



The Importance of Estate Planning for Physicians

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Estate planning is an essential component of sensible financial planning, yet it is overlooked by many physicians. Surgeons by their busy nature are procrastinators when it comes to their own financial health. Countless hours in the OR and time spent with patients leaves the average physician little or no time to deal with his own family affairs. As a result, much is left to chance... a scary thought, considering that the average net worth of a 50-year-old doctor earning \$700,000 per year is \$3.5 million. In general, physicians have a greater need for estate planning more than the average person simply because of the size of their estates.

The purpose of estate planning is to ensure that personal, financial and tax goals are realized after you die, according to *your* wishes. The key word is "your," for without a proper estate plan in place, Uncle Sam and Probate court will make the decisions for you. For everyone, the discussion of mortality is a highly sensitive topic and intensified by challenging family dynamics, such as divorce, blended families and special needs situations. However, the advantages and certainty of having an estate plan in place supersede all emotional conversation.

Every surgeon's family dynamic is unique; however, the same issues seem to crop up when it comes to estate planning—equality and fairness. The following is a perfect illustration and typical dilemma we see nearly all of the time:

"We have one son with two children and a daughter with five. If we leave equal amounts to each of the grandchildren, one family ends up with a substantially larger share of the estate. However, it doesn't seem fair that if we divide the estate between our children, then the grandchildren from the larger family are shortchanged. What should we do?"

Your Objective-State It!

The first step in estate planning is to define what you are trying to achieve. Once stated, it needs to be incorporated as part of your legacy planning. Is your goal to provide equitable distribution across the board for your children or varied among the total number of decedents.

In this particular case, there are two heirs, seven grandchildren, and thus nine decedents in total. Do you want to have specific sums available for each, or do you want to make sure if one grandchild goes to medical school and the other doesn't they are both covered?

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Get the Big Picture

You need to know the big picture, once you have decided on your objectives. A number of components complete the puzzle, most importantly the legal documentation and information relating to the estate. For some physicians, the gathering of this information can be both tedious and time-consuming; however, I assure you it is well worth the effort. At the most basic level, every surgeon should have the following on-hand:

- Bank accounts, mutual funds, safe deposit boxes
- 401k or IRA information
- Insurance policies
- Will
- Trusts
- Real estate deeds
- Personal property: autos, boats, furniture, jewelry, collectibles
- Balances on credit cards, mortgages and home equity loans/lines of credit
- Stock and bond certificates
- Business interests, LLC info
- Annuities
- Outstanding taxes
- Valuation of your medical practice

PRACTICE MANAGEMENT SOLUTIONS

Need or Equality

You must decide if special circumstances exist or if one family has more need over another. If so, this family differential must be carefully outlined and explained. You should start by stating that you have given careful thought to your distribution preferences, as in the case of the nine-person allocation above. Furthermore, a personal note to each of your children will clearly substantiate your ultimate objectives and give them the clarity they need.

Trustee Power

Part of the estate planning process involves the designation of an executor or trustee. You can name your spouse, domestic partner, a child or family friend. Special training is not a prerequisite, but honesty and responsibility is. In this case, I recommend discretion over a small portion of the total estate to the trustee. This measure can help ease tensions and boost fairness among family members.

Suggested Action Items

My suggestion is create a pool for the grandchildren and a separate pool for the kids. This process is simple to execute and allows you to give ample excess to the seven-person family – and still treat each of the daughters the

same. One word of caution is the timing of the gift tax for multigenerational grandchildren and estate tax issues. However, all can be managed once you define what you want to do.

The Bottom Line

No one said estate planning is easy; yet it is essential for every physician. The single most important takeaway is that you will save time, money and unnecessary aggravation by creating an estate plan. You will also protect your loved ones and their privacy, and spare them from the emotional costs and exhaustive process of probate. Don't procrastinate. Get the ball in motion sooner than later and set a time to speak to your professional advisor, draft the objectives and implement. Even when life changes occur, you will be able to ensure your family's financial security throughout several generations to come.

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