Evaluating AUM Fees for Small Practice Retirement Plans

[Editor’s Note: The following guest post was submitted by Konstantin Litovsky of Litovsky Asset Management who has written frequently over the years on the topic of building the best retirement plans for small medical practices (see list below for links to a few of these posts). Litovsky Asset Management is an advertiser on this site but this is not a sponsored post.]

How to Run a Successful Retirement Plan for a Medical or Dental Office
Small Practice Retirement Plans Part 1
Small Practice Retirement Plans Part 2
The Ideal Retirement Plan for Your Practice
The Best 401k Plan: Pooled or Participant-directed?
Cash Balance Plans for Solo and Group Practices

When it comes to personal financial planning, the industry is starting to move towards fixed/flat fee compensation, which is a welcome development for doctors and dentists who are high earners and high net worth (though not necessarily at the same
time). When charged for personal financial planning services, asset-based fees are highly unfair towards those with asset levels in excess of $1M and AUM fees can be even more costly for those with retirement plans because many doctors and dentists will accumulate anywhere between $1 and $4 million inside their retirement plans.

Unfortunately, the retirement plan industry has not followed suit and even though the fees are coming down on average, the cost to plan sponsors (and especially for smaller retirement plans) is still significant. Depending on what study one looks at, it is not uncommon to pay total AUM fees of as much as 2%, though the average is probably closer to 1%. However, for plans with $1M or more in assets, this means paying a large fee that increases every year, which is especially true for a group practice plan with multiple partners. Even for a solo practice with over $1M in assets, paying $10k a year for little or no service relative to the cost is not something one wants to do. Many advisers serving the small plans market are rarely acting in an ERISA fiduciary capacity or have experienced managing retirement plans, so paying such high fees is never a good idea, especially for a smaller plan. Larger plans might have smaller AUM fees, but because total assets are often in the tens of millions, the total cost to the plan can be staggering over time. Because most of the money in small practice plans belongs to the owners, they pay the bulk of the fees, and if your plan has AUM fees, you can potentially save a lot of money if you calculate what you are paying in fees, and determine whether you can make changes to the plan to minimize or eliminate completely all AUM fees in favor of fixed/flat fees.

Evaluating Small Practice Retirement Plan Assets Under
Management (AUM) Fees

Benchmarking your plan’s fees

There is no easy way to compare and evaluate your plan’s fees which are often a mix of fixed and asset-based fees. How would one go about comparing fees between different service providers to see which one is more cost effective given the services they provide? Your plan might have an adviser, a Third Party Administrator and a record-keeper (usually integrated with a custodian), and your service providers can charge a variety of different fees, including fixed fees, asset-based fees, revenue sharing paid by mutual funds and per participant fees. Some fees can be paid from assets, while other fees are billed directly, so it is often very difficult to estimate the total cost of all of your service providers over time and it is even harder to compare fees charged by different providers side by side.

To make the problem worse, service providers often use ‘funny’ math to discuss their fees. For example, they might say that your 1% AUM fee is actually $X, implying by omission that it is a fixed dollar amount (which it is not, as your AUM fees grow proportional to your asset growth). And when you get a quote from a fixed-fee service provider, the AUM fee service provider might say that your fixed fee is actually Y% AUM
which might seem high especially if your plan does not have a lot of assets, and their AUM fee is lower than Y%, thereby implying that a fixed fee is higher than their AUM fee. The problem with this type of comparison is that AUM fees will grow as your assets grow and diminish your portfolio return, while fixed fees are deductible as a business expense, so this type of comparison is disingenuous and wrong, but you often see this type of ‘conversion’ math used even on official plan documents (such as when comparing cost per $1000 for mutual funds in the menu). Instead, we should consider the cost of actual AUM fees rather than ‘converted’ fixed amounts (as this does not provide an accurate picture of the relative magnitude of fees paid over time).

To address the fee comparison issues discussed above, we’ve developed a retirement plan calculator that can be used to analyze the fees of any plan, and compare the fees for different service providers side by side. Below we’ll consider several examples that will explain these differences and why it is important to understand how to properly compare fixed and asset-based fees. Paying fees from your assets diminishes your investment returns, so this has an effect of lowering your portfolio’s growth over time. For high earners, this loss might be as high as $1M or more over several decades, and examples shown below will demonstrate this.
Some plan sponsors choose to pay their service providers outside of the plan using the business cash flow. While this is better than paying directly from your plan assets (because of the business tax deduction one gets when paying service providers directly), this still has significant disadvantages over fixed fees. While you don’t have the AUM fees diminishing your returns anymore, you do have significantly increasing fees nonetheless, so this is still much more costly than paying fixed/flat fees, and this will also be demonstrated by examples below.

**Comparing fixed fees vs. asset-based fees.**

Let’s consider several examples that show how to use the cost comparison calculator. While there are drawbacks to using any type of calculators that make static assumptions (such using a fixed rate of return), the main idea here is to compare different scenarios side by side using the same set of assumptions. We are only looking for relative cost difference, rather than absolute numbers, which would not be accurate given how much spread we will get if our assumptions about future returns are wrong. Also please note that the calculator used below is a more advanced version of this cost comparison calculator (with the option of paying AUM fees directly vs. paying AUM fees from assets), so examples 1 through 3 can be replicated using the calculator linked above, while examples 4 and 5 can’t be replicated.

**Example 1: Startup small 401(k) with profit sharing plan.**

A question that often arises is whether having an AUM fee is an issue when your plan has no assets. It turns out that the answer is yes, as can be seen from the table below. In the short term, it is true that AUM fees are lower than fixed fees, but over time AUM fees catch up, and after reaching a
breakeven point you end up paying significantly more. So everything else being equal, even a plan with no assets can benefit from a flat/fixed fee structure.

<table>
<thead>
<tr>
<th>Revenue (Years)</th>
<th>1%</th>
<th>5%</th>
<th>10%</th>
<th>20%</th>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Growth, Service Provider 2 (flat fees)</td>
<td>$47,000</td>
<td>$1,191,904</td>
<td>$5,992,381</td>
<td>$9,275,392</td>
<td>$9,766,392</td>
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<tr>
<td>After tax Cost, Service Provider 2 (flat fees)</td>
<td>$29,000</td>
<td>$529,004</td>
<td>$9,275,392</td>
<td>$9,766,392</td>
<td>$9,766,392</td>
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<tr>
<td>Asset Growth, Service Provider 1 (asset based fees)</td>
<td>$422,000</td>
<td>$1,011,182</td>
<td>$9,275,392</td>
<td>$9,766,392</td>
<td>$9,766,392</td>
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<tr>
<td>After tax Cost, Service Provider 1 (asset based fees)</td>
<td>$25,000</td>
<td>$531,440</td>
<td>$9,275,392</td>
<td>$9,766,392</td>
<td>$9,766,392</td>
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<tr>
<td>Difference in Valuation of Plan (Cumulative)</td>
<td>$164,427</td>
<td>$270,472</td>
<td>$406,948</td>
<td>$476,912</td>
<td>$546,408</td>
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</table>

<table>
<thead>
<tr>
<th>Revenue (Years)</th>
<th>1%</th>
<th>5%</th>
<th>10%</th>
<th>20%</th>
<th>25%</th>
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<tr>
<td>Cost Difference (flat)</td>
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<td>Income Cost Difference</td>
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<th>State</th>
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<td>Three Months</td>
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<td>Annualized Portfolio Return</td>
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<td>Annual contributions</td>
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<tr>
<td>Current plan assets</td>
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<td></td>
</tr>
<tr>
<td>Number of plan participants</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Example 2: Existing small 401k with profit sharing plan.

What about an existing plan for a solo owner that already has assets in it? It turns out that the more assets the plan has, the higher the cost of AUM fees, which comes as no surprise, as the table below shows.
Table 2. Existing small 401(k) with profit sharing plan.

Example 3: Existing group practice 401(k) with profit sharing plan.

Group practice plans might not have many participants, but they definitely have a lot more assets than a typical plan with the same number of participants. And because most of the money belongs to the partners, the cost of such plans is paid almost exclusively by the partners. Table 3 shows the long term cost of asset-based fees (however modest they might seem on paper).
Table 3. Existing group practice 401(k) with profit sharing plan.

Example 4: Existing group practice 401(k) with profit sharing plan, with all asset-based fees paid directly by the practice.

For the example in Table 3 above, let’s consider what happens when you pay AUM fees directly vs. from plan assets.
Table 4. Existing group practice 401(k) with profit sharing plan, with all asset-based fees paid directly by the practice.

<table>
<thead>
<tr>
<th>Action</th>
<th>Service Provider #1 (Flat Fees)</th>
<th>Service Provider #2 (Flats + FLAT)</th>
<th>FLAT ADMIN. PLUS ADVISE Fee ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td>Flat Fee</td>
<td>Flat Fee + FLAT Admin. Fee</td>
<td>FLAT ADMIN. PLUS ADVISE Fee ($)</td>
</tr>
<tr>
<td><strong>Administrative</strong></td>
<td>Flat Fee + FLAT Admin. Fee</td>
<td>FLAT ADMIN. PLUS ADVISE Fee ($)</td>
<td>FLAT ADMIN. PLUS ADVISE Fee ($)</td>
</tr>
<tr>
<td><strong>Per Participant</strong></td>
<td>Flat Fee + FLAT Admin. Fee</td>
<td>FLAT ADMIN. PLUS ADVISE Fee ($)</td>
<td>FLAT ADMIN. PLUS ADVISE Fee ($)</td>
</tr>
</tbody>
</table>

If you had a choice to pay AUM fees, it is always better to pay those from the cash flow because the practice will get a business tax deduction for paying fees directly, and you will not decrease your compounded return. However, as the asset level increases, such fees will grow over time so the cost to the practice will increase constantly, which is less than ideal for planning purposes.
So a rule of thumb for larger plans should be to eliminate as many of their asset-based fees as possible, and to pay the rest after-tax (provided that those fees are relatively low so that the amount is not expected to become a burden). Since most of the money in such plans belongs to the partners, this is the best way to minimize your plan’s cost over time.

**Example 5: Comparing a fixed fee record-keeper vs. a record-keeper with an asset-based custodial fee.**

Can you actually get a retirement plan with absolutely no AUM fees (except for low mutual fund expense ratios)? Custodians (such as Matrix, MG Trust and others) that are integrated with many record-keepers charge a small asset-based custody fee. Record-keepers such as Ascensus don’t have AUM fees (because they use their own custodians), but their base fee can be significantly higher, so you’ll need to do the analysis to determine the cost difference over time.
Table 5: Comparing a fixed fee record-keeper vs. a record-keeper with an asset-based custodial fee. It is assumed that the asset-based custodial fee is not taken out of assets to minimize cost.

The average annual cost difference for this example is around $17k/year over 20 years, so when the practice has relatively few participants and lots of assets, going with a fixed-fee record-keeper might be a better idea. On the other hand, if the practice has more participants and fewer assets, the benefits of going with a fixed-fee record-keeper are not as pronounced.

**Apples to oranges: low fees vs. ‘low’ services**

Retirement plan service providers often charge the plan a hefty administration and advisory fee, but the services they actually provide are a lot less than what you can get elsewhere for the same or lower fee. There are also service providers who charge a relatively low fee, but offer no value-
added services and advice whatsoever aside from the basic services to keep your plan going on an auto-pilot. There are several articles written on the topic of small practice retirement plan services and what types of services are really necessary and are worth paying for. For larger group practices, it is even more critical to get the right level of services given the complexity of such plans.

Typical Services You Might be Getting in Your Plan:

1) Advisory services

Plan level advisory services offered by a broker or non-fiduciary adviser, sometimes by an ERISA 3(21) fiduciary in an advisory role (where the plan sponsor retains full responsibility and liability, and has all decision-making authority).

Usually, this service is provided by advisers who are brokers or representatives of large broker-dealers or advisory firms. Such advisers are typically not retirement plan experts and are not very knowledgeable regarding the issues faced by group practice plans. As representatives of larger firms, they would not be interested in making sure that your plan’s cost is minimized (and they have no incentive to do so because they
are getting paid via AUM fees), so they won’t be working in your best interest or looking out for your bottom line. For this reason, it is important to work with your own independent fiduciary under ERISA 3(38) rather than an ERISA 3(21). An ERISA 3(38) fiduciary has discretionary authority to manage your plan’s investments and as long as the philosophy of the ERISA 3(38) fiduciary aligns with that of the plan sponsor, ERISA 3(38) fiduciary can be trusted to manage investments for your plan because of their high fiduciary standards (which includes taking no revenue sharing, 12b1 fees or commissions, something ERISA 3(21) advisers often accept and which results in higher than necessary costs for the plan).

2) Participant level advisory services, specifically individualized participant advice.

Many firms also provide what they call ‘financial planning’, which typically means having a representative offer advice to participants, and the cost of this advice is often added to the overall cost of the plan (which is nearly always an AUM fee). It is very rare that this service delivers any value, and plan sponsors nearly unanimously agree that most plan participants never use this service. If the firm also offers personal financial planning services to retail clients (in addition to servicing retirement plans), this could create a conflict of interest. Employees and representatives of advisory firms offering advice to participants are rarely supervised by the plan sponsor, so it is not known whether their advice is offered in the best interest of plan participants. The plan sponsor in most cases does not even realize that they are responsible for supervising financial representatives offering advice to participants. If a plan sponsor would like to offer personalized advice to plan participants, it is always best to hire an independent specialist firm that provides advice as an ERISA 3(21) to participants only, has no conflicts of interest (such as trying to seer participants into the firm’s retail advisory
services), and charges a separate fixed fee. This way you can choose whether to add this service if it fits your plan needs vs. simply paying a higher fee for a service you might not want in the first place.

3) All-inclusive (‘bundled’) platform that includes a Third Party Administration and record-keeping services.

For plans set up by medical and dental practices, it is always advisable to hire your own TPA rather than rely on the TPAs that work for the record-keeper. The key differences are as follows:

- Your own TPA works directly for you. Record-keepers have thousands of clients and only a handful of TPAs, so you can’t expect the same level of service from a record-keeper.
- Independent TPAs are specialists in plan design and administration while a record-keeper has fewer resources to provide the higher level of services required by medical/dental plans.
- Independents TPAs are experts in compliance and fixing retirement plan errors, while a record-keeper is not. This is important because you want to make sure that any errors (which occur all the time even with the best oversight) are fixed in a timely fashion to avoid any future problems.

Advisory firms working with bundled platforms usually do not offer advice directly to the plan sponsor, but they charge significant AUM fees for their services nevertheless, so even if there is a bundled ERISA 3(38) ‘adviser’, chances are you will never get to talk to them. A good independent ERISA 3(38) fiduciary can bring significant value to a group plan since they can provide the following services:
• Select a low-cost investment menu
• Build a number of managed portfolios for the staff
• Assist with selection and evaluation of quality service providers that don’t charge any AUM fees, including Third Party Administrators, record-keepers and actuaries.
• Assist with any plan-related matters, such as evaluating a Cash Balance plan option for the group, improving existing plan design, and doing all they can to minimize plan sponsor fiduciary liability (such as by converting brokerage-only plans into plans with an investment menu, for example).

While there are so-called ‘low cost’ retirement plan providers (specifically, record-keepers that bundle everything under one roof), when it comes to complex retirement plans (such as group practice plans or 401(k) with profit sharing plans that require more sophisticated designs), saving money on service providers that can add significant value to your plan is not going to help your bottom line.
Takeaways:

1) AUM fees grow with your assets, and because your plan assets will always grow due to continuous contributions, this is a lucrative source of revenue for the retirement plan service providers. With AUM fees, your expenses will grow as your portfolio grows, even though the level of services provided remains the same, so for that reason, AUM fees are nearly always more costly than fixed/flat fees over several decades.

2) A startup plan might not have any assets in the beginning, but AUM fees will increase rapidly as your assets grow, especially if you are maximizing your retirement plan contributions.

3) An established plan with significant assets has to make an effort to eliminate most if not all AUM fees from the plan to avoid overpaying for services. This is especially true for group practice plans where most of the assets belong to the partners.

4) Paying AUM fees using your business cash flow will definitely save you money over time vs. paying the fees out of your assets, but this still will not avoid the significant disadvantage of having your fees grow over time, so instead of having a fixed fee that’s paid year to year, the business will face an increasing burden of having to pay AUM fees that grow every year from cash flow.

5) You should not pay any AUM fees to your service providers. Record-keepers and TPAs should be paid a fixed/flat fee for their services. Record-keepers often have a custodial fee component that is AUM, and this fee should be around 5 bps or less. Your plan adviser should be an ERISA fiduciary (ideally an ERISA 3(38) fiduciary), and they should not be charging any AUM fees for their services. Our retirement plan cost comparison calculator can be used to calculate the fees you
are paying in your retirement plan as well as to compare various retirement plan proposals side by side.

6) When comparing plan service proposals side by side, there are several things to consider:

- Will you be getting the same service quality from your potential service providers? A lower cost proposal does not mean it is a better one if the service quality is lower as well.
- Are there conflicts of interest that you should be aware of? If you have a bundled service provider, they don’t have to make sure that all of the parts are best/lowest cost for your plan – they are simply selling everything as a bundle, so you need to be aware of this.
- Are there any revenue-sharing arrangements whereby your service providers use specific mutual funds because they are getting reimbursed by these funds? In that case, you will not get the best/lowest cost funds for your plan.
- Are you working with a fiduciary who will work with the plan sponsor to get you the best/lowest cost plan for your practice, or are you working with a service provider who is only selling their own bundled platform?
- Are your service providers taking care of all of your retirement plan needs? Or are they providing only the most rudimentary services to your plan, while your plan can benefit from more sophisticated services?
What do you think? Do you agree with Mr. Litovsky’s analysis, conclusions, and recommendations? Comment below!

Stop Whining About Job Satisfaction

[Editor’s Note: If you just found this article on Doximity, please realize this is a GUEST POST, written by a guest, not me. Please direct all hate mail to the actual author of the post: https://sidehustlescrubs.wordpress.com/contact/]

Today’s guest post comes from Side Hustle Scrubs, with whom I have no financial relationship. It reminds me of a post I read a while back about physician burnout that basically argued that doctors should shut up and quit whining about burnout. The basic gist of it was “Lots of people don’t like their jobs. There’s a support group for it—it meets on Friday nights at the bar.” So while I am very empathetic about physician burnout, its causes, and most importantly its consequences (unhappiness, divorce, suicide, bad patient care etc), I agree with Dr. Side Hustle Scrubs that a bit of perspective really helps sometimes. Medicine is a pretty good job when you step back and take a look at it from an outside perspective.]

Many doctors live in a bubble. Their best friends are doctors. Their spouse is a doctor. Their neighbors are doctors. They spend their free time reading medical journals and doctor blogs. Their vacations are only pseudo-vacations because they go on travel CME or bring work with them while they’re gone. They even listen to the White Coat Investor Podcast on the drive to the airport.
After a while in the doctor bubble, you may start to actually believe that doctors have it worse than everyone else. I can assure you as someone who is married to a teacher and has mostly non-doctor friends — their jobs suck too.

I’m not saying job satisfaction isn’t important. It is important and you deserve to find your version of happiness. I’m just saying that before we start bemoaning the sad state of medicine we should look around and appreciate how good we’ve got it.

Do you ever find yourself fantasizing about having a different job? Wish you could go back and do it all over again? Let’s look at the roads not taken.

**You Make More Money Than Everyone**

Although there is a wide range of physician salaries, we’re doing pretty good as a group. According to the 2018 Medscape Physician Compensation Survey, the average specialist earns $329,000 a year and the average primary care physician earns $223,000. Let’s take a look at how that breaks down by specialty:
No wonder [**Physician on FIRE**](#) can retire!

