect me from myself?

The short answer is maybe.

We financial advisors can educate, we can coach, we can cajole, we can put in systems, but in the end the doctor has to buy into our process and believe we have their back.

Emotions are dangerous. Many studies have shown that the majority of the value investors will receive from their financial advisor will come from the advisor helping them avoid making bad decisions, and conversely taking action when they felt otherwise. I mean, when US technology stocks (or any sector) are leaving everything in the dust, it is tempting to junk what appears to be a stodgy diversified portfolio. Unfortunately, this often comes at exactly the wrong time.

Similarly, when the markets have plummeted and blood is figuratively running in the streets, it can seem insane to invest in stocks. Yet, I would contest that in the end this is what you hire us for. To make the tough calls.

My clients hire me to show them which risks could devastate their families and cover them.

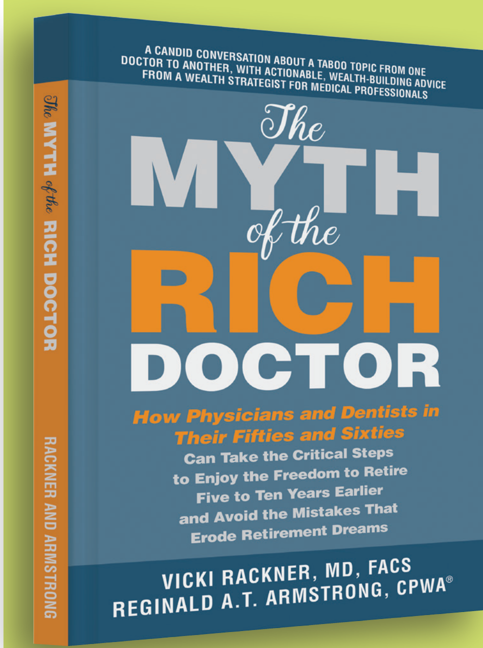
They hire me to help them take advantage of the tax and retirement plan codes.

They hire me to tell them no.

They hire me to tell them to do it now.

They hire me because I have their best interests at heart. This is what I do, and I do it well.

Who is doing those things for YOU?



TO LEARN MORE
about what critical steps physicians and dentists can take to
ENJOY THE FREEDOM TO RETIRE FIVE TO TEN YEARS EARLIER
get a copy of the book by visiting
FinancialRxForDoctors.com

To schedule your
NO-OBLIGATION DISCOVERY MEETING
with Reginald Armstrong
call Armstrong Wealth at
843.292.9997

RISK ANALYSIS

Armstrong Wealth

Rx FOR DOCTORS

www.FinancialRxForDoctors.com

What's your risk number?

How risky is your account?

Get your portfolio risk analysis

using our interactive tool.

CLICK HERE TO RECEIVE YOUR FREE PORTFOLIO RISK ANALYSIS.

A GIFT FROM

Armstrong Wealth
MANAGEMENT GROUP

1807 West Evans Street, Suite A | Florence, SC 29501
Telephone: 843.292.9997 Email: armstrongwealth@lpl.com Web: armstrongwealth.com

LIFE STAGE TOPICS for Doctors

Armstrong Wealth Rx FOR DOCTORS

FinancialRxForDoctors.com

Items to consider (but should receive individualized advice before deciding)

CAREER LAUNCH

- Define your values. Let those values guide spending.
- Establish an emergency cash reserve.
- Set a plan for reducing debt.
- Contribute the maximum possible to a retirement plan; use Roth option if available.
- Get individually owned term life insurance.
- Get individually owned "own occupation" disability insurance.
- Get umbrella liability insurance.
- Set initial short-, mid-, and long-range goals.
- Establish and implement a strategy to address the goals.
- Put systems in place to automate savings.
- For the first few years after your training ends-when your income increases five- to tenfold-upgrade your lifestyle with restraint.
- Create a financial dream team: a wealth strategist who can be the financial quarterback, a tax advisor, and an estate attorney.
- Get a will.
- Consider your corporate structure choice if in private practice.

LEADING THE PACK

- Minimize current and future taxes.
- Take full advantage of retirement plans.
- Maximize ability to save money.
- Ensure life and disability insurance coverages keep up with need.
- Increase umbrella liability insurance as appropriate.
- Review will; establish durable and health care powers of attorney.
- Ensure beneficiaries are updated on retirement plans, insurance, and investment accounts.
- Keep updating goals.
- Ensure investment strategy adapts to the time frame of goals.
- Review corporate structure in light of any tax law changes as they occur.

HANGING UP THE WHITE COAT

- Continue to minimize taxes.
- Verify you are on track for making work optional.
- Ensure you have a clear idea of expenses in retirement.
- Ensure you have a "hobby strategy"-know what you will do with your time in retirement.
- Monitor asset allocation and investment strategy to manage market risk as retirement approaches.
- Adjust investment accumulation strategy to investment income strategy when appropriate.
- Organize all areas of personal finances; ensure your spouse is informed.
- Finalize estate and gifting plans.

A GIFT FROM

Armstrong Wealth MANAGEMENT GROUP

1807 West Evans Street, Suite A | Florence, SC 29501

Telephone: 843.292.9997 Email: armstrongwealth@lpl.com Web: armstrongwealth.com