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Average Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic Surgery</td>
<td>$500K</td>
</tr>
<tr>
<td>Orthopedics</td>
<td>$497K</td>
</tr>
<tr>
<td>Cardiology</td>
<td>$423K</td>
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<tr>
<td>Gastroenterology</td>
<td>$403K</td>
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<tr>
<td>Radiology</td>
<td>$400K</td>
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<tr>
<td>Dermatology</td>
<td>$392K</td>
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<tr>
<td>Anesthesiology</td>
<td>$390K</td>
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<tr>
<td>Otolaryngology</td>
<td>$383K</td>
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<tr>
<td>Urology</td>
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<tr>
<td>Oncology</td>
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<tr>
<td>Ophthalmology</td>
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<td>Critical Care</td>
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<td>Emergency Medicine</td>
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<td>Surgery, General</td>
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<td>Pulmonary Medicine</td>
<td>$321K</td>
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<td>OB/Gyn</td>
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<td>Nephrology</td>
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<td>Physical Medicine &amp; Rehabilitation</td>
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<td>Rheumatology</td>
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<td>Neurology</td>
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<tr>
<td>Infectious Diseases</td>
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<td>Internal Medicine</td>
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<tr>
<td>Diabetes &amp; Endocrinology</td>
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<tr>
<td>Pediatrics</td>
<td>$212K</td>
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<tr>
<td>Public Health &amp; Preventive Medicine</td>
<td>$199K</td>
</tr>
</tbody>
</table>

You can argue that these figures may be skewed by a few outliers, or that your personal salary doesn’t match this data, but these numbers were based on over 20,000 physicians spanning 29 specialties.

Thanks to the [**Bureau of Labor Statistics**](#), we can see how our salaries compare to just about any other alternative career we may have chosen. Look at some of the things you could have done with your life – lawyer, dentist, airline pilot, engineer, teacher. They are all admirable career paths. I know a lot of doctors who would be freaking out right now if they had to settle for the salary of a sitting US Senator.
($174,000)! Could you imagine having to scrape by like a Supreme Court Justice? Blech!

Don’t whine about your salary either.

According to the most recent IRS data, to be in the top 5% of incomes you need to earn $195,778. To be considered in the top 1% of household incomes you need to earn $480,930. Congratulations! We’ve made it to the mountaintop! It’s all downhill from here.

Other People Have Educational Debt

Believe it or not, other people take out school loans too. Yes, our loans are a lot larger, but so are our paychecks. A recent study by Credible.com of 91,000 professionals with graduate degrees looked at what percentage of monthly income each profession had to dedicate to servicing their student loans. We didn’t even crack the top half! Of course, if you take White Coat Investor’s wise advice to live like a resident
you’ll be dedicating more than 7.5% of your paychecks to knock those loans out quick.

Poor optometrists. You’d think they’d see it coming.

(Most of Us) Don’t Work Exorbitant Hours

On a recent podcast, Jim acknowledges that he has found the unicorn of medicine jobs. He works eight eight-hour shifts a month. Although the rest of us aren’t quite that lucky, the majority of physicians have work hours similar to a lot of professions. According to the 2014 Work/Life Profiles of Today’s U.S. Physician published by AMA Insurance, ~75% of all physicians work less than 60 hours a week.
25% of physicians are clinically insane.

**Teachers:** The National Education Association estimates the average teacher works 50 hours a week, including 12 hours of uncompensated school-related activities.

**Lawyers:** A recent American Bar Association survey showed that more than half of respondents work at least 50 hours a week, with ~25% working more than 60 hours a week. Does that remind you of any other profession you can think of?
<table>
<thead>
<tr>
<th>Average Hours / Week</th>
<th>All Respondents (N=782)</th>
<th>Private Practitioners (N=597)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 or fewer</td>
<td>25.3%</td>
<td>18.9%</td>
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<td>41 to 49</td>
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<td>50</td>
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<td>51 to 59</td>
<td>12.2%</td>
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<tr>
<td>60 or more</td>
<td>22.5%</td>
<td>26.1%</td>
</tr>
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</table>

*Percentages may not add to 100 due to rounding.

**Investment Banker:** Prepare to feel nauseous or humbled, depending on how empathetic you are. Here is a [Wall Street Oasis survey](#) of average work hours for investment bankers.
The AVERAGE investment banker works between 77 and 87 hours per week.

Sure – other jobs may work similar hours, but we work the undesirable hours. We work nights, weekends and holidays. Many of us work in a 24/7 specialty that can’t simply turn off the lights at 5PM. There’s no way a police officer, firefighter, paramedic, nurse, pilot or chef would know what that’s like, right?
My brother, the chef, has worked some horrific hours over the years. For a while, he was working 14 hour days 6-7 days a week. He often had to show up at 4 AM to start the prep work for the day ahead. Sometimes when I was disimpacting a nursing home patient before sunrise it gave me solace to know that somewhere across town my brother was stuffing a turkey.

Everyone Experiences Burnout

“You just don’t understand. Medicine isn’t what I thought it was going to be. I just don’t have that passion anymore.” You don’t say. I’m sure that everyone else who picked a career path in their 20’s is still filled with unbridled passion.

Here’s a look at the 2018 Medscape Physician Burnout & Depression Report:
Looks like Crispy Doc isn’t alone.

Surely these grim burnout numbers are unique to medicine. We work way harder than everyone else, right? Let’s compare our burnout rates to the rest of the American workforce and see how we stack up.

One recent Gallop poll reported that 23% of American workers feel burnout “very often” or “always” and an additional 44% feel burnout “sometimes”. 67% of workers surveyed experience some degree of career burnout. Every occupation is up in arms about burnout — teachers, lawyers, IT, even military drone pilots. Is it possible that all work and no play makes Jack a dull boy, regardless of occupation?

Sure, other careers deal with burnout, but physician suicide is a real problem. All this burnout is killing us. A 2016 study published in Morbidity and Mortality Weekly Report looked at suicide rates by occupation. Healthcare professionals had a suicide rate of 17.4 per 100,000. That’s not good. What’s more surprising is that 11 other careers had higher suicide rates than us.
Despite the fact that we should presumably be experts on how to die, we’re getting shown up by a lot of people. I would expect some creative solutions from engineers, but artists?? Color me surprised.

Society Respects You

Isn’t it a shame how no one respects doctors anymore? We’ve been completely replaced by Google and all we have to show for it is that tuning fork you bought in med school and haven’t used since. If only we could go back to a simpler time when our profession was held in high regard.

I’ve got bad news – there’s only one direction to go. A Harris poll surveyed 2,537 Americans and asked them to rank jobs by prestige. Guess who’s still killing it (metaphorically).
Prestige doesn’t pay the bills. I want to be respected for my high ethical standards. No problem – a recent Gallop poll showed that we’re still seen as a pretty trustworthy bunch.

**America’s Most Prestigious Professions**

<table>
<thead>
<tr>
<th>Profession</th>
<th>% of people finding the occupation prestigious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctor</td>
<td>88%</td>
</tr>
<tr>
<td>Military officer</td>
<td>78%</td>
</tr>
<tr>
<td>Firefighter</td>
<td>76%</td>
</tr>
<tr>
<td>Scientist</td>
<td>76%</td>
</tr>
<tr>
<td>Nurse</td>
<td>70%</td>
</tr>
<tr>
<td>Engineer</td>
<td>69%</td>
</tr>
<tr>
<td>Police officer</td>
<td>66%</td>
</tr>
<tr>
<td>Priest/Minister/Clergy</td>
<td>62%</td>
</tr>
<tr>
<td>Architect</td>
<td>62%</td>
</tr>
<tr>
<td>Teacher</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: Harris Interactive

**America’s Most And Least Trusted Professions**

<table>
<thead>
<tr>
<th>Profession</th>
<th>% of U.S. adults saying the following have high/very high honesty and ethical standards*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurses</td>
<td>82%</td>
</tr>
<tr>
<td>Military officers</td>
<td>71%</td>
</tr>
<tr>
<td>Grade school teachers</td>
<td>66%</td>
</tr>
<tr>
<td>Medical doctors</td>
<td>65%</td>
</tr>
<tr>
<td>Pharmacists</td>
<td>62%</td>
</tr>
<tr>
<td>Police officers</td>
<td>55%</td>
</tr>
<tr>
<td>Judges</td>
<td>43%</td>
</tr>
<tr>
<td>Clergy</td>
<td>42%</td>
</tr>
<tr>
<td>Bankers</td>
<td>25%</td>
</tr>
<tr>
<td>Newspaper reporters</td>
<td>25%</td>
</tr>
<tr>
<td>Local officeholders</td>
<td>24%</td>
</tr>
<tr>
<td>TV reporters</td>
<td>23%</td>
</tr>
<tr>
<td>Lawyers</td>
<td>18%</td>
</tr>
<tr>
<td>Business executives</td>
<td>16%</td>
</tr>
<tr>
<td>Lobbyists</td>
<td>8%</td>
</tr>
</tbody>
</table>
So we’re only the 4th most trusted profession. I suppose we’ll have to settle for being the highest paid, most respected profession with work hours and burnout rates similar to many Americans.

**It’s Called Work for a Reason**

When I’m in need of inspiration, I like to reflect on the wisdom of one of the greatest minds of the 20th century: Red Foreman of *That 70’s Show*.

“That’s why they call it work. If it wasn’t work, they’d call it ‘super wonderful crazy fun time’ or ‘skippedy-do’.”

Sometimes adulting isn’t fun. There is a reason why people get paid to work. No one would show up otherwise. Yes, we have hard jobs. Yes, we had a long road to travel before our first paycheck. Yes, the modern medical system appears to be designed to squeeze every last drop of satisfaction out of the job. This profession still beats 99.9% of the jobs you could have chosen. Good choice!

**Stop Whining and Start Changing**

This is not intended to be a “shut up and be happy” post. You
do not have to accept the status quo. It’s OK to feel burnt out, apathetic, disillusioned or all of the above. You deserve to be happy, but whining isn’t going to get you anywhere.

Need some inspiration to make a change? Go check out 10 Things More Productive than Whining About Job Satisfaction (and the Doctors Who Did Them) on Side Hustle Scrubs.

Get inspired by physician role models who made meaningful career changes to improve their job satisfaction. *Spoiler alert — White Coat Investor is one of them.

What do you think? Do you think physicians whine more than other professions about their job dissatisfaction? If so, why do you think that is the case? Do we worry about and talk about burnout too much? Sound off below!

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**Cash Balance Plans for Solo and Group Practices**

[Editor’s Note: Gmail’s recent update is sending a lot of my emails to your spam box. If you have not yet added editor (at) whitecoatinvestor.com to your contacts/safe senders list, please do so now. If you’re not sure how, here’s a tutorial I put together for you. If you’ve never signed up for the free monthly newsletter, now is a good time to do so. (Might also want to add contact@passiveincomemd.com and pof@physicianonfire.com at the same time if you’re also subscribed there.) You get the free 12 step Financial Bootcamp course and you can also sign-up to get all the blog posts (like this one) in your email box if you want them. Sign-up today!**
The following is a guest post from Konstantin Litovsky, a blog advertiser and founder of Litovsky Asset Management, a wealth management firm that offers flat fee retirement plan advisory and investment management services to solo and group medical and dental practices. Konstantin specializes in setting up and managing retirement plans, including 401(k) and Defined Benefit/Cash Balance, and serves in an ERISA 3(38) fiduciary capacity. I get lots of questions about cash balance plans, and even spent a little time on them in a recent podcast. This post does a nice job explaining their benefits and costs.

As a small practice owner or a partner in a medical or dental practice, minimizing taxes and building your retirement savings are two of your biggest financial goals. Doctors and dentists often have significant student debt upon graduation, and they also may have a relatively short time horizon until retirement, with many opting to stop practicing in their late fifties and early sixties. So it is no surprise that saving more than what is typically recommended by financial experts is the only way that such early retirement can be accomplished. Even with a relatively modest lifestyle, those who retire early will need to accumulate a sizeable portfolio without much time to get this done. While it is important to set up various buckets (including after-tax, Roth and tax-deferred) and to fill them to capacity, doctors and dentists in the highest tax brackets will see the most benefit from
maximizing the tax-deferred bucket first. A 401(k) with profit sharing is the best plan for those who have the time to build up savings. A defined benefit plan known as a Cash Balance plan can be opened in addition to your existing 401(k). A Cash Balance plan helps boost your tax-deferred savings if you plan to retire in 10 years or less and you would like to catch up quickly. This type of plan can also increase tax-deferred savings if you are making a lot of money now but are not sure whether this will last over the long term.

Why a Cash Balance plan?

Let’s assume that Dr. Smith practices in California, and he is taxed at the 37% federal and 12.3% state brackets. For simplicity, let’s say that his highest tax bracket is 50% (in reality this number can be even higher due to other taxes imposed in CA on business entities). Let’s also assume that Dr. Smith will retire with an income of $200,000, so his highest brackets are 24% federal and 9.3% state, or 33.3% in total. Also, let’s say that all of this income will be withdrawn from Dr. Smith’s retirement plans. This is not recommended in practice – it is always better for someone in the highest brackets to generate as much income as possible using after-tax accounts, so this would be the worst-case scenario. We will also assume that Dr. Smith is withdrawing enough to cover RMDs (required minimum distributions) which start at age 70 and 1/2. For Dr. Smith, his effective tax rate in retirement is estimated to be 21%.

Because contributions to his tax-deferred retirement plans are made from the highest tax brackets and withdrawals are taxed at an average tax rate, the tax rate differential for Dr. Smith is 29%. So this is how much Dr. Smith saves by simply making contributions into his tax-deferred retirement plans. If Dr. Smith happens to retire in a state with no income tax, this tax differential can be even higher.
A 401(k) with profit sharing allows a maximum contribution of $55k in 2018 (or around $75k if the spouse works for the practice), but if you are firmly in the highest tax brackets, a Cash Balance with a maximum contribution that ranges from $100k for someone in their early forties to as much as $250k for someone in their sixties will allow high earning doctors and dentists to shelter more earnings from taxes in excess of what’s allowed by the 401(k) plan.

What is a Cash Balance plan?

A Cash Balance plan is an IRS qualified plan that is a hybrid between a Defined Contribution plan and a Defined Benefit plan. In a Cash Balance plan, each participant has an account that grows annually in two ways: employer contribution and an interest crediting rate which is guaranteed. The employer specifies a contribution—usually based on a percentage of the employee’s earnings—and a rate of interest on that contribution that will provide a predetermined amount at retirement, usually in the form of a lump sum.

Unlike a traditional defined benefit plan where contributions to the plan are based on funding to a benefit at retirement, a cash balance plan uses a hypothetical accumulation account to track how much needs to be funded each year. Both plan types have the same ultimate maximum benefit and lump sum. The difference is simply whether the calculations are done based
on a current lump sum or based on a benefit at retirement age. The maximum annual benefit each participant can receive at retirement is capped at $220,000 per year (for 2018). In a traditional defined benefit plan, the employer commits to achieving the goal through regular, annual contributions large enough to meet the goal. In a cash balance plan, various types of plan design formulas can be utilized to meet the needs of business owners with different financial timeframes, goals, and available cash.

How much can you contribute to a Cash Balance plan?

<table>
<thead>
<tr>
<th>Age</th>
<th>401(k) only</th>
<th>401(k) with Profit Sharing</th>
<th>Cash Balance</th>
<th>Total (Maximum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>56-62</td>
<td>$25,000</td>
<td>$62,000</td>
<td>$211,000 – $259,000</td>
<td>$273,000 – $321,000</td>
</tr>
<tr>
<td>50-55</td>
<td>$25,000</td>
<td>$62,000</td>
<td>$142,000 – $197,000</td>
<td>$204,000 – $259,000</td>
</tr>
<tr>
<td>45-49</td>
<td>$19,000</td>
<td>$56,000</td>
<td>$104,000 – $133,000</td>
<td>$160,000 – $189,000</td>
</tr>
<tr>
<td>40-44</td>
<td>$19,000</td>
<td>$56,000</td>
<td>$77,000 – $98,000</td>
<td>$133,000 – $154,000</td>
</tr>
<tr>
<td>35-39</td>
<td>$19,000</td>
<td>$56,000</td>
<td>$58,000 – $73,000</td>
<td>$114,000 – $129,000</td>
</tr>
<tr>
<td>30-34</td>
<td>$19,000</td>
<td>$56,000</td>
<td>$44,000 – $55,000</td>
<td>$100,000 – $111,000</td>
</tr>
</tbody>
</table>

Table 1. Typical 401(k) and Cash Balance contribution ranges (2019).

The maximum contribution to a Cash Balance plan depends on your age, ranging from $50k if you are in your thirties to
$250k a year for someone in their early sixties. This cap makes a Cash Balance plan ideal for high earners and for those who need to catch up on their retirement savings. Once you decide on how much you’d like to contribute, every year you’ll be given a range that depends on your prior contributions and investment return. So if you want to contribute $100k, you might be allowed a range from $80k to $120k. If you consistently contribute on the higher end of this range, your subsequent contributions would have to be lower than your target contribution ($100k). One important point to note is that you can’t change your target more than once in about 3-4 years – if you keep changing your target contribution level too often, the IRS could deem your plan a deferral plan subject to the 401(k) limits rather than a pension plan with the larger maximums.

If a company has employees other than owners, it will need to make contributions on behalf of staff to take advantage of the maximum available contribution. But this is usually more than made up for by the tax savings.

How long can a Cash Balance plan be
open?

For solo practices, these plans usually exist for a relatively short period (typically for 10 years or less). At maximum contribution, a plan would be ‘maxed out’ after 10 years. An owner/partner can no longer make contributions into a CB plan once they reach the lifetime maximum amount (currently around $2.8M at age 62 and adjusted annually for inflation). But with a group practice, this does not impact the other partners who can still make their own contributions independently. For group practices, Cash Balance plans can be adjusted indefinitely as new partners join the practice and older ones retire.

What’s the maximum amount one can contribute to a Cash Balance plan?

There is a lifetime maximum that is indexed to inflation, and it is currently around $2.8M. However, this is the maximum that is reached only when one maximizes Cash Balance plan contribution from age 52 to age 62 or from age 57 to age 67 (between 62 and 67 retirement ages some rules apply, so the maximum is slightly lower). For a younger participant, the plan maximum can be significantly lower (~$1.4M for a 40-year-old). For a solo owner, once this maximum is reached, the Cash Balance plan is terminated, and the assets can be rolled over into an IRA or a 401k plan. If you are a participant in a group practice Cash Balance plan, you can still roll your money into an IRA or a 401k plan but only upon reaching the normal retirement age (typically 62), termination, or retirement. The Cash Balance plan can remain operational as long as there are other participants in the plan.

<table>
<thead>
<tr>
<th>Plan Start Age</th>
<th>Lifetime Maximum (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>Contribution</td>
</tr>
<tr>
<td>-----</td>
<td>--------------</td>
</tr>
<tr>
<td>35</td>
<td>~$1.2M</td>
</tr>
<tr>
<td>45</td>
<td>~$1.95M</td>
</tr>
<tr>
<td>55</td>
<td>~$2.6M</td>
</tr>
</tbody>
</table>

Table 2. Maximum Cash Balance plan total contribution assuming a plan that is open for 10 years with maximum allowed annual contributions.

Who is a good candidate for a Cash Balance plan?

If you are a solo practice owner with staff, a Cash Balance plan can make sense if you are 40 years or older with the ability to contribute at least $100k a year consistently on top of the 401k contributions. Younger solo owners with staff would most likely not benefit from a Cash Balance plan until they are older and/or their practice demographics makes Cash Balance plans cost-effective. If you have no staff, a Cash Balance plan can be a good choice when you are younger (as young as age 35). With a staff that is significantly older than you are, a Cash Balance plan might not make sense until you are in your late 40s/early 50s. If you are part of a group practice, a Cash Balance plan might work out even if some of the partners are very young (even as young as 30).

If you are a solo owner or a partner in a group practice without non-HCE staff, it is fairly easy to design a Cash Balance plan that would work for your specific situation. If your practice has sizeable staff, adding a Cash Balance plan can still be a good idea, provided a design study is done to ensure that the benefit justifies the cost. Typically, when a Cash Balance plan is added to an existing 401k plan with staff, the overall contribution for the partners goes up significantly. Thus, employer contributions to the staff are more than offset by higher partner contributions. In other
words, the percentage of the overall contribution that goes to owners can be increased significantly with a Cash Balance plan as compared to the percentage that goes to owners for only the 401k plan.

**How does Cash Balance plan work with a 401(k)?**

A 401(k) plan typically has a match (or a non-elective contribution) and a profit-sharing contribution, and many 401(k) plans allow participants to contribute up to $55k maximum ($61k for those over 50) in 2018.

If you have more than 25 active participants your Cash Balance plan will be covered by the Pension Benefit Guarantee Corporation (PBGC), so you are not limited in your profit sharing contribution to the 401k plan. However, if your plan is not covered by PBGC, the profit sharing contribution is limited to 6%, except when total employer contributions (401k plus Cash Balance) do not exceed 31% of payroll. So in some cases, you can contribute more than 6% of profit sharing even if you have 25 or fewer participants.

If the practice has only partners, you have the most flexibility to set up a plan where each partner can choose how much they want to contribute. Partners who do not want to participate in a CB plan can instead max out their 401k plan. All partners can specify their contribution level into the CB plan up to the maximum allowed for their age.
If you have partners and non-HCE staff, your maximum contribution will also depend on your plan demographics, and it might not be possible to maximize your contribution because the required employer contribution for the staff can be significant. Typically a cross-tested plan design is used to make sure that the employer contribution is minimized.

**Cash Balance Plan Architecture and Cost**

Because a Cash Balance plan is intertwined with a 401(k) plan, it is a good idea to have a single Third Party Administrator (TPA) administering both plans. Having two separate administrators creates too many logistical and administrative issues for the plan sponsor, especially if you are dealing with two large companies. If you’ve already established a 401(k) plan, the first step is to make sure that your existing TPA has the capability to handle and coordinate both plans, which may not necessarily be the case. Another alternative is to hire an independent actuary who can work with your existing TPA to provide you with Cash Balance plan design and administration services. There are a number of such specialty actuarial firms available that can provide ‘a la carte’ services to the TPA, and this way you can keep your existing TPA.
A Cash Balance plan is a pooled plan, and all of the money will be pooled in a single account, requiring the use of a record-keeper/custodian. Some custodians offer a trustee-directed brokerage account that is titled in the name of the plan. Even though such accounts are low cost, they are not the best solution. While there are many trustee-directed brokerage account providers, none offer adequate support or services necessary for a qualified retirement plan, especially if you have multiple plan participants. For that reason, it is recommended that you use a low-cost record-keeper with dedicated support versus simply a trustee-directed brokerage account.

An **ERISA 3(38) fiduciary** is typically retained to manage the cash balance plan portfolio. The plan portfolio should be designed based on the goals of the plan, and there should be a clear understanding of how this portfolio will address various risks to the practice (more on that below). When selecting your ERISA 3(38) fiduciary, always make sure that they have no conflicts of interest and favor low-cost index and passively managed funds, and most importantly, they should charge a fixed/flat fee (vs. an assets under management fee that is commonly charged by most advisers).

The cost of setting up a Cash Balance plan is usually on par with the cost of the 401(k) plan when all of the necessary
What is a crediting rate and how should it be set?

Crediting rate is the guaranteed return that all participants will receive. It is typically a number between 3% and 5%, and it is fixed for the duration of the plan’s operation. This does not mean that your plan has to have a return equal to the crediting rate though.

If your plan portfolio return is below the crediting rate, it can result in a plan that is underfunded. A return above the crediting rate results in a plan that is overfunded. At plan termination, your plan should be fully funded, so any shortfall has to be made up by the plan sponsor. Alternatively, if there is excess, any such amount would be subject to as much as 100% excise tax. So it is never advisable to manage the portfolio in such a way as to create significant under- and overfunding. If the plan is underfunded, the partners will have the ability to contribute more than their target, while an over-funded plan will result in lower contributions.

How is a Cash Balance plan portfolio managed?

While it is always better to have a higher return on your CB plan, even if you end up with a lower contribution as a result versus a lower return and a higher contribution, there are several reasons why having a volatile portfolio in a CB plan is a bad idea, especially for a group practice. For one, most plans will not be around for more than 10 years. This period is a relatively short horizon, so positioning the plan portfolio to achieve a higher return is one thing, but actually achieving a higher return is something else entirely.
if your portfolio is volatile. Group practice plans might be around significantly longer than 10 years. However, they are still subject to certain risks that can result in early termination and asset liquidation under less than ideal conditions. Here are some of the risks that Cash Balance plans face:

1) Changes in the medical field that result in one of the following: the practice is absorbed by a hospital, merges with another group, or dissolves entirely, which can lead to plan termination and the sale of assets under potentially unfavorable conditions.

2) Market crashes and prolonged recessions. If a significant portion of plan assets is invested in high-risk assets that can lose value, partners might have to make a higher contribution than they planned into the plan. And when the sale of plan assets is required in the case of large distributions or plan liquidation, this can lead to significant losses that must be made up by the partners. When older partners retire early and/or take lump-sum distributions at retirement, large distributions from the plan would be necessary, and this will require the sale of plan assets under potentially unfavorable conditions. Retiring partners will get their full pension plan amount. But if the portfolio is too volatile, this volatility can result in other partners having to make up for plan losses if significant assets are taken out.
of the plan after a market crash.

3) Not enough return or too much return. If there is not enough return, the plan is underfunded, and the partners will have to make extra contributions to the plan. If there is too much return, the plan is overfunded, and partners won’t be able to make desired contributions going forward. Also, at plan termination, any excess amount over full funding will be taxed at nearly 100%.

Even though higher return is preferable to lower return, higher return necessarily comes with higher risk that can expose the plan to potential losses under scenarios mentioned above. These potential losses can result in a lower return than expected, especially given the relatively short time horizon. Therefore, a low volatility portfolio is preferable, even if expected return will be lower.

While a Cash Balance plan portfolio will be rather conservative in most cases (especially for smaller solo and group plans), this shouldn’t be a deterrent to opening a Cash Balance plan. Compared with after-tax investing, even with a significantly lower return, a Cash Balance plan would still be a better choice for nearly everyone in the higher tax brackets. Each partner will have the ability to adjust their individual 401(k) plan allocations, so they can always make their 401(k) allocation very aggressive and use their Cash Balance plan allocation as the fixed income part of their overall portfolio. It is better to make asset allocation adjustments on an individual level than on the plan level, especially when such decisions affect everyone in the plan.

How should the practice decide
whether a Cash Balance plan would be a good fit?

Here is a set of questions to ask before considering a Cash Balance plan:

1) Are most of the partners maximizing their 401(k) plan contributions ($55k in 2018)? If the answer is no, then a Cash Balance plan may not work unless a critical mass of partners has an interest in making contributions in excess of the 401(k) maximum.

2) Are the practice demographics favorable to adopting a Cash Balance plan? For a solo practice owner or a small group practice, demographics can make a big difference. While for a larger group practice, demographics play a lesser role.

3) Is the idea to have a plan for as long as the practice exists (which can be decades for a larger group practice), or will the plan be open for a specific amount of time? The goal should always be to run the plan as long as possible to minimize cost and paperwork. However, there are cases when a plan can exist for a relatively short period of time. In such a case, it is even more important to get all of the details right.
Before opening a plan, you will need to get an accurate illustration that will show how much each partner can contribute (and partners should be able to specify their contribution amount on an individual basis) as well as the cost of employer contribution to the staff (if any).

### 2018 Tax Law Changes

The 2018 tax law, in addition to new tax brackets, added a 20% income tax deduction on qualified business income (QBID). Unfortunately, service businesses did not get an unlimited deduction. So any deduction is phased out completely after a joint income of $415k is reached. However, any joint income in the $315k to $415k range is still eligible for partial deduction. While the rules of QBID are rather involved, this presents an additional tax planning opportunity for those who can get their income to fall into the above-mentioned range. The qualified business income subject to the 20% deduction would be S-corporation distributions or self-employment/K1 income (subject to W2 limitations when in the phase-out range).

As an example, assume that you are a married doctor with a stay at home spouse, your net is $500k, and you are 45 years old. With just a 401k plan, you can contribute $55k (in 2018), so this will not get you into the necessary range. However, with a Cash Balance plan, you can contribute about $150k into both plans, and this will cut your net income from $500k down to $350k. If your W2 is $250k and your distribution is $250k, you can contribute enough to the combo plan to take a partial tax deduction on your distribution. With K1 and self-employment income, things get more complex in the phase-out range, but it is still doable to structure your income in such a way as to take a partial deduction.

If you have a solo practice and your income is above $500k, even a Cash Balance plan might not help lower your income to
get a partial deduction, especially if your spouse works as well. However, if you are part of a group practice, a Cash Balance plan might be helpful to at least some of the partners in the group as they can use it to lower their net income to get a partial deduction. The other partners might simply benefit from having a larger tax deduction that a Cash Balance plan will provide. At this point, there are still many unanswered questions about the new tax law, so you should talk with your CPA regarding your specific situation to see how the QBID deduction applies to you.

Takeaways

- With contributions that are significantly higher than those allowed by 401(k) plans, Cash Balance plans can be a great way to minimize your tax liability and to save for retirement.
- Adding a Cash Balance plan to an existing 401(k) plan can be a good idea, provided the cost justifies the benefit. In most cases, adding a Cash Balance plan will be more than worth it for the practice, but proper analysis has to be done to make sure that is the case.
- When selecting your service providers, always make sure that they are working in your best interest, and that they will actually provide you with good advice and
ongoing services to manage both of your 401(k) and Cash Balance plans prudently and cost-effectively.

Are you an owner that has implemented a cash balance plan for your practice? What type of practices do you think would benefit most from these plans? Have you been a participant in a cash balance plan? Would you recommend it to others? Comment below!

S Corporations – What You Need To Know

Credit for the inspiration behind this post goes out to poster “spiritrider” from the WCI forum, who taught me something new about S Corporations. Luckily for me, it doesn’t apply to our S Corporation (WCI, LLC), but it might very well apply to your S Corporation. More on that later, but first, let’s review some basic facts about S Corps.

The Basics of Incorporation
Technically, there is no such thing as an S Corporation and a C Corporation. There is only a corporation and some corporations have filed an “S declaration”. The S stands for “Small”, as in a small business. The main advantage of declaring your corporation an S Corporation for tax purposes is that it eliminates a level of taxation. A corporation (i.e. a C Corp) has its own set of tax brackets. Salaries paid to employees become business expenses (and thus non-taxable), and those employees have to pay regular earned income taxes on those salaries. Any additional money paid out to the owners is paid out as a dividend, which is often “qualified” with the IRS for the lower dividend tax brackets instead of the regular tax brackets.

If the corporation makes an S declaration, it is no longer subject to the corporate level of taxation and becomes a “pass-thru entity’. That means the taxes are passed through onto the corporation shareholders’ individual returns. There is still a corporate return, but there is no payment made as a corporation. That’s not the main reason why many doctors and small business owners choose S Corporation taxation though. The main reason is they can use it to split their income into salary and distribution. The main benefit of paying yourself as much of the corporate income as distribution as possible is that you don’t have to pay payroll taxes (i.e. FICA, Self-employment or Social Security and Medicare taxes) on the distributions. However, you want to make sure you pay yourself enough of a salary to stay out of trouble with the IRS. That means you need to pay the going rate for your services. Of course, there’s often a lot of gray in what is a reasonable salary, and S Corp owners generally take advantage of that fact. You probably want to make sure you pay yourself enough to max out any retirement accounts and take full advantage of the Section 199A deduction (i.e. the pass-thru business deduction).
What About LLCs?

The IRS disregards Limited Liability Companies (LLCs) when it comes to taxation. The single member LLC is taxed as a sole proprietorship and a multi-member LLC is taxed as a partnership UNLESS the LLC opts to be taxed as a corporation (and it often does so in order to then make an S declaration.) The benefits of the LLC are that it is simpler and cheaper to administer than a corporation, provides similar liability protection, and can still get S Corp style taxation.

Do LLCs or Corporations Protect Me from Malpractice?

Not really. But they could potentially protect you from the malpractice of one of your employees if the business is also named in the suit. As a general rule, malpractice is personal and you can’t hide behind an LLC or corporation. They do provide some protection from other business liabilities though.

How Much Does an S Corporation Have
to Pay Me To Max Out My Individual 401(k)?

It depends on whether you’ve already used your employee contribution ($18,500 if under 50, $24,500 if over) in another 401(k) already. In 2018 the grand total that can go into an [individual 401(k)] for someone under 50 is $55,000. If you are under 50 and haven’t used your employee contribution elsewhere, you can put $18,500 in there as an employee contribution and then 25% of salary as an employer contribution. Bear in mind the business actually has to make enough money to make the employer contribution in addition to your salary, so in reality, you can’t contribute more than 20% of what the business made.

\[
\text{$55,000 - $18,500 = $36,500$}
\]

\[
\text{$36,500 / 25\% = $146,000$}
\]

So the business must pay you at least $146,000 for you to max out that [i401(k)] (and must make at least $182,500 after expenses including the employer half of your payroll taxes.)

If you already used that employee contribution elsewhere, then the whole $55,000 must come as an employer contribution.

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\text{$55,000 / 25\% = $182,500$}
\]

At least prior to 2018, assuming you could justify it as a reasonable salary, there was no reason to pay yourself more than those amounts because every additional $1,000 that gets paid as salary costs $29 (half of which is tax-deductible) in Medicare taxes.

How Do You Balance Salary, Medicare
Tax, and the 199A Deduction as an S Corp?

So the more you pay yourself as an employee, the more Medicare tax it costs you. However, if you qualify and are above the phaseout limit ($157,500-207,500 Single, $315,000-415,000 married in TAXABLE INCOME) for the Section 199A (Pass-thru Business, 20% of business income) deduction, there is a limitation on that deduction to 50% of salaries paid to your employees. If you’re the only employee, paying yourself more salary can actually increase your Section 199A deduction and lower your overall tax bill despite paying more in Medicare taxes. Crazy, I know. But the algebra works out to be that you ideally want to pay yourself about 28.6% of what the business makes as salary. Again, I want to emphasize this has to be reasonable compensation for what you do and you probably want it to be enough to max out your retirement accounts. These are the factors the IRS looks at to determine that (although I don’t get the impression they look very hard unless your compensation is particularly egregious):

The three major sources [of gross receipts for the corporation] are:

1. Services of shareholder,
2. Services of non-shareholder employees, or
3. Capital and equipment.
If the gross receipts and profits come from items 2 and 3, then that should not be associated with the shareholder-employee’s personal services and it is reasonable that the shareholder would receive distributions along with compensations.

On the other hand, if most of the gross receipts and profits are associated with the shareholder’s personal services, then most of the profit distribution should be allocated as compensation.

In addition to the shareholder-employee direct generation of gross receipts, the shareholder-employee should also be compensated for administrative work performed for the other income producing employees or assets. For example, a manager may not directly produce gross receipts, but he assists the other employees or assets which are producing the day-to-day gross receipts.

Some factors in determining reasonable compensation:

- Training and experience
- Duties and responsibilities
- Time and effort devoted to the business
- Dividend history
- Payments to non-shareholder employees
- Timing and manner of paying bonuses to key people
- What comparable businesses pay for similar services
- Compensation agreements
- The use of a formula to determine compensation

An S Corp Can Also Increase Your Payroll Taxes
Here’s where we get to spiritrider’s tip. By the way, this little IRS rule stinks and is totally unfair, so don’t ask me to defend it. The way payroll taxes work is that if you work for two separate employers, they both collect payroll taxes for you (including Social Security on the first $128,400 in 2018 that each employer pays you.) The employer sends both their half and your half to the IRS. Obviously, this results in you overpaying Social Security taxes if you work for two employers each paying you $128,400 when compared to working for one employer from whom you are paid $256,800. Well, the IRS cares about you and there is a way you can claim a refund of those extra Social Security taxes that you paid, i.e. the employee half. It is claimed on line 71 of the 1040 and can be figured using Table 3-1 in Publication 505. However, the IRS does NOT care about your employer and there is no way for the employer (or you) to get the employer half of the overpaid Social Security taxes back. Which really stinks if you are the employer AND the employee like many S Corp owners.

There is a workaround if the businesses are highly related (basically same owners and employees) and share a “common paymaster” and for successor businesses. However, these workarounds aren’t going to apply to the typical doc who is employed by a hospital and then by himself to do some moonlighting on the side. That doctor may very well NOT want
to form an S Corp (or declare his LLC an S Corp for tax purposes) because it would result in him paying MORE in payroll taxes, instead of less. Sucks huh?

This doesn’t apply to my business (because I am only an employee of ONE business- WCI, LLC) but it could apply to yours. So make sure you study this carefully when deciding whether or not to do the S Corp thing.

One possible option would be to change your employment status with your hospital to being an independent contractor and then run all your income through your S Corp, but this would keep you from using multiple 401(k)s.

Want to learn more about setting a salary for an S Corp? Check out Stephen Nelson’s book on the subject:

Setting Low Salaries for S Corporations

What do you think? Are you an S Corp? Why or why not? Comment below!

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Online Medical Billing and Coding Course

My first email from Dr. Henry Rosevear, a Colorado urologist and long-time WCI reader, came two weeks before the WCI conference in Park City last winter. He offered me free access to some lectures he had been delivering in person around the country and had recently packaged up into a video format and asked me to help get the word out about it. Needless to say, I was a little preoccupied with the upcoming conference. As important as his work is, we were swamped. So I put him off
for a few weeks. Weeks became months and here we are in mid-June by the time I finally got around to this project.

Henry is a private practice urologist who realized not only that coding and billing was really important, but also that he knew little about it. So just like I started seeking out information about personal finance and investing, he started seeking out information about coding and billing. He attended courses, read up on it, and started applying what he learned to his practice. Soon he had boosted his income by thousands of dollars per year.

I'm sure Henry is a great doc and I know he has transformed himself into an expert on coding and billing, especially for surgical subspecialists and urologists in particular. However, he isn’t necessarily a marketing genius. Nobody knew about this great resource he had put together and he didn’t have a popular blog, huge email list, or significant social media presence to let them know. I guess that’s where I come in.

When I finally got around to watching his videos myself, I was amazed. I thought I was pretty good at documenting in order to maximize coding and billing. It turns out I don’t even qualify as a rookie in the field. I learned all kinds of things about coding in the course that I wasn’t previously aware of. I made a few suggestions. He moved the course off of his site and over to the Teachable platform, which those of you who have
taken Fire Your Financial Advisor or the Online WCI Conference are familiar with. He set me up as an “affiliate partner” (so if you buy his course through the links on this page I get paid too.) He added a useful handout and I put together three short videos myself and added them to his course in an effort to make the course more applicable to a wider range of physicians, particularly emergency docs and similar specialties.

Henry Rosevear, MD of Five Roses Urology

I often advocate that doctors play both offense and defense when it comes to their finances. Offense means getting paid more. Defense means both protecting your assets with insurance and other asset protection techniques AND reducing your taxes, investing expenses, and spending in order to have more money available to invest. We spend a lot of time at The White Coat Investor talking about defense, but not nearly as much as we should talking about offense. And when we do talk about offense, it’s often a side gig or passive income or investment income that we’re talking about.

Henry’s course is all about offense. However, it is heavily focused on making your main gig, your doctoring gig, more profitable. The better you document, code, and bill, the more you get paid. But the best part is that you are getting paid more for the same work. There is no additional overhead
associated with it. It all goes in your pocket as profit, at least if you’re in business for yourself. It’s not about gaming the system. It’s not about cheating to get more money. It’s about getting paid for the work you’re already doing. It’s about beating insurance companies at their game of refusing to pay or delaying payment for the work you did.

Learning to document, code, and bill better obviously has a direct effect on your income if you own your own practice. Likewise, if you are in a partnership that is set up as an “eat what you kill” kind of situation. However, even if you are in a different type of situation, knowing this stuff still has value. For example, you may be an employee but have your bonus dependent on how many RVUs you generate. If you document +/- code better, you will generate more RVUs and be paid more, even if it is indirectly. Even if you are just a salaried employee of a hospital or contract management group, there is still benefit to learning the coding system and doing it well. At the end of the day, your value to your employer is the money you can generate for her. The harder and more efficiently you work, the more money you generate. But improving your documentation and coding allows you to generate more money without working any harder or more efficiently. It’s like free money for those who took the time to learn the rules of the game. When you are worth more to an employer, especially if you can get your hands on that data, the better position you are in to improve your job security and negotiate a raise or even an initial contract at a new employer.
The entire course is just 2-3 hours long, including my lectures. The first part is all about the basics of coding and billing. Lectures include:

- The HPI and Problem Based Billing
- Requirements of the Physical Exam and Review of Systems
- Inpatient Coding and Billing By Time
- Real World Examples

The second part is all about modifiers and includes the following lectures (if you don’t know what modifiers are, you REALLY need to take this course):

- The Concept of Bundling and Modifiers to Unbundle
- The Global Period and How to Get Out of It (Part 1)
- The Global Period and How to Get Out of It (Part 2)
- Less Commonly Used Modifiers

The third part is the section I did and includes:

- Documenting Your Way To Financial Independence
- Documenting ED Evaluation and Management Codes
- Documenting ED Procedure Codes
I was lucky; I actually received several great lectures during residency on documenting, coding, and billing and I’ve continued to learn about the subject throughout my career. But most docs get about as much on coding and billing as they do personal finance and investing in medical school and residency. Here’s your chance to make up that deficit. For just $249 and 2-3 hours of your time, you can learn the mysteries behind your paycheck, and hopefully make some changes that bring you more income – more income to pay off student loans, more income to invest for financial independence, and more income to spend on what makes you happy. This is a great investment in your earning potential. Taking the Five Roses Urology Medical Billing and Coding course is an investment you won’t regret. And, just like with our other online courses, we’re offering a 7-day no-questions-asked refund. If it has been less than 7 days since your purchase AND you have watched less than 25% of the course, you may email Katie@whitecoatinvestor.com and obtain a 100% refund of your money.

**Buy the Five Roses Online Medical Billing**
and Coding Course today! Enter code “WCI” at check out to receive 10% off for the next 7 days.

What do you think? How did you learn to document, code, and bill? How much have you been able to boost your income by learning about the business side of medicine? Comment below!

How to Have the Best Group Practice Retirement Plan

[Editor’s Note: This is a guest post from Konstantin Litovsky, a blog advertiser and the founder Litovsky Asset Management, a wealth management firm that offers flat fee retirement plan advisory and investment management services to solo and group medical and dental practices. Konstantin specializes in setting up and managing retirement plans, including 401(k) and Defined Benefit/Cash Balance, and serves in an ERISA 3(38) fiduciary capacity.]

Group Practice Retirement Plans: Fix Problems, Improve Your Plan, Minimize Cost
Even though group practice retirement plans typically have a relatively small number of participants, these plans can be more complex and laden with compliance issues and challenges. Older group practice plans often have serious compliance and fiduciary issues, and unless someone knowledgeable takes the time to examine the plan operation and paperwork, chances are that these issues would only be discovered upon an audit by the Internal Revenue Service or U.S. Department of Labor – in other words, much too late. Compliance errors and fiduciary breaches can potentially lead to hefty IRS and DOL penalties and fines, especially if such breaches have occurred over many years. Therefore, it is preferable and almost always less costly to not only fix them, but also to make sure that your plan is run in such a way as to eliminate the possibility of serious breaches, errors, and liabilities in the first place.

Is Your Plan in Compliance?

As a new practice partner or a current plan trustee, the task of making sure that your plan is in compliance is intricate and may involve a number of professionals, including a Third Party Administrator (“TPA”), an ERISA attorney and an ERISA §3(38) fiduciary. Before you evaluate, hire and/or replace any providers, you will need to have a good understanding of the types of issues your plan may have and how you can fix them cost-effectively. While it is important to address any fiduciary and compliance issues, the ultimate goal is to
provide plan participants with a platform to build wealth for retirement. In the process of fixing any issues, you can also improve your plan design and minimize the costs paid by all plan participants.

6 Common Issues Encountered With Group Practice Plans

1) Plan Cost and Fees

Responsible fiduciaries, including individual trustees and other partners within the practice, must make sure that the fees paid by plan participants are reasonable. These determinations, typically done by benchmarking or proposal request and evaluations, must be documented and provable. Most small practice plan sponsors, partners and plan trustees rarely take these steps, and this can subject the plan to excessive fee assertions by DOL, and/or lawsuits by the participants. While such lawsuits are somewhat uncommon for smaller plans, a documented evaluation with an experienced outside expert is important because smaller plans often have other operational aspects that tend to result in higher fees than larger plans. As a result, the determination of reasonableness can be more challenging. A documented evaluation process is critically important to protect against any audit examination or dispute. Because small practice plans often pay significantly higher fees than do larger plans, even if the fees are deemed ‘reasonable’ they may still not be optimal given the alternatives, and there is no reason to accept anything but the lowest fees for the best possible services.
Many older group plans have investment menus with high expense ratio funds. These plans often pay high asset-based fees for plan services, but get very little in terms of service quality to justify these fees. Because many doctors and dentists will accumulate significant assets in their retirement accounts, removing all assets under management (AUM) fees from the plan can potentially save millions in unnecessary expenses for the plan participants. **There are a number of ways in which practices can minimize the cost of their plan**, and it is the job of your ERISA §3(38) fiduciary to make sure that your plan gets the best services for the lowest possible cost.

If your plan has only self-directed brokerage windows and no fund menu, this can potentially be a significant problem that we’ll address below.

## 2) Plan Design

Doctor and dentist group practices typically employ high-earning doctors at various stages in their careers with different financial needs. Younger doctors **might still be paying off student loans** while older doctors might want to accelerate their retirement savings above what’s permitted in a defined contribution 401(k) profit sharing type of plan with a Cash Balance plan. Some plans started by older doctors might not have a design that’s the best fit for younger doctors. The following plan design elements and
considerations may be of interest:

Minimizing Employer Contribution

Group plans typically include profit sharing. If the plan has multiple non-partner employees, the right design should be utilized to minimize employer contribution. This does not always happen, resulting in high employer contribution cost which could be lowered with a better design.

Customizing Profit Sharing Contribution Amount

Some plans may not allow different profit sharing contribution amounts for the partners depending on their ability to contribute. This can be easily fixed with a customized design.

Adding a 401(k) Option

Some plans have no 401(k) option that allows participants to make salary deferrals and catch-up contributions. These plans only allow profit sharing contributions, which prevents those over age 50 from utilizing an additional $6k catch-up contribution. Adding the 401(k) option will also enable higher 401(k) contributions for groups that have a Cash Balance plan where the profit sharing is limited to 6%. This is the case with most non-PBGC plans.
Maximizing Profit Sharing Contribution

Some 401(k) plans do not have any profit-sharing because of potentially significant employer contribution cost. While the cost of adding profit sharing can be prohibitive for some plans, there are ways to design plans to allow for an enhanced contribution for the partners. This is especially true for larger practices where there is significant flexibility to use all available plan design tools.

Adding a Cash Balance Plan

For plans where the practice owners are already maximizing their 401(k) contribution, adding a Cash Balance plan should also be considered. This is not a solution that will work for every practice, so plenty of due diligence is necessary. This includes a thorough design study to determine the benefit vs. cost.

3) Legal and Fiduciary Compliance

Many group plans have been around for a long time without any compliance or fiduciary oversight. In these cases, many compliance errors stay hidden until an independent review exposes them. Very often administrative and compliance errors are serious enough to warrant going through the IRS voluntary compliance process under the IRS Employee Plans Compliance
Resolution System (EPCRS).

In addition to administrative and compliance errors, there are often serious breaches of fiduciary duty by the plan sponsor. Because many smaller practices do not have knowledgeable HR staff and most doctors are not aware of their group’s duties as the plan sponsor, staff is often left without adequate education or access to guided investment choices. This can cause problems for the plan sponsor if such participants experience significant losses in their plan or if a participant decides to sue.

While excessive fee lawsuits dominate the news, most small practice plans should worry more about administrative and compliance errors as they are a lot easier to detect now that DOL/IRS has automated the process of analyzing form 5500 data. There are also a lot more opportunities for such errors. The pain and difficulties of an IRS or DOL audit should not be underestimated, and any such audit almost always finds errors and issues with the plan.

4) Lack of Plan-Level Fiduciary Oversight and Using Non-Fiduciary Advisers

Many group plans use either a broker or have no investment, fiduciary and compliance advice provided. In such cases, key IRS and DOL fiduciary requirements for participant-directed plans are often not met. These requirements include 404(c) compliance, failure of the plan to operate according to the plan document and various types of discrimination issues related to the benefits, rights and features for employees vs. partners. Group plans might use an adviser who is not a fiduciary and who also provides advice to several of the group’s partners. This is a clear conflict of interest and a breach of fiduciary duty that can result in scrutiny on audit and other liabilities. Oversight over all of the activities of non-fiduciary advisers is essential, especially if the adviser
actively solicits business from plan participants. The partners who are plan fiduciaries can be held fully personally responsible for all actions of such advisers.

5) Brokerage-Only Plan Platforms

Many group plans are brokerage-only plans where every participant has their own personal brokerage account with nearly unlimited investment choices. This is often done to allow each individual partner to invest their money using a brokerage of their choice. However, this makes the compliance effort very difficult to implement because of the number and variety of such accounts.

Self-Directed Brokerage Accounts (SDBAs)

There are numerous problems with plans that use SDBAs. For example, if each account is not titled correctly, such mistitled and potentially disconnected individual brokerage accounts may not afford the legal protection of non-assignment and alienation from malpractice claims and creditors. As a result, these accounts can be attached by claimants in malpractice actions. This is likely the case with at least some of the accounts in older plans. Quite often, certain types of investments that are not allowed in 401(k) plans are present and can result in tax and other liabilities. SDBA holders rarely know that the investments in their SDBA are illegal or taxable. Moreover, frequent trading in a retirement account is something that’s frowned upon by the IRS and DOL. Since this information must be disclosed to the government, such plans will receive significant scrutiny from auditors.

SDBA Conflicts of Interest

SDBAs are often managed by outside advisers who charge asset-based fees that are paid out of the accounts. If any of the
fees are paid out of SDBA assets, this also creates a big problem for the plan sponsor who is supposed to make sure that any fees paid from plan assets are reasonable. Sometimes the plan sponsor has no idea what fees are charged in SDBAs, so they have no way of knowing whether the fees charged are reasonable.

**Addressing SDBA Issues**

If your plan is a brokerage-only plan, plan participants can keep their existing brokerage accounts by implementing the right fiduciary process. The first step is to add a fund menu with low cost investments and a number of managed model portfolios, including a qualified default investment alternative (‘QDIA’) portfolio. Adding these items is almost always an attractive option for partners and staff. The next step is to require brokerage account holders and/or service providers to complete a detailed survey. The plan fiduciaries will keep documentation of the brokerage account data, including the fees charged, how the fees are paid and investments used in each account, among other items. The appropriate utilization of your ERISA 3(38) fiduciary adviser and/or ERISA attorney will be very helpful and instrumental in making sure that the responsible and liable parties implement this process appropriately.

**New Fiduciary Rule Fallout**
Because of the pending implementation of the new Department of Labor ERISA Fiduciary Rule, many SDBA advisers and firms that service SDBAs have dropped or will drop this part of their business altogether. Others are outsourcing SDBA management in ways that are harmful to the plan sponsors by requiring that the practice partners enter into a fiduciary relationship on unfavorable terms.

6) Cash Balance Plan Risk Management Strategies

Cash Balance plans are often mismanaged by not considering actual risks to the practice that might lead to an early plan termination and asset liquidation under less than ideal circumstances. This, in turn, can lead to significant losses for plan participants. These plans may also have too much portfolio volatility and often excessive investment management costs via asset-based fees. With a high volatility portfolio, there is a real risk that assets would be liquidated after a market downturn if one or more participants take significant distributions, forcing the rest of the partners to make additional contributions to fund the plan.

In some cases, there is no fiduciary oversight over the plan. Services are often provided by a non-fiduciary adviser, which essentially makes the plan fiduciaries and partners fully responsible for the actions of the adviser. Because there is no participant direction in a Cash Balance plan, the plan sponsor is thus directly responsible for investment management of participant money, which is a significant fiduciary risk.

What Really Matters for a Group Practice Plan

There are many different types of issues that have to be addressed with group practice retirement plans that require a
team of experts including a TPA, ERISA §3(38) fiduciary and possibly even an ERISA attorney. Whether you are starting a new plan or have an existing plan, there are basic things that should be covered to make sure that your plan is run smoothly for the benefit of all plan participants.

**Governance and Fiduciary Process**

Without a solid framework to make key retirement plan decisions, your plan would always be several steps behind. Do you know your fiduciary duties and obligations as the plan sponsor? Do you have a prudent fiduciary process in place? Is there an appointed committee to oversee and interface with the plan’s administrative and investment service providers? Are you doing everything possible to minimize your plan cost while getting access to the best investments available on the market? Is your plan design optimal for your practice?

**Fiduciary Oversight**

Many plans use professionals who simply do not know the rules of ERISA-governed plans, so hiring an ERISA 3(38) fiduciary adviser who is independent and works exclusively for the plan sponsor will ensure that your plan receives a number of key services. These include helping the plan sponsor create and follow a prudent fiduciary process, select the best service providers, minimize plan expenses and provide access to the best low-cost investments available.

**Open Architecture Providers**

While selecting a good record-keeper is important, having direct access to your own independent TPA and an ERISA §3(38) fiduciary adviser is key. The TPA will take on the administrative and compliance duties so that you don’t have to do it yourself or rely on a record-keeper who might not be
able to provide the level of service necessary for your specific plan. Selecting the best independent providers is always better than selecting a single large provider. You will get better results if you use independent providers who are specialists in their respective areas rather than hiring a single company whose employees or affiliates are providing you with services.

Using a single ‘bundled’ provider will not guarantee you the best of everything cost-effectively. In fact, the cost for bundled providers can be significantly higher without any added benefit. In terms of efficiency, having a plan that consists of several open architecture service providers can be just as good as one where everything is under one roof. Independent providers will be working for you and this will also ensure that you have adequate checks and balances. In contrast, a single provider is much less likely to make sure that other parts of the plan are operating properly. It may be appropriate to have a smaller independent provider take ownership of their specific duties rather than rely on a single organization where employees do not provide individualized services and are merely servicing you as they would thousands of other clients. An independent investment adviser (ERISA §3(38) fiduciary) is always better than services provided under the umbrella of the record-keeper because a truly independent adviser will only be working in your best interest, rather than for a third party. You can, therefore, be assured there are no conflicting loyalties. Always make sure your providers are looking at your plan holistically, from all angles. If an issue does arise, it is essential that your providers can recognize it proactively and address it before it becomes a problem.

**Fixed Fee Pricing**
Small plans pay some of the highest fees for plan services. One way to make sure that you never overpay for your plan services is to use independent providers who only charge flat/fixed fees. It is not necessary to pay any asset-based fees out of your plan’s assets. Asset-based fees will cost all plan participants significant money over time, and you can always find providers who do not charge asset-based fees for their services. When getting proposals from various vendors, always compare the numbers side by side using a calculator that estimates the cost of running your plan over time. Asset-based fees compound, so only a long-term analysis will help you visualize the benefit of minimizing asset-based fees.

What do you think? Have you been in a position to select or evaluate a group practice retirement plan? Share your experience and comment below!

Save Money and Get the Best
Website Hosting for Your Medical Practice

[Editor’s Note: This is a guest post from Nina Litovskiy, owner of Nina Interactive, LLC, a boutique firm specializing in website design for dentists and physicians. Nina did the redesign of this website and the from-scratch design of the forum in 2016 and does periodic work for me. I received no payment, discount or other compensation for this post. With the many businesses and side-hustles that readers of this blog have started or are considering starting, this topic should be helpful to you. Nina also wrote an article last year about actually building your website that can be found here.]

What Is Hosting?

Hosting is necessary for any website. By purchasing hosting, you are buying space on a server which allows your website files to be stored on that server and be accessible to your patients. Your hosting package includes necessary technical maintenance of your website server and files. Hosting is typically provided for a recurring monthly or yearly fee, so it’s an integral part of your ongoing website management. Therefore, it is important to choose your hosting wisely so
that you get the best quality for the best price and avoid undesirable vendor lock-in.

**Why is Hosting Choice Important?**

Many practice owners do not give enough consideration to choosing their hosting provider. However, hosting choice can have a significant impact on the wellbeing of your website. Here are two main reasons you should make your hosting decisions carefully:

1. **Website Speed**

Your website speed depends on the quality of your website host. People don’t like to wait for slow loading websites. If a website loads slowly, it annoys visitors. Some visitors may even leave your website if they find it too slow to navigate. As a practice owner, you certainly want your website to load as quickly as possible. Website loading speed is also important for SEO. Hosting can make a significant difference in website speed. If you choose a hosting provider with high-quality servers, your website will load faster.

2. **Protection and Maintenance**

Your Website host performs all the routine technical maintenance to protect and maintain your website’s wellbeing. It is important to choose a hosting provider that takes a comprehensive approach to your website’s health by providing both preventive measures, such as regular software upgrades and protection against hacking attacks, and restorative measures, such as regular backups (saving a copy of your website regularly, so it can be restored in case your website breaks or is hacked).
Hosting with Your Web Designer is a Bad Idea

When you evaluate proposals from web design companies, you will find that many companies include monthly hosting as part of their service package. Instead, I recommend that you avoid hosting your site with your web design company. This is simply because you will then be fully dependent on your web designer and locked into their services.

Rather, I encourage you to purchase hosting from an independent third-party hosting provider and have your hosting account registered in your name. In this article, we will examine why third-party hosting is better for you than in-house hosting offered by a web design company.

The Benefits of Third-Party Hosting

1. Save money

When evaluating the overall cost of your website, it is always necessary to factor in monthly hosting fees. Most web design companies charge $70-$100/month for in-house hosting, and these monthly fees add up. Your accumulated costs will significantly exceed the initial market price of your website.
at some point. In other words, because of these high ongoing fees, the price of your website will end up significantly larger than you initially thought.

Most web design agencies buy hosting services from a third party supplier. They typically rent a server in their own name and then use it to host all of their client’s websites at a much higher cost to the client. You can safely eliminate the middleman and get the same – or better – plan from a third-party hosting provider for only $6-$20/month. This can significantly reduce the overall cost of your website and minimize your ongoing web maintenance overhead.

2. Better quality

Hosting quality is very important for your website’s dependability and performance. If you host with your web company, you don’t know the quality of the hosting they use. But when you decide to host with a third-party vendor, you have numerous options and can select the best provider based on quality, price, and customer reviews.

I understand that many practice owners do not have the time to sift through options, so please read below for my hosting recommendations.

3. Full control and complete flexibility
If you host your website with your web design company, you essentially give them the only set of keys to your website. They – not you – have full control over your website assets, which leaves you dependent on your web designers. You will have to scramble to recover your website if your company goes bankrupt or stops responding to your requests. Also, you will have to transfer your website – or, in some cases, build a new one – if you decide to switch web design companies.

Hosting your website with an independent provider saves you from these troubles. Your website can stay on the same hosting regardless of which web designer or marketing agency you choose to work with. Because hosting is registered in your name, you will always have access to and full control over your hosting account.

**Build your Website on an Open-Source Platform, Not a Proprietary Platform**

It is important to note that you cannot use an independent hosting provider if your website is built on a proprietary platform owned by your web design company (“platform” is software used to build and manage the website). When your website platform is proprietary, you will be locked into the hosting plan provided by your web design company. This plan is likely to be more expensive and restrictive than a third-party hosting alternative.

If you want to enjoy the flexibility and cost-efficiency of a third-party hosting provider, you will need to have your website built on an open-source platform. An open-source platform is publically available and not owned by any single company. **WordPress** is the best and most popular open-source
platform and can be hosted by virtually any hosting provider. WordPress’ versatility, power, and ease of use make it the platform of choice for tens of millions of websites.

Some web design companies offer an all-inclusive package with features such as patient portals or online appointment schedulers integrated into the website platform. These perks may appear convenient, but they come with the downsides of a monolithic proprietary platform: dependence on a single provider and putting them in control of all your assets, potentially higher maintenance charges, and the inability to pick and choose service providers based on quality and your specific needs.

You Can Still Have Your Patient Portal and Appointment Scheduling Without the Proprietary Headaches

As an alternative, consider the open-architecture model of a WordPress website that offers a much greater cost efficiency, extensibility, and future improvability. Once you have your website built in WordPress, you can host it with a lower-cost third-party hosting provider. Marketing services and website improvements can be provided on an as-needed basis by your web design team at an hourly rate, or by several small firms or consultants specializing in different marketing fields. Features such as a patient portal or appointment scheduling can be provided and managed by services like LocalMed or ZocDoc and easily integrated into your WordPress website. Such an open-architecture model makes your website modular, extensible, diversified, and more stable. You can pick the best and lower cost providers for the hosting and components integrated into your website, rather than paying high monthly fees to your web design company to manage everything. This will also avoid locking you into a single company.
Frequently Asked Questions About Third-Party Hosting

1. Do I have to run my own server and manage hosting myself?

Absolutely not. For an average practice website, all you need to purchase is a “managed” hosting plan. Managed hosting is so named because the day-to-day management and maintenance of the servers and website software is handled by the hosting provider. Once you purchase the plan and your website is set up, you can sit back and let the hosting company take care of everyday server maintenance.

2. Who will handle ongoing updates to my website?

There are two types of ongoing updates: updates to the content of your website and updates to the platform and server on which your website is built.

All the necessary platform and server updates will be handled by your hosting provider under your managed hosting plan.

As for content updates, you or your staff will be able to
easily update content if you have a WordPress website. If you need more advanced updates to the website design or functionality, you can call your web designer and hire them on an hourly basis. Remember, you do not have to pay your web design company monthly to retain them for support. Find a company that offers a-la-carte options and is available to help with on-demand requests. In many cases, it is more cost-effective to hire a web designer on an hourly basis for specific requests and improvements rather than paying high ongoing fees whether you need support that month or not.

3. What about ongoing marketing or SEO services?

Hosting and marketing are two different things and are considered separate services. If you want, you can still hire an agency to perform ongoing marketing services for your website, but this will always be on top of your ongoing hosting services. In this article, we are only discussing hosting.

4. So, I don’t need my web design company involved on an ongoing basis?

No. Unless you are paying for regularly-updated content or SEO updates to your site, there’s no need to pay your web design company to manage your website monthly. When you purchase a managed WordPress hosting plan, ongoing technical maintenance and software upgrades to your WordPress site will be provided by your third-party hosting provider at a fraction of the cost.

Occasionally, your website can benefit from new best practices and trends that emerge in the healthcare marketing industry. I recommend annual or semi-annual checkups so that your web design company can identify any issues or recommend improvements as well as implement specific improvements you
need. However, there is no need for monthly payments to your web design company and their continuous involvement in maintaining the hosting for your site.

5. Who will help me if my website is down or hacked?

Many managed WordPress hosting plans include site security and other measures to protect against hacks and viruses. On the rare occasions when a site is hacked or down, the hosting provider typically takes swift measures to restore the site – especially if the problem affects other websites on their servers. Although no one is fully protected against downtime and hacker attacks, a solid website with reputable, high-quality hosting will rarely experience such a problem, and in most cases, the issue will be resolved quickly.

Most dependable, quality hosting providers – especially the ones I recommend below – have experienced, helpful, and easy-to-reach customer support who you can call if you have a technical issue with your website and receive help at no charge. Alternatively, you can call your web designer and have them call the hosting company to resolve the issue.

6. Are there any downsides to third-party hosting?

I don’t see any. In the case of a large corporation or a complicated website that needs special accommodations and unique configurations, it may be necessary to host in-house or with the site developers. But for a typical medical or dental website, it is usually more efficient and less expensive to host with a third party hosting provider and to maintain a long-term relationship with the web designer only for occasional on-demand work.
You Don’t Have to Fend for Yourself!

Remember, you do not have to fend for yourself when it comes to the dark mysteries of website troubleshooting. Find a company that will not only design your website but also is available for on-demand requests at an affordable hourly rate. This way you will enjoy low monthly fees, high-quality service, and around-the-clock customer support from your hosting company, while also retaining the option of on-demand support from your web designer when needed. Again, if you have a quality website and good hosting to begin with, technical issues should be extremely rare.

Recommended Hosting Providers

So you have decided to use the WordPress platform for your practice website. Now, which hosting provider should you choose? You may have already heard of or used some well-known hosting vendors such as GoDaddy, Bluehost, or Hostgator. After careful research, testing, and years of experience with various hosting providers, we’ve narrowed down our recommendations to two companies.

We are not affiliated with any of the recommended hosting providers and do not receive any commission from them. Our recommendations are based entirely on merit. Also, note that all prices and listing of features are accurate at the time of writing and may change over time.

Top Recommendation: Siteground’s GrowBig WordPress Hosting
Siteground’s GrowBig Plan is optimal for an average practice website. The plan costs $5.95/month. After you renew, it will cost $14.95/month so you may want to sign up for a longer period to delay renewal and save more money.

To sign up, follow this link and click the “Get Started” button underneath the “GrowBig” box:

**Why I Recommend GrowBig Hosting Plan:**

1. **Regular software updates**

   GrowBig hosting will automatically backup and upgrade your WordPress platform if there is a new WordPress version, along with any plugins installed on your website. That way you stay up to date with the latest WordPress security fixes and
improvements.

2. **Automatic daily backups**

Your entire website will be automatically backed up and stored securely on a daily basis, so you don’t have to worry about losing your website. You have access to 30 backup copies of your website for each day of the past month. If something goes wrong, you or your web designer can download a backup copy and restore your site easily and quickly.

3. **Fast speed**

Siteground takes multiple steps (including CDN, caching, and other configurations) to accelerate your website and make it load faster. We have tested many client websites on Siteground hosting and have been quite happy with the loading speed.

4. **Site security to mitigate hackers**

Siteground uses several measures to protect your site and servers against viruses and hacker attacks.

5. **Free email accounts**

You can have unlimited free email accounts at your domain name, which is very convenient if you want to set up a professional email for your practice domain. However, it’s a good idea to keep your email and web hosting separate. As a better alternative to email provided by your web host, I recommend that you set up your professional email with [G-Suite](https://gsuite.google.com) where you can get business email, useful apps, and storage for only $5/month per user.

6. **Free SSL certificate**
You will receive free and automated installation of SSL certificate which will renew automatically every year. SSL certificate (it’s when your website address starts with “https://”) provides encryption and authentication for your practice website and makes it more trustworthy in the eyes of both your patients and search engines. It can even have a positive effect on SEO.

7. **24/7 customer support**

If you have an issue with your hosting, you or your web designer can contact the Siteground support team. They have phone, live chat, and ticket options for contacting Support. In our experience, their response has always been quick, helpful, and efficient.

8. **Multiple websites**

You can host multiple websites on a single hosting account at no extra charge. So if you want to build a personal blog or a website for your business venture in addition to your practice website, you can use the same hosting account to host multiple websites for the price of one.

9. **Free migration from your previous host**

You can request a free transfer of your website from your previous hosting company.
Another Recommendation: WP Engine Personal Hosting Plan

The Personal Plan costs $29/month, but if you choose the Annual Subscription option, you will get 2 months free. This will lower your price to about $24/month.

We used to recommend WP Engine more often until we discovered Siteground. Siteground is our first choice because it includes more features and is significantly cheaper, with the quality being almost as high as that of WP Engine. WP Engine is on the pricier side, but we’ve found that the speed of our client websites on WP Engine is slightly faster compared to Siteground. If you are willing to pay a higher price for a bit faster speed, WP Engine may be a good choice for you. However, we’ve only seen a small speed difference.

WP Engine Personal Plan includes most of the features offered by Siteground GrowBig Plan, except that it doesn’t include email and only includes hosting for one website per plan.

To sign up, follow this link and click “Host My Website” button inside the “Personal” box:

Conclusion

If you are currently in the process of building a new website or considering doing so, be sure to insist that your site is hosted with a reputable third-party hosting company in an account held in your own name.
What do you think? Have you been considering hosting options for your site? Have you evaluated hosting with your web design company or do you use a third-party hosting provider? Comment below!

Best Financial Books for Doctors

Since the day I started this site, I have recommended that readers spend some time with good financial books. You are likely to find more useful investing information in your library than on TV, radio, newspapers, and magazines combined. Even most of what’s in your email box and on the internet is garbage. That doesn’t mean that all financial books are good, but your odds seem better to me.

This post will replace my “Recommended Books” link that I’ve had at the top of the site for years. Unfortunately, Amazon dumped their “aStore” concept that I had been using, forcing me to do the work to maintain the list manually. That’s okay, it gives me a good reason to update the list. In case it’s not obvious, all of these links are “affiliate links” and if you buy anything through Amazon after clicking on them, we get a
tiny percentage of it at no additional cost to you.

**How the List Works**

I have divided the list into categories, and you can get to a given category quickly by simply clicking on the links below. Or you can stroll your way through the entire list. In any given category, I have placed the book I think you should read first at the top, and then the others in descending order of usefulness. But any book on the list is a great book. In fact, there are many great books that aren’t on the list, as we will soon see. Particularly excellent books that I think should be read first have an asterisk by them. My criteria? Accurate, high-yield, entertaining, and current, in that order.

If you’ve never read any financial book, I recommend you read one from each of the following categories: Doctor specific, personal finance, investing-basic, and investing- behavioral as your initial financial education, and then try to read one financial book a year (and follow the blog) as your continuing financial education. This list is going to be a “living” list, in that we will continually add books recommended by readers in each category. If you’d like to recommend a book, list it in a comment with 1-2 sentences about why high-income professionals should read it as part of their continuing financial education and unless we think the book is terrible, we’ll add it to the list.
Doctor Specific

Personal Finance

Investing - Basic

Investing - Advanced

Investing - Behavioral

Mortgages and Real Estate Investing

Taxes

Contracts and Practice Management

Estate Planning and Asset Protection

Doctor Specific

The White Coat Investor *

Were you really expecting another book to be at the top of this list? It’s here not only because I wrote it, but also because it is the best-selling, highest-yield book that I know of for someone reading this post. Almost 4 years after publication it is still number 2 in its category. It has 713 Amazon reviews, 98% of which are three stars or better. Why is it so good? Mostly because it was crowd-sourced
from readers of this site. The original version wasn’t nearly as good, I assure you, until I sent it out to a couple dozen of you and had it really tuned up. I reviewed it here. You can read a sample here. Or you can just buy it. Tell you what, if it wasn’t worth the money, send me the book and I’ll give you a full refund. In four years of offering that guarantee, I have yet to have someone take me up on it. Also available on Kindle and Audible.

The White Coat Investor’s Financial Boot Camp*

My second book is longer and more comprehensive, but also aimed at the relative beginner. It is a nuts and bolts guide, telling you exactly what to do with your money in order to get up to speed with other white coat investors. It also includes dozens of inspiring stories from your colleagues to help encourage you to do what you need to do. Just the 15 page glossary alone is worth the price of admission and is a shortcut to financial literacy that every doctor needs. I reviewed it here. I’ll offer the same guarantee on this one as the first one. Also available on Kindle and Audible.

The Physician Philosopher’s Guide to Personal Finance

Subtitled “The 20% of Personal Finance That Doctors Need to Know To Get 80% of the Results” this was written by James D. Turner, the blogger behind The Physician Philosopher Blog. I was honored to be able to write the foreword which included this praise: “I have frequently told physicians and dentists that the first really good personal finance and investing book you ever read is likely to be worth $2 Million to you over the course of your life... This is a $2
“Million book.” If you’re sick of reading books by me, try this one! It focuses on the high-yield info you need to know.

**The Physician’s Guide to Personal Finance**

Reviewed [here](#). Written by anesthesiologist Jeff Steiner, it is written in the review book format familiar to any physician who has ever taken the USMLE. It is packed with high-yield material. Its material on “treating” student loan debt and moonlighting in residency is particularly excellent. If my book is too long for you (at about 4 hours), read Jeff’s. As one reviewer puts it, “a thoughtful and well-constructed overview of basic finance, written specifically for young physicians, most of whom have never taken a finance course and have minimal real-world experience.”

**The Physician’s Guide to Investing**

Reviewed [here](#). If my book was too short for you, you might want to consider this one by cardiologist Robert Doroghazi. This is one of the few in the genre that ever had a second edition. It is long, written in tiny type, and packed with his own personal anecdotes and quotations. Nevertheless, its sections on frugal living rival those of *The Millionaire Next Door*. The book breaks down a bit in the investing sections where tactics like individual security selection and market timing appear but overall is well worth a read.
The Doctor’s Guide to Eliminating Debt

This one by surgeon Cory Fawcett is short and focused on just one topic, but it’s an important one. I read the whole thing on a flight between Houston and Little Rock, so if you can’t get through this one, well, I guess there’s no hope for you. Think of it as “Dave Ramsey for Doctors, but without the bad investment advice.” Cory’s other books are also pretty good, including The Doctor’s Guide to Starting Your Practice Right and The Doctor’s Guide to Smart Career Alternatives and Retirement. At the rate he’s pumping these out, there will be another one by the time this post runs!

Doctor’s Eyes Only

Reviewed here. This is the best of the genre that is written by a financial advisor. The writing team also happens to be the main partners of Larson Financial, perhaps the largest physician-specific financial advisory firm in the country. While at times it seems a thinly-veiled advertisement for the firm, and briefly delves into their controversial Variable Universal Life Insurance investing strategy they have taken a lot of flack for on this website, the vast majority of the book is useful and well-written. The chapters on education planning, tax planning, estate planning, and asset protection are particularly well done. The chapter on practice management is also quite unique in the genre. There are now dozens more of these physician-focused books than there were when I started this website 6 1/2 years ago, but you’ll likely be better off reading some of the other books on this list rather than two dozen books written about
the handful of financial aspects unique to doctors. I get sent about a half dozen a year to review. It isn’t that they aren’t good, it’s that the majority are written by financial advisors specializing in physicians trying to market their practice and the others tend to just repeat what has already been written in the books above.

**Recommended by readers:**

To Be Added

**Personal Finance**

**The Only Investment Guide You’ll Ever Need** *

I know the title says it is an investment guide, and that’s true, but it contains some of the best personal finance tips I know of. This is one of the few financial books out there that actually elicited some laugh out loud guffaws from me. He’s a great writer. He’s been revising this book for decades, but it’s still a classic.

**The Millionaire Next Door**
This one is far from current, published originally back in the 1990s. I don’t put books on this list just because they’re “classics” (you’ll notice little Graham, Bogle, or Malkiel for instance) but this one has a message that every doctor needs to get through his thick skull and I’ve never seen it done better than in this book. My sister read this book and about halfway through asked me, “Do I really have to read the rest?” I asked, “What’s the message of the book?” She said, “Being rich isn’t making a lot of money or having a lot of stuff, it’s having a high net worth and most people who look rich aren’t actually rich.” There are a few methodological flaws in the “study” in the book, but every person in America needs to read enough of it to understand its main message. It even has a nice chapter specifically about doctors. If you find the fact that most (all?) of the millionaires in the book are male off-putting, consider reading Millionaire Women Next Door instead. Same message, different gender.

Personal Finance for Dummies

Want something comprehensive? This one by Eric Tyson will fit the bill. The first financial book I ever read was by Tyson, but it wasn’t this one. I should have read this one instead. If you don’t know the stuff in this book you’re a sitting duck on Wall Street AND Main Street.
Living Rich by Spending Smart

It was a tough choice between this one and Your Money or Your Life. This one is the best book I’ve read on how to spend your money in a way to maximize your happiness. A great philosophy and lots of practical tips. Reviewed here.

The Automatic Millionaire

This classic by David Bach includes some ideas that are critical for everyone to understand. The main one is that becoming a millionaire isn’t complicated. That doesn’t make it easy, but you really only need to make many smart financial decisions one time, and then leave them on automatic mode. That idea can be applied to personal finance, investing, insurance, and other financial topics. For the person who doesn’t enjoy financial tasks but knows she needs to do them, this book is for you.

Recommended by readers:
- Financial Fitness Forever

Investing- Basic

If You Can *
This very short volume by William Bernstein subtitled How Millennials Can Get Rich Slowly is perhaps the most high-yield resource on the topic out there. It is so good you should read it twice and short enough that you can easily do so. There are five hurdles for investors to get over:

- **Hurdle 1**: Even if you can invest like Warren Buffett, if you can’t save, you’ll die poor.
- **Hurdle 2**: Finance isn’t rocket science, but you’d better understand it clearly.
- **Hurdle 3**: Those who ignore financial history are condemned to repeat it.
- **Hurdle 4**: We have met the enemy and he is us.
- **Hurdle 5**: The financial services industry wants to make you poor and stupid. Each section also includes a homework assignment (usually another book you should read.)

## The Bogleheads’ Guide to Investing

A classic written by three prominent Bogleheads. This is one of the best no-nonsense tomes on investing. Read this to not only understand why Bogleheads call Jack Bogle “Saint Jack”, but also to learn how to keep Wall Street’s grubby mitts off your nest egg.

## The CoffeeHouse Investor
I’m a sucker for Bill Schultheis’s climbing stories. This book is part investing and part personal finance, but mostly a great philosophy on life and money. Even my dad got through this quick read.

**The Investor’s Manifesto**

Written by Doctor William Bernstein (a neurologist), this is a must-read for any physician investor. He speaks your language, and you can trust him. Bernstein’s *Four Pillars of Investing* was a huge influence on my investing. I consider this the updated and simplified version.

**Investing Made Simple**
Mike Piper blogs at The Oblivious Investor. This quick read is a great explanation of investing in index funds. Rick Ferri’s All About Index Funds is much longer and a bit more advanced.

**Common Sense Investing**

If the Bogleheads Guide to Investing is too long for you, try this by Rick Van Ness. It’s the Cliff Notes version.

Recommended by readers:

- The Little Book of Common Sense Investing
- Simple Path to Wealth
- Simple Wealth, Inevitable Wealth
- Elements of Investing

**Investing- Advanced**

**Risk Less and Prosper**

Zvi Bodie’s guide to safe investing. Reviewed here. Think you
need a risky portfolio? Here’s the counter-argument.

**The Intelligent Investor**

Subtitled *The Definitive Book on Value Investing, A Book of Practical Counsel*, this is by Warren Buffett’s mentor Benjamin Graham. If you have interest in individual stock investing, read this book then realize that later in life Graham recommended you use index funds for stock market investing.

**The Bond Book**

Here is what I think is the best book on bonds out there. Feel like you don’t understand bonds? You will after finishing this book by Annette Thau. It is appropriately subtitled “Everything Investors Need to Know About Treasuries, Municipals, GNMA’s, Corporates, Zeros, Bond Funds, Money Market Funds, and More.”

**Why Bother With Bonds**
Speaking of bonds, read this book by Rick Van Ness if you think you don’t need them in your portfolio. Like all of Rick’s books, it’s short and very readable.

**The Power of Passive Investing**

This is Rick Ferri’s masterpiece defense of index funds. I find Ferri more readable than Bogle and Malkiel, his predecessors in this argument. If ever there were a rabid proponent of passive investing, Rick would be it. I once asked him why he keeps writing the same book over and over and he answered, “Because Wall Street keeps telling the same lies over and over.” Every investor ought to read at least one of Rick’s books early in his investing career. *All About Asset Allocation* is another favorite.

**The Quest for Alpha**

Still not convinced? Or just prefer Swedroe to Ferri? Here’s another explanation of why hunting alpha in the stock market is probably a fool’s errand. Larry Swedroe is one of the good guys out there. A proponent of passive investing who loves to dabble into alternative asset classes, his wisdom will help your nest egg grow.
Investing for Adults

These short books from William Bernstein should NOT be the first thing you read on investing. But if you’re looking for a more in-depth exploration of important investing and portfolio design ideas, look no further. I recommend them all. They include *The Ages of the Investor*, *Skating Where The Puck Was*, *Deep Risk*, and *Rational Expectations*.

The Only Guide to Alternative Investments You’ll Ever Need

Want to invest in gold? Hedge funds? Indexed annuities? Don’t before you take a look at this book by Larry Swedroe. Some “alternative” investments have a role in your portfolio, but most do not. Find out which is which. Great book to read before venturing away from a basic Boglehead-style index fund portfolio.

Your Complete Guide to Factor Based
Investing

One more from Swedroe, this one for the DFA and other “factor-based” investing crowd. Should you tilt your portfolio to small, value, momentum, or profitability? Read this book to get the “Pro” case. Read Bogle’s Common Sense on Mutual Funds for the “Con” perspective.

The Truth About Buying Annuities

Reviewed here, this is a gem written by Steve Weisman, a true annuity expert. Finally, a book about annuities that makes these complicated beasts seem simple. The biggest strength of this book is that it is written by an expert in the field, but an expert who DOESN’T sell them. If you have an annuity and are wondering what to do with it, are considering getting one, or if you invest through a 403B, you owe it to yourself to read this book ASAP.

The ETF Book

Want to learn about ETFs? Here’s the best book. Again by expert Rick Ferri, you can learn that despite the fact that there are thousands of ETFs, you should only consider
investing in a very few of them.

**The Website Investor**

Looking for something new in the way of alternative investments? How about a quiver (portfolio) of income generating websites? Reviewed [here](#), this book by Jeff Hunt is the best one I’ve found so far on this subject.

**Recommended by readers:**

- [Protecting Your Wealth In Good Times and Bad](#)
- [The Most Important Thing](#)
- [The Affluent Investor](#) (Reviewed [here](#))
- [The Only Guide to a Winning Investment Strategy You’ll Ever Need](#)
- [A Random Walk Down Wall Street](#)

**Investing- Behavioral**

**How to Think About Money** *

This one, by author, columnist, and WCI conference speaker Jonathan Clements is one of the best financial books I’ve ever read. It was so good I am literally jealous that I’m not smart
or talented enough to have written it myself. The only reason it isn’t at the top of this list is because it is a bit more of an advanced book, that helps you get perspective once you know the basics. Reviewed [here](#). I almost put this into the personal finance book category, but this category was a little light and it certainly includes a lot of behavioral finance and investing information.

**Why Smart People Make Big Money Mistakes**

This classic by Belsky and Gilovich details the role that behavior has in your financial life. There is a lot more than math to investing and finance. Behavior can have just as large of an effect, and often larger. Personal finance is both personal- the behavior aspect and finance- the math aspect.

**Your Money and Your Brain**

This one is by WSJ columnist Jason Zweig and is subtitled How the New Science of Neuroeconomics Can Help You Get Rich. If you can get control of your brain and your relationship with money, wealth is almost guaranteed.
**Predictably Irrational**

This one is not 100% finance focused, but points out all the ways in which we are not the completely rational homo economicus that is generally assumed by economists.

**The Five Mistakes Every Investor Makes and How to Avoid Them**

Subtitled, Getting Investing Right, this is a great beginning investing book that is particularly strong on the behavioral investing aspect. His chapter on “The Ultimate Mistake” (not spending the money you spent your whole life saving) is particularly excellent. Reviewed [here](#).

**The Great Depression: A Diary**

This one is quite different from the others and will be loved by history buffs. This is a real-time journal from an attorney as he passed through the Great Depression including all kinds of financial notes about the prices of stocks, the overall market, main street businesses around him, and real estate. If you want to know what going through a serious downturn as a high-income professional is like, I know of no better book.

**Recommended by readers:**

To Be Added
Mortgages and Real Estate Investing

Best Practices for the Intelligent Real Estate Investor

There are tons of crummy real estate investing books out there. Most of them are 50% motivational, 40% bogus, and 10% useful. This book is no Rich Dad Poor Dad. Written by real estate investing expert (and real estate guru debunker) John T Reed, this one just throws out the motivational and bogus stuff and tells it like it really is. The book is subtitled “How to Profit From Skill and Boom Markets and Protect Yourself From Down Markets.” Don’t expect get-rich-quick no-money-down garbage here, just real advice from someone who has really done it, the slow, methodical, and realistic way. This was not Reed’s first book, but it is probably his best book. It is a sophisticated look at the fundamentals of real estate written after he had already written 22 other books on the subject and spent a career in the field. You may not be able to buy this one on Amazon, but Reed sells them directly on his site. His “beginner” book is called “How to Get Started in Real Estate Investing,” but I think this one is a better read for the beginner.

What Every Real Estate Investor Needs to Know About Cash Flow

Authored by Frank Gallinelli, this book covers 36 key numbers or calculations you really need to know if you’re serious about real estate investing. I cannot recommend it more highly. Everything you need to know about cap rates and net operating income and what they mean is in this book.
How to Save Thousands of Dollars on Your Home Mortgage

I read this book while shopping for my fourth mortgage. I sure could have used this information the first three times. It’s pretty surprising how complicated mortgages can be. Considering it is the largest purchase you’ll ever make, don’t you think you ought to spend a little time making sure you get a good deal? You can easily lose everything you gain in savvy negotiating over the price of a home by getting a lousy deal on a mortgage.

How to Manage Residential Property for Maximum Cash Flow and Resale Value

This is another of John T. Reed’s excellent real estate books, subtitled “How to Maximize Your Income and Minimize Your Expenses and Hassles.” See? Even the title is no-nonsense. Amazon says, “Providing solid, basic information on managing rental units and making money at it, a guide to property management offers tips on recruiting and supervising assistant managers, maximizing income, setting up a bookkeeping system, and saving on payroll taxes.” Sounds boring huh? But boring investing is good investing. If you want some get-rich-quick motivational book, there are plenty of those out there.

Why Physician Home Loans Fail
Written by long-term blog advertiser Josh Mettle, and reviewed [here](#). Read this book before getting a “doctor” mortgage loan. Read all about the horror stories other physicians have had while trying to buy a house across the country before they even finish training.

**Recommended by readers:**

*The Book on Rental Property Investing*

**Taxes**

**Maximizing 199A Deductions**

Stephen L. Nelson, CPA has written dozens of books including *Quicken for Dummies* and *QuickBooks for Dummies*. Stephen knows more about the 199A pass-through business deduction than anyone I know and this is the best book out there on the subject. It’s not cheap ($150) but it’s a lot cheaper than missing out on this deduction that could be worth tens of thousands to some docs and other business owners.

**Taxes Made Simple** *

Subtitled “Income Taxes Explained in 100 Words or Less,” this classic by CPA and Blogger Mike Piper is probably the best primer out there on the income tax. It might not teach you every little trick you need to know, but it’ll give you a great overview and won’t waste your time.
J.K. Lasser’s Your Income Tax 2018

I used to recommend Taxes for Dummies, but the last edition was in 2009, and tax law changes too frequently to recommend an 8-year-old book. If you’re looking for a comprehensive “how to do your taxes” kind of reference, this one will work better than Piper’s. If you can read this cover to cover, you’re going to be very wealthy some day. That kind of discipline is pretty rare.

The Overtaxed Investor

The best book on the market when it comes to investing-related taxes, Demuth can make a terribly boring subject interesting and even funny. Reviewed here. This one is written by James Lange, who should be far more popular than he is as a financial author. While this delves into many aspects of the tax code, it really specializes in the use of retirement accounts and minimizing estate tax. While many authors get their recommendations about retirement accounts wrong, Lange nails it time and time again with well-done calculations and clear graphs and charts. CPA/JD James Lange is a recognized expert on retirement accounts and trusts. Highly recommended, although best if read slowly.

Independent Contractor, Sole Proprietor,
Another inexpensive, easily read book on taxes from Mike Piper. This one hits a subject that many doctors want to learn more about.

**Aggressive Tax Avoidance for Real Estate Investors**

This is another no-nonsense book from John T. Reed. Although aimed at Real Estate Investors, there is an awful lot in here about taxes that you might find useful. One of the best sections explains how an audit works and what it is like to go to Tax Court with and without an attorney. It is subtitled, “How to Make Sure You Aren’t Paying One More Cent in Taxes Than the Law Requires.” If that’s your goal, read this book! Again, you might not be able to find this one on Amazon for a reasonable price, but you can probably order directly from Reed.

**Recommended by readers:**

[Every Landlord’s Tax Deduction Guide](#)
Contracts and Practice Management

The Final Hurdle: A Physician’s Guide to Negotiating a Fair Employment Agreement

Not cheap, but the best book on the subject in my view. Chapter 5 alone on valuing a practice buy-in is worth the price of admission. I don’t expect I’ll ever write a book on this subject because I couldn’t do as good of a job as author and healthcare attorney Dennis Hursh.

Physicians Guide: Evaluating Employment Opportunities & Avoiding Contractual Pitfalls

This is a great book. Unfortunately, it is out of print either temporarily or permanently. Go ahead and take a look by clicking on the link, but don’t be surprised if there are only a handful of copies available from third-party sellers and they all want $600 for it. I’ll sell you my copy for 1/4 of that if you want! It includes these features:

• How to assess the micro, medial, and macro organizational cultures
• How to determine if there is enough volume to support your practice
• Ensure that your pay is competitive and understand how it is calculated
• Ensure that you have “tail” coverage that is paid for by your employer
• Mitigate the unwanted impact of an “equitable share” of call
• Forecast the long-term ramifications of upfront money
• Protection from standard termination covenants
• How to capture the “spirit” of the agreement

The Business Side of Medicine

Filled with tons of practical tips, this book is almost like a mini-MBA, but just the stuff you need and none of the stuff you don’t. Highly recommended. Plus way cheaper than the two books above!

What They Don’t Teach You in Dental School

A short, no-nonsense guide to starting your own dental practice. 95% of it is applicable to physicians and other small businessmen. Reviewed here.

The Physicians Comprehensive Guide to Negotiating
This one also suffers from a fairly high price and limited availability, but it is excellent if you can get your hands on a copy. It is specific to doctors and has over 200 examples showing you what to do and not do. Get what you deserve by using these techniques.

**Contract Issues for Emergency Physicians**

Limited availability on Amazon, but you may be able to get it cheaper at the ACEP Store. I paid $10 for my copy. It was definitely worth that. As I write this post it was available for $27, but I’ve also seen it listed for $200. I wouldn’t pay that much. But it’s EM specific, so a great read for a senior EM resident.

**Recommended by readers:**

[How to Be a Rock Star Doctor](#) (Reviewed [here](#))

**Estate Planning and Asset Protection**

**Estate Trusts for Everyone**

Subtitled “Why a will is not the way to avoid probate, protect heirs, and settle estates,” this book wonderfully explains why pretty much every doc ought to have a living (i.e. revocable) trust in place at their death. 117 short pages explaining why you need a trust instead of a will. If you don’t think you need a trust, read the book.
Make Your Kid a Millionaire

Subtitled “11 Easy Ways Anyone Can Secure a Child’s Financial Future,” this is a gem of a book that you don’t hear about very often. It describes all kinds of ways to help your kids get a leg up financially. It discusses all the kiddie type accounts such as Coverdell ESAs (Education IRAs), 529s, UGMAs etc. and contains lots of creative ways to take advantage of the extra decades of compound interest your kids have available to them. While not one of the first books you should read, if you find you enjoy learning this stuff, this is a great one to add to your collection.

Retire Secure: Pay Taxes Later

This one could have gone in both the Tax section and the Estate Planning section because it is so good with both topics. The entire second half of the book is all estate planning, and perhaps the best book on the subject I’ve read yet. Written by CPA/JD James Lange, a recognized expert on retirement accounts and trusts. Highly recommended, although best if read slowly. Reviewed here.

Silver Spoon Kids

Subtitled “How successful parents raise responsible children.” I know this is a concern for our family, and I’ll bet it is for many of you. Learn how to give them every advantage you can without spoiling them. Reviewed here.
Recommended by readers:
To Be Added

What do you think? What books would you add to this list? Put your recommendations in the comments section with a 1-2 sentence description of why you think it should be on the list. Comment below!

Anatomy of a Complex Physician Contract Negotiation

[Editor’s Note: Robert A Felberg, MD is a Vascular and Critical Care Neurologist with 20 years of experience. He is the CEO of Physician Advocates LLC, a firm that helps teach doctors negotiation and professional skills. We have no financial relationship.]

I was recently asked an interesting question by one of my blog readers. (I've changed everything to keep the details private,
but the important points will remain the same.) The edited question is this:

“I work for a practice that has not changed or increased their annual salary for the last 10 years. There is a bonus, but the structure is such that it represents no more than 10% of baseline and has not increased either. When I ask the boss, he tells me that ‘All practices are the same. No one raises the salary.’ I am concerned that with the loss of value due to inflation, my compensation is being reduced and will continue do so in the future.”

This is one complex negotiation! You have a relationship with your boss that is paramount. You are losing value. You are being offered a “standard policy” of a “regional norm” as a counterargument. And, if you can’t come up with a solution, you are left with the option of losing compensation value year after year. Certainly the sort of thing that leads to stress and physician burnout!

Robert Felberg, MD

Your Three Critical Skill Sets

To be a truly successful physician you need three complementary skill sets. Obviously, you will need your
clinical training and outstanding patient care skills. As a reader of White Coat Investor, you understand the need for financial knowledge. Finally, there are the “professional business skills” that lack an ideal formal name. They are often called communicative or “soft” skills. Other professions like business executives and attorneys focus heavily on these topics, but physicians rarely receive any training on this skill set. The list includes skills such as interviewing, public speaking, contracts, and conflict management. Of all the physician professional business skills, the most valuable is negotiation.

The Best Contract Deal Requires Negotiation

To reach your financial and personal goals, you must become an effective physician negotiator. You cannot get the best possible deal on a physician contract without negotiating. As a physician, you have several education options available. This includes CME courses designed for physicians, self-study, or non-medically oriented negotiation seminars. Most Physicians require at least 4 practice negotiation simulations to get up to speed, so seek seminars that offer medical practice based training seminars.

Typically, most articles about physician salary negotiation cover basic bargaining on starting compensation. These scenarios tend to be straightforward and elements such as relationships do not come into play. In this circumstance, the issues are complex and require a far more specialized approach. I will touch upon some of the more intricate aspects as an introduction to advanced medical negotiation, but please understand that this cursory overview is just touching the surface.
Step One: Develop a BATNA

A BATNA or “best alternative to negotiated agreement” is your fallback position. This is the minimum you are willing to accept. If you cannot reach this agreement, you are “deadlocked” and you will pursue your other options. Your BATNA should be based on an already available option (maybe a private job search) or one that would be reasonably attained with minimal effort. What should your BATNA be in this case? That’s based on your personal goals as well as some reality. A reasonable BATNA here might be that in the next budget cycle you will get a raise of your total compensation package by 2% with a clearly defined plan for future increases. If that can’t be reached, you may be better served looking elsewhere.

Step Two: Problems Not People

Complex negotiations often take on the characteristics of “interest based negotiation” or “win-win” scenarios. I will be borrowing heavily from Fischer and Ury who helped pioneer this concept. The use of interest based negotiation protects relationships and leads to innovative solutions that grow value for all parties concerned.

Unfortunately, focusing on problems and not on people is where Doctors often go wrong. We are trained to blame people first.
Look at any M&M conference for an example- we seldom look beyond individual error as a cause. A conflict-laden, blame based approach will kill the negotiation before it starts and sour your long-term relationship. Keep focused on the issues and not on personal attacks. Don’t succumb to the temptation to accusingly say “You’re the fools who can’t budget a raise every year!” In the same vein, don’t take the bait when your bosses say, “The problem is that you’re so lazy and that’s why we can’t give out raises!” Stick to the problem- the lack of annual increase in compensation- and deftly handle the personal attacks to stay on tract.

**Step Three: Interests Not Positions**

Ask questions and listen to understand the reasons why your bosses have not given raises in the past. Maybe they never felt the need since they felt so well compensated in the past. Possibly, they decided years ago that they would curtail raises to hire new staff or buy new equipment and the idea just stuck as dogma. Maybe they give raises only to senior staff and you’ve not been vested or they question your long-term plans and don’t want to invest in you. Do not make assumptions. Let them know your interests- you want to increase your compensation in the face of inflation and to keep up with other practices. Listen to your partner in negotiation and understand their logic, concerns, fears, and interests.

**Step Four: Collaborate Together to Come Up With Mutually Beneficial Solutions**
Now that you understand your negotiating partner’s stance, it’s time to work together to come to a solution. This is where the master negotiators shine. Maybe you’ll get lucky and your bosses will accept your plea as reasonable and give you the raise. More likely than not, you’ll need to find a solution that benefits you and the other party. A few possible examples:

A: Your bosses need someone to act as director at the new hospital. You accept this position for an additional $60,000 annually, partly supplemented by the hospital administration.

B: Your practice pays a locum tenens doctor for weekend coverage at great expense. You make an agreement with a colleague to cover the shift, splitting the saved outlay.

C: You review staffing and develop more efficient processes to reduce costs and earn those saved expenses as salary.

The possibilities here are multiple, but the final outcome is the same. Both parties find a solution that increases shared value. You both achieve a win.

Step Five: Use Objective Criteria to
Solve Disputes

There may be issues where you and your negotiating partner don’t agree. They may insist you are getting paid well above the average. You may insist that most physicians increase their salaries as their career advance. Agree beforehand that you will accept objective evidence as the standard to judge. This may be a stretch for several fields, but in medicine it is standard to believe in data over hearsay.

Here is a chance for you to get the best deal through legwork. Think through the negotiation and all of the possible arguments that both parties can raise. Next, preemptively obtain the data and have it available in an easily digestible form at the time of negotiation. By doing your homework and preparing in advance, you’ll get the chance to present what you want and with the spin that best serves you. As long as you do not lie or deceive, this is considered fully ethical in negotiation- you are expected to present your arguments in the best light.

We advise that you obtain an accurate market value report to have the best data available. In this scenario, you’d likely compare your compensation to regional norms, or salary ranges for number of years in practice to show an average rate of annual salary increase. The need for accurate and useful information makes a market value report an excellent investment. You could even ask your group if they’d be willing to cover the costs of the report.

Wrapping it all up

Be respectful and polite during your negotiation. When your partner gives you a concession be certain to thank them. When the negotiation is over, tell them how well they did and how much you appreciate their hard work and honest approach. Maintain a strong relationship throughout and use this process to build your next successful negotiation.
Certainly, this type of complex mediation requires more intensive formal training than your typical used car or flea market haggling session. Hopefully, this introduction raises awareness of the evidence based aspect of negotiation and inspires you to seek further education. Your success as a physician requires your mastery of the professional business skill set. Negotiation is the shining jewel in that crown. With the proper training, you’ll be able to achieve your dreams and succeed… really succeed.

Bonus Hint: Be sure to use a “nibble” to get your raise guaranteed next year.

What do you think? What have you done to improve your soft skills, including negotiation? Why do you think doctors don’t negotiate, and when they do, suck at it? Comment below!

How to Save Money When
When it comes to marketing, there is perhaps no asset more valuable than your website. It is the cornerstone of your online marketing efforts, and, in many cases, the first point of contact that potential new patients will have with your practice. Built properly, your website should organically attract qualified visitors, clearly communicate your unique value, visually differentiate your practice from the competition, and compel visitors to become your patients.

For your website to be effective, it should be planned correctly and built professionally. Going forward, you will also need reliable professional help when you decide to implement modifications and improvements to your website.
Choosing a company to build and maintain your website, however, isn’t always easy. Many medical and dental marketing companies offer seemingly attractive options that may turn out costly and problematic for you in the long run. This article aims to help you make an informed decision by discussing these problems and by offering potentially more efficient and cost-effective alternatives.

**Large Agencies**

There are two types of web design and development agencies: larger, more corporate agencies and smaller, boutique firms consisting of one to several core specialists. While large agency resources can be useful for big corporations and technically complex projects, they are usually an overkill for small and medium businesses such as dental and medical practices. In addition, larger marketing companies entail the following disadvantages:

**Price**

Larger agencies are rarely able to compete with smaller firms on price. Larger agencies typically have higher overhead costs – office space, human resources, etc. – that are, inevitably, passed along to the client. You either overpay upfront or in the long run, but either way you end up paying more than the value you receive.
Quality

Large agencies need to work with as many clients as possible to cover their overhead and turn a profit. When services are scaled and mass-produced for a large pool of clients, quality tends to suffer, products get too standardized, and all customers get essentially the same one-size-fits-all solutions which may not be suitable for the individual needs of their practices. The company is only interested in providing just enough quality to keep you as a customer, but there is usually no incentive to cater to your personal needs and exceed your expectations.

Customer Service

Larger agencies usually assign an account manager to each project. These individuals act as a liaison between you and the various designers and programmers who will be involved with your website. As employees of the company, account managers work in the company’s interests, not yours. They are not dedicated to you personally and don’t have the incentive to go the extra mile to exceed your expectations. In companies with high employee turnover account managers may change frequently, which further weakens personal connection between you and the company’s team.

Alternative Solution: Boutique Firms
An alternative solution can be a smaller web firm with a reputation for being agile and reliable. Smaller boutique firms run lean, oftentimes foregoing a physical office space and leveraging the skills of a small team of experts. Because of this, small agencies come with smaller price tags. With a boutique agency, you will likely be working directly with the owner. He or she will closely manage other members of the team throughout the course of your web development project. You can expect a higher level of personalized service, as small agencies are more flexible and better equipped to adapt to the varying needs of their clients. Also, small agencies rely on the quality of their work to keep their businesses running, and depend on word of mouth and referrals to drive new business development. The owners are personally interested in your business and have a strong incentive to produce quality work for you.

**Bundled Services**

Most service providers use one of two service models, each with their advantages and disadvantages: the bundled full-service model and the open architecture “a la carte” service model.

The full-service model may seem to be more convenient. One agency acts as a “one-stop-shop” for design, development, search engine optimization, and website maintenance, plus add-on services such as social media marketing, content marketing and paid search campaigns.

Bundled services generally come with a higher price tag, and in many cases medical and dental practices don’t need all of the services offered in the bundle. Also, in a bundled platform it is impossible to replace and remove the services
that are sub-par or are too expensive because everything is integrated into a single platform. Lastly, a bundled platform does not have adequate checks and balances as all of the employees are working for the company that hired them, not for you. When all your services are provided by employees of the same company, it is much harder to get an objective second opinion and fresh advice.

**Alternative Solution: a La Carte Model**

An open architecture model enables your practice to hire several small specialist firms, *a la carte* style, to provide only the specific services your practice needs. If a specialist is not generating positive results, he or she can be easily replaced. Such flexibility enables you to hand-pick the best talent and control your costs. Finding and hiring each specialist can be time-consuming, and your web design firm should be able to recommend vendors based on your specific needs.

**Proprietary Website Platforms**

Understanding the benefits and limitations of various website platforms is a technological nuance that is easy to overlook— but doing so may prove costly in the long run. There are two types of website platforms: proprietary and open-source. A proprietary platform is unique to only one website development agency. An open-source platform is openly available to all website developers.

Full-service agencies offering medical or dental-specific website development often use a proprietary website platform. They will host your website on their own servers, and build your website on their own platform. Hosting fees can run high— $70 or more per month— and moving to a different hosting provider, whether now or in the future, would require...
rebuilding your site. Making the choice to build your site on a proprietary platform limits your options for the long term, and keeps you bound to your developers for as long as your website is on their platform.

**Alternative Solution: Open-Source Platforms**

You may be told that a dental or medical-specific proprietary platform is designed to meet the needs of your industry, but the reality is that a well built, open-source website will meet those same needs while also offering more scalability. Opting for an open-source platform affords you the maximum amount of flexibility when it comes to building, hosting and maintaining your website now and in the future. Due to the nonproprietary nature of an open-source platform, you will have a wider choice of companies that can service your website. Currently, WordPress is the best and most popular open-source platform for dental and medical practices. Compared to a proprietary platform, an open-source website is more cost-effective to maintain and host. For example, hosting fees for WordPress run as low as $15-20 per month with a high-quality hosting provider.

**Generic Web Content**

Some marketing companies offering content generation services simply copy procedure descriptions and other patient education content from other sources, or reuse the same pre-written content on all their client websites. There is no gray area when it comes to the quality of your website’s content: do not use duplicate content. Not only will Google and other search engines penalize your site, but “canned” content also does nothing to communicate the unique value of your practice or compel prospective patients to call your office. As a result, you waste money on filler content that doesn’t convert patients and that can even be harmful to your online presence.
Alternative Solution: Custom Content

If content generation is one of the services offered by your website developer, ask whether that content will be written uniquely for your practice, or if it is generic content that they use for all of their clients. If they intend to use generic content, consider hiring a third-party copywriter, or even writing your own content. After all, you are the ultimate expert about your industry and practice, and know from regular patient interaction what types of questions patients ask and what information they need.

[Editor’s Note: Having been in the “content generation” business for a few years, I would highly recommend AGAINST hiring anyone else to make your content. Trust me when I say the quality for the typical provider of content is subpar at best. It is not that much work for you and may be some of the most important and well-paid work you do all year.]

Monthly Website Maintenance Fees

Many businesses take an “if you build it, they will come” approach to their websites, but the reality is that every website requires a certain level of maintenance. Educating yourself about which maintenance and support options are necessary, which are worthwhile, and which are superfluous will help you save money, time, and energy.

Technical Website Maintenance

Technical website maintenance includes website backups, anti-virus scanning, server updates, and other routine maintenance of your website platform and server. This service is necessary and must be performed by your website host. If you have chosen to build your website on a proprietary platform, your monthly hosting fees may be high. Using an open-source platform and a third-party host will save you money without sacrificing the
quality of your technical maintenance services.

Technical Support

Your website host should offer technical support services at no additional cost. If your website is hacked or running slowly, you should be able to call your host and resolve the problem quickly. Reputable hosting providers are generally responsive and competent.

Front-End Website Support

Front-end support includes fixing a website malfunction, content updates, or updates to graphics and other user-facing website elements. A well-developed site will be built on an intuitive, easy-to-use content management system (such as WordPress) that enables you to make simple content and image updates on your own, without any programming knowledge. Your practice should not require enough front-end website support to require a monthly support program. At most, hire a website developer for specific fixes and initiatives on an as-needed basis.

Search Engine Optimization (SEO)

Search engine optimization (SEO) is such a hot marketing buzzword that practices are afraid to forego the service. However, many practices don’t know exactly what SEO is, or what they should be getting out of a monthly SEO maintenance program.

A Well-Developed Website is a Priority

If your website is poorly built, any SEO efforts will be a waste of money and energy. Many medical and dental practice websites suffer from issues such as poor planning, inadequate structure and navigation, bloated code, slow speed, duplicate content, and incompatibility with mobile devices. All these
issues can block search engines from properly ranking your site. These issues should be addressed before you invest in any further SEO efforts.

**Do You Need Monthly SEO?**

When considering whether to hire an SEO specialist, first consider your business model and goals. How important is it for your practice to rank at the top of search results? If your leading driver of new patients is word of mouth, referrals, advertising, or internal marketing, the natural SEO traction that you’ll gain just by having a well-developed website might be enough.

Also, take a look at the statistics. Ask your website developer or an SEO specialist to see reports showing the current volume of search relevant to your practice, as well as the amount of competition on those search terms. If there is very little volume and very high competition, your budget and energy may be better spent elsewhere.

If the statistics are promising and your practice stands to gain by capitalizing on SEO, it’s time to choose a specialist. However, avoid any company that uses fear to talk you into a monthly maintenance program; unless you are planning on aggressively going after top rankings, annual or semi-annual SEO “tune-ups” should be the most you need to stay relevant.

**How to Work With an SEO Company**

If you’ve decided that search rankings are important and are willing to invest in SEO maintenance, look for a company who will custom-tailor an SEO strategy based on the needs of your practice. SEO is a lot more than just adding keywords to your website; depending on your needs, an SEO strategy may require targeted blogging with widespread distribution, social media integration, and strategic website expansion to capitalize on new and emerging search trends.
The best way to gauge whether or not your SEO strategy is paying off is to monitor your website traffic statistics and compare them against pre-SEO data. Increased traffic, a lower bounce rate, and a higher ratio of new to returning visitors are a few of the statistics that may indicate a successful SEO strategy.

Finally, if you opted for a monthly SEO maintenance program, ask your provider to submit a list of the monthly deliverables you can expect. SEO is very much a behind-the-scenes service, making it difficult to gauge how much—or how little—effort is actually being expended on your account. Hold your SEO provider accountable for their work and ask for monthly reports on the performance of your website’s SEO foundation.

**SEO Does Not Guarantee New Patients**

It is imperative to understand that no company can guarantee search engine rankings, and, even if your rankings do improve, there is no promise that it will lead to increased web traffic and generate more of your target patients. Attracting high-quality patients depends on a combination of factors—such as your other forms of marketing, your competition, and your online reviews—over which your SEO company has no control.

[Editor’s Note: There are also reputable online reputation management companies and even companies who will write fake reviews for your practice. Bear in mind this practice is illegal (false advertising) and can carry stiff fines. While educated people know reviews really can’t be trusted, we all still use them and your patients do too. The quality of your reviews on other sites may have a larger effect on your practice than your own site and SEO efforts.]

**Summary**

After you sort out your website maintenance needs, you may discover ways to save money and spend it more efficiently.
Technical maintenance costs can be significantly reduced if you host your website with a third-party hosting provider. Other types of maintenance, such as website support and SEO, may not require monthly fees at all. A cost-effective option may be to maintain a professional relationship with a reliable web developer and SEO specialist, and hire them for specific initiatives on an as-needed basis.

What do you think? Have you been dazzled by sales pitches from web marketing companies? Are you being charged high fees and provided with little valuable service? Are you looking for cost-effective way to professionally build and maintain your website? Comment below!

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**How To Reduce Your Practice Retirement Plan Cost**

[Editor’s Note: This is a guest post from Konstantin Litovsky, a long-term advertiser here at WCI and an expert in designing low-cost small practice retirement plans. Long-time readers...]

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FDIC
will remember this subject being discussed in the past. If you are an employee, you are basically stuck with the retirement plans offered by your employer, although you can lobby for change. If you are self-employed without employees, an individual 401(k) is a straightforward do-it-yourself retirement plan. However, once you have employees things get a little bit more complicated and it is time to seek professional help. In this post Mr. Litovsky describes what you should be looking for with that help. While the described best solution/advisor obviously has a very close resemblance to himself and his firm, I agree with him that getting a low-cost plan filled with low-cost investments and the best available features is critical as is meeting your fiduciary responsibility to the plan participants. Enjoy the post.]

It is well-known that the majority of retirement plan providers that serve the small and mid-sized retirement plans are bundled platforms that make most of their money via asset-based fees. Many plan providers do not offer the best available solutions to small solo and group practice plans, and this often means subpar plan design and lack of any fiduciary or compliance services, which leads to higher plan cost and can potentially result in unnecessary expenses [such as litigation-ed] later on. Even those providers who are open-architecture tend to charge significantly higher fees for small solo and group practice plans relative to what the larger plans pay for the same services. However, it is definitely possible to get the best available plan services at a lower cost. The problem is that the information on how to lower your plan cost and improve the service quality can be hard to come by because plan providers are not fiduciaries, and they are not working in your best interest, so they don’t have to get you the best plan money can buy. Below are five ways to significantly reduce your plan cost, especially if your practice has an older plan with significant assets.
It is really unfortunate that asset-based fees dominate the retirement plan industry, and you pay a higher fee just because your assets grow, not because you are getting any extra services in return for the higher fee. For example, Group Cash Balance plans are often charged a 1% fee by investment advisers even though the plan portfolio is managed so conservatively that the asset-based fees will significantly diminish the investment returns over time. Not only are asset-based fees unfair, but they might be costing you hundreds of thousands of dollars in extra fees without much to show for it. There is no reason to pay any asset-based fees for your plan services (aside from the expense ratios of your investments), so always choose plan providers who only charge a fixed/flat fee. [Or at a minimum compare the total AUM fee you are paying and compare it to available flat-fee based providers.-ed]

While some record-keepers and Third Party Administrators (TPAs) do charge asset-based fees for their services, you can always find a provider who charges exclusively a fixed/flat fee. With investment advisers the asset-based fee is much more widespread, but you should still be able to find an adviser (in a fiduciary capacity) who would be willing to work
for a fixed/flat fee. **Use this calculator** to estimate the fees you are paying, and compare with the fees that fixed/flat fee providers charge to see the difference over time. Many recordkeepers charge a relatively small asset-based fee (which can be around 0.05% or so), but you can often elect to pay this fee from of your practice cash flow, not from your plan assets. Paying plan fees from the practice cash flow is always better because this is a tax-deductible business expense.

[Editor’s Note: It seems appropriate to take a moment to make a brief editorial note here about the various players involved in a retirement plan:

- **Plan Administrator/Plan Sponsor** – This is the owner of the practice, i.e. you. Fiduciary duty unless delegated to a 3(38) fiduciary.
- **Plan Participant** – This includes your employees and also yourself. This is who the fiduciary duty is owed to.
- **Recordkeeper** – Processes transaction requests, submits trades to custodian, updates participant accounts, and provides information to plan and participants. No fiduciary duty.
- **Third Party Administrator** – Ensures compliance with tax laws and plan documents. No fiduciary duty. Can be (and often is) the same firm as the recordkeeper.
- **Custodian** – Actually holds the assets that are owned by the plan, like a bank. Think of a firm like Charles
Schwab or Vanguard. No fiduciary duty. Often the same firm as the recordkeeper and TPA.

- **3 (21) Fiduciary/Plan Advisor** – Named after a section of code, in this set-up the plan advisor is a partner with the plan sponsor where they are both have a fiduciary responsibility to the participants. Shared fiduciary duty. i.e. The advisor selects a list of five large cap funds and the plan sponsor picks which one goes in the plan.

- **3 (38) Fiduciary/Plan Advisor/Investment Manager** – In this set-up, the plan sponsor has delegated the fiduciary responsibility to the advisor. Thus, while the plan sponsor still has a duty to select and monitor the advisor, he has passed the fiduciary duty to the advisor. Fiduciary duty. i.e. The advisor chooses the actual investments in the plan.

- **Financial Advisor** – Some plans also have someone who gives participants investment advice. Often a broker without fiduciary duty.

# 2 Lower The Cost of Your Investment Options

It is always a good idea to hire an independent ERISA 3(38) fiduciary adviser for your plan, and this will ensure that you will have someone working in your best interest who will take full responsibility for selecting investment options and building model portfolios for your plan (and who will take on a discretionary fiduciary role when managing investments in a pooled 401k or a Cash Balance plan). An ERISA 3(38) fiduciary should be able to select low-cost index funds and build model portfolios for your plan with an average expense ratio of around 0.15% vs. an average expense ratio of anywhere between 1% and 2% for a typical small practice plan. Not all ERISA 3(38) fiduciaries are created equal though, so you need to make sure that your adviser believes in using low-cost index funds and that they are compensated exclusively via a
fixed/flat fee.

# 3 Improve Plan Design

Is your TPA using the best possible design for your plan? To allow maximum available contribution to owners/partners, does your plan use a cross-tested or a pro-rata contribution allocation formula (a pro-rata formula would result in a significantly higher employer contribution to non-owner employees)? Does your TPA review your plan design periodically to make sure that your employer contribution is minimized? Is your salary set correctly to minimize your employer contribution while maximizing your own? The cost of extra employer contribution from a suboptimal design can be significant, especially for a small practice plan.

For a group practice 401k plan, can every partner select their desired level of profit sharing contribution, or is it ‘all or nothing’? Is your group practice plan a profit sharing only plan? It is always better to convert this type of plan to a 401k plan because you can maximize your plan contribution with a lower salary and also have the ability to do Roth salary deferrals and catch-up contributions for those over 50. Making sure that your plan design is optimal for your practice can allow you to make higher contributions at a lower cost, and including the best available features (such as Roth 401(k) contributions and in-plan Roth conversions) will allow you to use the plan as a perfect tool for long term retirement and tax planning.

# 4 Use Open-architecture Platform Versus A Bundled Platform

In a bundled platform it is impossible to replace/remove providers who either don’t perform or are too expensive because everything is integrated into a single platform. Open architecture platform on the other hand allows you to select the best providers (including ERISA 3(38) fiduciary, TPA and
record-keeper) and providers can be removed and replaced when they are not doing their job. Also, a bundled platform does not have adequate checks and balances as all of the parts are working for the company that hired them, not for you. It is very important to select independent providers, especially the TPA and ERISA 3(38) fiduciary who will be looking out for your best interest and who are not compensated by third parties. In most cases you can get better pricing (and better services) by selecting each provider separately rather than going with a bundled provider, and using open-architecture providers will also let you significantly reduce (and even eliminate) asset-based fees.

# 5 Correct (and Prevent) Fiduciary and/or Administrative Breaches

Having your plan audited by the IRS or DOL can potentially lead to costly penalties and fines, and will require you to take corrective action to fix any fiduciary and/or administrative issues, so why not do it proactively at a fraction of the cost? While much touted excessive fee lawsuits are still rare (though they are on the rise for smaller plans as lawyers are getting the hang of it), there are many other errors – as simple as an incorrectly filled out form 5500 – which can raise red flags for the IRS, and catching plan errors is getting much easier as everything is now computerized and automated. If your plan is flagged for one error, all of the other potentially significant fiduciary and administrative breaches will come to light, often resulting in hefty fines.

Developing and implementing a prudent fiduciary process is a big part of avoiding fiduciary and administrative breaches. Work with your ERISA 3(38) fiduciary and your TPA to create a blueprint for plan governance, and assign roles and responsibilities to all plan providers and plan trustees. Errors often happen because of lack of communication between plan providers and the plan sponsor, so always make sure that plan providers are on the same page and are talking to each
other and to the plan trustees about any potential issues. Your ERISA 3(38) fiduciary should create and implement an Investment Policy Statement for your plan, and your TPA should review all parts of the plan periodically (including your plan’s brokerage windows, especially if your plan allows multiple providers) for fiduciary and administrative breaches, and provide ongoing monitoring to ensure that the plan sponsor is abiding by the terms of the plan document and that the plan is operating in compliance with all applicable laws and regulations. Having proper fiduciary and compliance oversight will eliminate any potential issues with the IRS going forward, and will significantly reduce the risk that your plan will be audited and fined.

What do you think? Have you implemented a retirement plan for your practice? What pitfalls did you encounter? Did you follow Litovsky’s recommendations? Why or why not? Comment below!

6 Ways High-Earning Females Can Get What They Deserve
As often as possible, I try to write guest posts for other sites. Not only does it provide links back to this site (improving search engine rankings), but more importantly it allows me to get the WCI message in front of people who have never seen it. I always chuckle when I hear new arrivals here talk about how they “stumbled” on to the site. While it may feel like stumbling, I assure you a lot of work went in to getting you to stumble in here.

I was recently invited to write a post for shebudgets.com, an eclectic site with the subtitle of “for a balanced and well-rounded life.” They run a lot of personal finance type posts along with other more newsy posts. Most of the site isn’t exactly female-specific, but with a site title like that, I thought it would be a good opportunity to write about high-earning women. We’ll see if you guys think I did a good job or not as you’re always my most faithful critics. Here’s an excerpt:

_I am a high-earner and through my work at _The White Coat Investor_ I have met many high-earning females who are not getting what they deserve. To be fair, I’ve met nearly as many men who don’t get what they deserve either, but since I’m writing this for Shebudgets.com, we’ll focus on the feminine side in this article. Here are six ways that high-earning females can get what they deserve._

_# 1 Make Sure You’re Being Paid Fairly_
Studies show quite clearly that women often get paid less than men for doing the same job. However, there are plenty of professional jobs out there where women get paid exactly the same as men. You might as well take one of those jobs. For instance, when I was a resident physician, my female co-residents received to a penny the same salary and benefits. It was the same when I was in the military. In my current physician partnership, where the books are open and all the doctors are equal, democratic partners, the pay is also the same no matter your gender. However, in an employee situation where you might not know what the other employees are making, that might not be the case. Prior to signing an employment contract, have it reviewed by an attorney and also by someone who has accurate salary data to ensure you’re being paid fairly. Many women (and men) get paid less simply because they don’t know what they are worth. Be sure that you know.

On the other hand, many women are paid less than men because they have less experience. Perhaps they took some time off or went part-time to go on the “mommy-track.” Maybe they passed up promotions and other opportunities because of family responsibilities. Perhaps they simply need a less brutal pace or schedule for whatever reason. If you’re in one of these categories, you might make less money, but that isn’t necessarily unfair.

# 2 Negotiate, Negotiate, Negotiate
Part of the reason women get paid less is that they are less likely to be confrontational and to actually negotiate for more. Sometimes a simple question such as “Is that the best you can do?” will result in you making $10,000 a year more. Unfortunately, in our culture, men who negotiate are perceived as “savvy” while women who negotiate are sometimes perceived negatively, such as not being “a team player.” So you have to negotiate carefully. Sometimes it can help to position yourself as the “good guy” while blaming your need to negotiate on your attorney, your financial advisor, your partner, or even your children!

# 3 Partner Up

A high-earning woman is far more likely to have a spouse that earns less than she does, putting her into the position of being the primary breadwinner. Unfortunately, many of these women are also expected to shoulder the burdens typically assigned to a stay at home spouse.

Read the rest of the article here, then come back and let me know what you thought.

What else can high-earning women do to make sure they get what
they deserve? Should they use special techniques when negotiating with employers, advisors, and other vendors? Why or why not? Comment below!

Small Business Retirement Plans

[Editor’s Note: This is a guest post from Kayla Sloan, a writer for ListenMoneyMatters.com. I’ve written on this subject before, here and here, but it has been 3-5 years and I thought it was perhaps time to address it again. I have no financial relationship with the author or the linked site.]

Being your own boss sounds great, doesn’t it? You get to set your own hours and decide how much you will work, where you work, what you do, and more. Although it sounds like a dream job, keep in mind there are drawbacks as well. There’s no employer withholding your taxes, nor do you have the benefits of vacation and sick days, health insurance, and a retirement plan paid by your employer.

Even though you’re on your own, there are ways to save for your future retirement. Here are three popular investing options for small business owners.

# 1 Simplified Employee Pension (SEP IRA)

The IRS allows you to contribute up to 25% of your earnings net of the employer portion of self-employment taxes and the contribution itself [basically 18-19% of gross income for most docs-ed], with a maximum of $53,000, into a SEP-IRA. These are pretax earnings, just like a retirement account through an
employer would be. You can establish an account through your bank or through another financial institution of your choice [like Vanguard-ed.] Then, fill out an IRS Form 5305-SEP—Simplified Employee Pension—Individual Retirement Accounts Contribution Agreement.

One of the really nice things about this type of account is you can wait right up until you are going to file your taxes to set it up, allowing you to take advantage of knowing exactly how much your tax bill is for the year. If your tax bill is high, you can increase your SEP contribution and reduce the amount of taxes you have to pay.

There are drawbacks to this type of retirement plan if you have employees, however. You must establish SEP-IRAs for them if they are over 21 and have performed services for you in at least 3 of the immediately preceding 5 years. You don’t have to contribute every year, but if you contribute to one employee you must contribute to all, and employees can’t contribute to this type of account themselves.

[Editor’s Note: A SEP-IRA is an acceptable option for a doc with no employees who has no interest in a Backdoor Roth IRA or who is willing to convert the entire SEP-IRA every year to allow for a Backdoor Roth IRA. It is also a useful one-year “band-aid” if you failed to open a 401(k) in time since you can establish it in April for last year, whereas an individual
401(k) is required to be open by the end of the calendar year.

# 2 Savings Incentive Match Plan for Employees (Simple IRA)

If you have fewer than 100 employees, a good retirement option would be a Simple IRA. Like a SEP-IRA, your contributions to these accounts are tax-deferred until the funds are withdrawn. The maximum amount of money you can invest in one of these accounts is $12,500 for 2016, but if you are over 50 you can add another $3,000 to this figure. If you choose this option you must also contribute either a 3% matching contribution or a 2% fixed contribution to the employee. To get started, fill out the IRS Form 5305-Simple-Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use with a Designated Financial Institution. If you plan to allow your employees to choose the financial institution, however, the form to fill out would be Form 5304-Simple-Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—Not for Use with a Designated Financial Institution. Then open a Simple IRA account through a bank or other financial institution.

One drawback to this plan is that you must wait two years to
withdraw funds or be subject to a 25% penalty. Instead of withdrawing funds, you could roll them over into another IRA without incurring any penalty. Another downside comes into play if you have a second job and contribute to a 401K plan. Any contributions to your Simple IRA are counted against your 401K plan.

[Editor’s Note: The main problem with a SIMPLE IRA is the low contribution limit. For this reason, it’s a lousy option for a doc without employees. It also counts against you when it comes to the pro-rata calculation on the Backdoor Roth. However, if you have employees AND really want to offer them retirement benefits, it’s not the worst thing in the world. But chances are you’re going to spend a lot of money on matching funds in order to defer your $12,500. I mean, assume you get a $5K tax deduction for your contribution but have to contribution 3% for your 5 employees whose salaries total $200K. You just paid $6K in order to defer $5K in taxes. Not exactly a winning formula unless providing for your employees' retirement is more important to you than providing for your own.]

# 3 Individual (Solo) 401K

Business owners and their spouses may choose this option because of the higher contribution limit of $18,000 per year for 2015 and 2016. If you are over 50 you can add another $6,000 in contributions. Again, these are pretax dollars. You can add an additional 25% of your net earnings [Same as the SEP-IRA, ~ 18-19% of gross self-employment income-ed] if you are self-employed, up to a maximum contribution of $53,000. There's no minimum amount which allows you to control how much of your salary you have available as disposable income for the year and how much to allocate toward investing. If you have another IRA account that was a rollover from a previous employer's 401k, you can roll them into this account as well [a great way to avoid pro-rata issues with a backdoor Roth IRA.-ed]
You may be able to borrow against this account in times of need. [50% of the balance up to $50K total, but be sure your plan document allows for loans, many don’t.-ed] Restrictions may apply, such as a limit on how much you can borrow and how long you can take to pay it back. A disadvantage is that this is not an option if you have employees. You can only set up this type of investment account for yourself and a spouse.

[Editor’s Note: I prefer this account over the SEP-IRA for the self-employed physician without employees because it allows for higher contributions for those with income below ~$285K than a SEP-IRA and allows you to do a Backdoor Roth IRA. Setting it up is slightly more hassle than a SEP-IRA, and fees at Vanguard are slightly higher (because you can only use the higher-priced investor shares where you can do admiral shares in a SEP-IRA) but I think it is worth it. There are other options for individual 401(k)s and you can even have one in addition to your employer’s 401(k), so long as you have self-employed income.]

Being self-employed does have some disadvantages, but the inability to invest doesn’t have to be one of them. By choosing one of the 3 investing options for small business owners, you can add investing to your list of advantages for self-employment.
for another retirement account

[Editor’s Note: This is where the submitted guest post ended. But I think it ought to be extended a bit because there are at least three other good options. The remainder of the post is written by me.]

4. A Formal 401(k)

If you have no employees, the individual 401(k) is almost a no-brainer. However, if you have employees, things get a lot more complicated, especially if your goal is to maximize your own tax-deferral while minimizing how much you’re spending on the employees. In fact, it can get so complicated that it is a good idea to hire a pro to do an analysis of your business and goals to determine the best way to proceed. But suffice to say that one commonly chosen option is to simply start a 401(k) like any employer may offer. This will probably allow you a higher contribution than a SIMPLE, while allowing you to spend less on your employees than using SEP-IRAs. There is a dramatic difference in how much you can spend on this, so look for low fees and experience with small practices.

5. Defined Benefit/Cash Balance Plans

Another retirement account you may use is a defined benefit or cash balance plan. This can be stacked on top of your 401(k). If you have employees, you’re probably going to need/want professional help setting this up. If you don’t, a personal defined benefit plan is an option. Schwab is one of the bigger names offering these. Fees are definitely higher than an individual 401(k), however. For instance, Schwab charges a set-up fee of $1500 plus $1500 a year. But for a highly compensated physician, especially an older one who is behind on his retirement savings, this can be a great option despite the higher fees.
Another option that many self-employed with employees choose is to simply avoid a plan all together. You don’t have to offer anything to your employees if you do all of your savings in a personal Backdoor Roth IRA ($5500 a year, $6500 if over 50), a spousal Backdoor Roth IRA (another $5500-6500), and a taxable account (unlimited contributions.) However, before deciding to do this I would hire a professional to see just how much it is likely to cost you to implement a 401(k), it may be less than you think and you might even be able to reduce salaries or other benefits somewhat to help make up the difference in your cost.

What do you think? If you are self-employed, which of these plans do you use? Have you considered changing? Why or why not?
Dear WCI,

I work in the tech field for an analytic company and my wife, who is a doctor about to finish her fellowship recently turned me onto WCI. I started reading a lot of your blog posts and I just finished your book. I have one very important blog topic suggestion for you: Contract Negotiations and Review.

When my wife was applying for places she received an offer from just about every place she applied (and she applied to a lot of places). However, some of the offers (and some offers made to some of her colleagues) were horrible. If you just looked at the salary, you might think you were making $750,000 per year, but if you don’t see the fine print where it says...
that you need to be COLLECTING (not just billing) more than that, then you get almost nothing. So I decided to write a few tips that others in a similar situation might find useful.

**Tip #1 Start Looking ASAP**

My wife went to a fellowship and she started interviewing for positions 6 months before the start date (not the end date) of the fellowship. She looked at a lot of places and she signed a contract fairly early into her fellowship. This gave us confidence that if the fellowship didn’t work out the way we intended she could start her other job early, and she wouldn’t have to rush later on. We are always making backup plans.

**Tip #2 REALLY Understand How You Are Paid**

This should seem obvious but it is very easy to see large dollar values in a contract and get star struck. Avoid contracts where your salary is 100% based upon collections. I have heard of one doctor who ended up making only $80,000 a year because of it. In other job sectors we call it “commission.” I understand some doctors hate that word, but that is the word we call it in other industries. Even if you are just expecting a productivity bonus, you should be asking a lot of questions.

Ask for some examples to be included in the contract. Is the amount based on how much they bill for or how much they collect? As someone who has worked in the debt collection industry, medical debt is one of the least collected upon forms of debt. How much do they take out for overhead? How do they collect their debt? (You may not get anything specifically useful out of this, but if you benefit from their ability to collect what they are owed, then you should be interested in how efficient they are at collections). How are you going to know how much they have collected? (Make sure they are transparent). You should know everything they are
going to take out and each time you see a patient you should know how much you are going to get paid. Likewise you should understand exactly what is expected from you to get a non-productivity bonus, and for how much. If they say that everyone gets one, then great...let’s just make it a guaranteed bonus in the contract. A bird in the hand is worth two in the bush.

Also before you enter into contract negotiations, you should read about and understand Relative Value Units (RVUs). It’s not something you would have to deal with in residency but may be very important when you become an attending. Just like with knowing about how a productivity bonus will get calculated you may need to know how your salary is impacted by your RVUs. How many RVUs do you get from a new patient? How many RVUs do you get from an existing patient (follow ups)? If you can find a friend who is in a similar field, you might want to ask them the same questions to see if the answers line up.

**Tip #3 Get Everything In Writing**

Are they going to provide money for licensing, travel reimbursement, Paid CME days, if so, how many? Anything that you agree upon, make sure it is in writing in your employment contract. If you don’t, then it may be very hard to get in the future. Even if verbal contracts are valid in your state,
and they PROMISED it to you, you should have an email proving it … The effort to try and get them to deliver it later on may be greater than you expected. Think of it like this…if it is not in writing it doesn’t exist.

Tip #4 Bonuses Aren’t Guaranteed

Always go into it assuming you won’t get your productivity bonus. Make sure your base salary by itself is adequate for your needs. No matter what they tell you verbally, I am very skeptical about anything that is not guaranteed. Even if you have done everything right and asked all the right questions, I am always amazed at the ability of a big company to find a way to not pay you what you think they owe you. You don’t want to hear these words, “Sorry, you must have misunderstood how the productivity bonus worked.”

Tip #5 Make Sure They Provide Malpractice Insurance

Most hospitals provide malpractice insurance but what younger doctors don’t know is that there are several nuances to insurance. There are 2 types of insurance:

- Occurrence Policy – This will cover you for an incident regardless of what policy you have when a claim is filed in court.
- Claims-Made Policy – This is the most typical type of insurance and will not cover you if you are under a different policy at the time a claim is filed in court. If you have a claims-made policy and switch jobs, you will need either tail coverage or nose coverage.
Tail coverage – This covers you in case of patients that you have treated in the past sues after you have left the practice and you have a Claims-Made Policy. This can be very expensive to buy individually. I have heard one quote of $10,000 per year, for each year you were at the practice. [Mine was $55K when I started with my partnership-ed.] INSIST that they cover this or walk away, otherwise you could be financially trapped. [Editor’s Note: Don’t be surprised if they say no. My group would have told me no. But that doesn’t mean there isn’t room to negotiate. For instance, my group agreed to cover it if they fired me, but I would have had to cover it if I quit. Luckily we have since changed to occurrence coverage, so this isn’t an issue for new hires.]

- Nose Coverage – This covers you in case a patient that you treated, sues you before you started working at your current practice. If you already have a contract at your current place where they don’t offer tail coverage, you can try to get your new employer to provide nose coverage. Typically insurance companies don’t want to do that. A patient can sue a hospital and you, and it’s easy for the former hospitals’ insurance company to cover both you and the hospital for the same event. An insurance company at a new office typically won’t want to bother with it, but it’s something you can at least try for if you’re already stuck buying your own tail.

To Summarize: In your contract insist that they either have an Occurrence Policy or provide Tail coverage on a Claims-Made Policy [or otherwise compensate you sufficiently that buying your own tail in certain situations would be an acceptable outcome to you.-ed]
Yes, that’s snow in the background, thus the wetsuits!

Tip #6 Don’t Overpay for Contract Review

I read somewhere on this website that someone had paid $3500 for contract review. In my opinion, that’s way too much. We paid about $500 and it was well worth it. I have heard of people paying less than that. You should be able to have a conversation with the person who is doing the review. You may not know legalese and the nuances to the contract but if you tell the reviewer generally what you want to do, and what you are looking for, they should help you look for red flags. If you tell the reviewer that you may want to open up your own practice in a few years, then they should be on the lookout for what happens when you want to get out of the contract.

Tip #7 More Vacation!

After money details are worked out, ask for more vacation. At least in the tech world, I have never heard about someone who was is in contract negotiations and was not given at least a little more vacation when they asked for it. In the doctor world, it can get a little dicey when RVU’s are thrown into the mix, which is why it’s best to leave this for the end of negotiations.

[Editor’s Note: This is a good place to throw in a few extra tips included in the email to me that this author thought were
too obvious to mention. I didn’t think they were all that obvious, and I’ve read a few books on negotiation:

- Ask for a sign on bonus
- Let them make the first offer and just ask for more of everything
- For your first offer, ask for just below the price that you think would make them throw you out of the room

If this sort of thing is not obvious to you either, I would suggest some good books on negotiation.

**Tip #8 Restrictive Covenants**

Restrictive Covenant is fancy lawyer talk for a non-compete clause. The terms and legality of this can vary quite a bit from state to state, but you should really think about whether you can live with the terms. If the terms are that you cannot practice within 100 miles (which was actually the case for one doctor in a different post on this site), that means that if you leave, you are either going to have to move, or you will have a very long commute. [Don’t assume any non-compete is not enforceable. Even if it isn’t, it may cost you something to defend yourself.-ed]

**Tip #9 Terminating Employment**

Know the results of breaking your contract. It’s easy to get swept up in the excitement of a lucrative contract with a great bunch of people. However, sometimes things don’t work out the way you planned. Knowing what happens if things don’t work out gives you options. If something does happen, then always try to leave on the best possible terms.

**Tip #10 Don’t Be Afraid To Walk Away**
There are some things that may be non-negotiable to you and others that you could be flexible on. Figure those details out as soon as you can, and certainly before you start looking at the contract.

Well that’s all that I have. I was just trying to share a few tidbits that my wife and I picked up along the way. I know that a few of the tips can be expanded into entire posts, but I tried to keep it brief and semi-generic. It seems that anything doctor related can get very specific very quickly.

What do you think? What tips do you have for those negotiating contracts? Comment below!

Your Most Valuable Financial Asset
I recently wrote an article about a friend from medical school who died by suicide. The article had nothing to do with finance, but a tragedy like this does have profound financial impact. Suicide, depression and burnout have a higher incidence in physicians than the general population and anecdotally it seems to be getting worse. I’ve lost two of my medical school classmates to suicide.

Early retirement or going part-time secondary to burnout is an all too common event in medicine. It happened to me. I burned out less than 10 years into practice and a couple years later reduced my workload significantly. This was the best decision for me, and ultimately one that I don’t regret, but financially it had an enormously negative effect.

I’m not here to argue about the causes of burnout or how we can change the system. There are others more eloquent and knowledgeable than me. But I argue that what many of us fail to fully appreciate is this simple fact: Our ability and willingness to work is our biggest financial asset. This is especially true towards the beginning of our careers.

Hedging Against Burnout?
In 2015 the average salary for a specialist was $284,000 per year. Over a 30 year career this amounts to $8,520,000, not counting the time value of money. We are an enormous money generating machine, and there is no more important investment we can make than protecting that asset. This is why most knowledgeable financial advisors recommend adequate life and disability insurance. While that is a critical first step, what is often overlooked is protecting the mind and mental health of the person generating that income. Most disability insurance will pay a limited amount for ‘mental disorders’ such as depression and substance abuse. Many life insurance policies will have restrictive clauses regarding suicide [typically a 2 year exclusion-ed], or even contest the claim in murky circumstances [never very common, now even less common-ed.]

Bottom line: It is very difficult to hedge financially against burnout, depression or suicide. Prevention is the key. Sometimes I feel this is the elephant in the room. I’ve known physicians who have died by suicide, who have had their careers ended by addiction and substance abuse, and dozens that have either left medicine all together or cut back significantly on workload due to burnout.

When taking these factors into consideration it seems silly to focus only on the details and strategies of personal finance. The decision to invest in a traditional or Roth 401k, which
state to fund the 529 in, whether to do an 80/20 or 76/24 stock/bond asset allocation, what to do with a small whole life insurance policy, how you restructure your student loan payments; none of this matters if you put a gun in your mouth at age 42, if you jump off the roof of the hospital in your last year of residency, or if you’re too burned out by 40 to keep working full-time. These financial decisions are very minor compared to working an extra fifteen years full time instead of half time.

No one thinks this can happen to them, but it does happen. It happens with a high enough frequency that we should all pay attention.

Don’t get me wrong. I love the details. I giggle like a school girl when WCI does a takedown of whole life insurance. I love pondering the differences between placing bonds in accounts with different tax treatment and figuring out how to hack the federal income tax code, but these come second to protecting ourselves and our ability to work. Without the ability to work, a lot of the details become that, just details.
Financial Effects of Burnout

The effects of burnout also have negative financial consequences even when it doesn’t end a career. When we are expending all of our energy just trying to make it through the day, our interpersonal relationships suffer and are strained. Our coping mechanisms fail. I don’t have hard data but I imagine the incidence of divorce, substance abuse and poor financial decisions are associated with an unhealthy relationship with our career. We simply have less bandwidth to make sound financial and personal decisions.

Beating Burnout

I think we can do several useful things to decrease the risk of burning out. I’m by no means an expert, but I’ve gone through it and come out the other side stronger. I did none of the things below, but I wish I had; it would have made things easier.

1. Prepare for it. My advice to all medical students and residents who will listen to me: You will burn out. Probably between 40-50 years old, maybe sooner. Know the symptoms and educate yourself before it happens. Just like I believe in continuing financial education, I believe in continuing self-discovery and self-improvement. Immunize yourself against burnout. Optimize your life so you don’t burnout in the first place. Healthy eating, physical activity, good time management skills, a mindfulness or meditative practice, boundaries between work and home life; these are all good hedges against burnout and depression and they cost very little time or money to implement. Develop good habits early in your career. These suggestions will seem very hollow to you if you are in the midst of burnout and they are not perfect. If you never burnout, congratulations, you have still learned healthy habits and coping skills.

2. Be thoughtful when choosing your job. Often times we let
our job choose us rather than the other way around. There is nothing more effective than the wrong job to crush your spirit. Don’t settle for something that is not sustainable. Don’t tolerate abuse. Don’t be afraid to create your own practice. There are models out there that can work; you just need to seek them out.

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3. **Have a mentor or coach.** We all have blind spots; although in my observation physicians are more resistant to admit they have them. At times we are an incredibly delusional cohort of people. A good coach, mentor, or therapist is worth their cost many times over by helping you see your blind spots. With our earning power and busy schedules we are a little like professional athletes. How many professional athletes do you know without a coach?

4. **Seek help early.** We are conditioned to soldier on without regards to our mental health. This is a direct result of our training, where asking for help or admitting failure was a sign of weakness. This is a mistake. Don’t let yourself get to the breaking point. I wish I could point to reliable resources for physicians with mental health issues to seek help. There are physician advocates and coaches out there; seek them out
Your biggest financial asset is you—your ability to trade your time for money at a very high exchange rate. Given the increasing rates of burnout in our profession, this needs to be protected. Aside from insurance, thinking through these issues when you are healthy and preparing for the possibility may be the best investment you make.

[Editor’s Note: Years ago, long before most of you were reading this blog, I wrote a post entitled 14 Reasons You Shouldn’t Retire Early. The bottom line is that retiring early is really, really expensive and takes a ton of preparation. Burning out is like retiring early without the portfolio or the preparation. Anything you can do to keep the earned income flowing, even part-time, is huge financially.]

What do you think? What have you done to prevent or treat burnout? How do you hedge against it? Comment below!