Multiple Streams of Income

Just as diversification in your portfolio is valuable, so is receiving income from numerous, uncorrelated sources. Physicians, unfortunately, might be some of the worst players when it comes to diversifying income.

Doctors Are Exposed to Risk Relying on a Single Income

Instead of developing multiple streams of income, the typical doctor spends 1-2 decades developing a single income source. It might be the equivalent of the Amazon River, but even so, it can dry up surprisingly rapid. Think about all the things that could put an end to your professional income. Keep in mind that some of these can be insured against, but many cannot. Here’s just a brief list off the top of my head:

Physical Disability

At least you can insure against this. Far too many docs aren’t insured against this, or more commonly, are underinsured. The insurance is also quite pricey.
Mental Disability

Although they seem to be getting better, many of us carry disability policies where mental illness is only covered for 2 years. After that, you’re hosed.

Addiction

You always think it can’t happen to you, but how many of us aren’t aware of a physician or nurse we have worked with who had a drinking problem, a narcotic diversion problem or a similar issue.

Malpractice

Depending on specialty, most of us can expect to be involved with a malpractice suit at least once in our career. But what if you had 3 cases in the same year? It is likely that you wouldn’t be able to continue to get malpractice coverage. Or, if your malpractice is through a group, the insurance company may insist you be thrown out of the group or else the whole group’s rates will go up. I know of at least one doc who was recently let go partly at the insistence of the malpractice insurance company. Think your disability policy will cover this? Think again.

Loss of Medical Staff Membership
I don’t know about your contract, but for many docs (including me) losing credentials/privileges at a hospital are grounds for termination of the employment contract, and thus a physician’s single greatest stream of income.

**Inappropriate Relationships**

Claims of sexual harassment or abuse of a patient, whether true or not, could terminate your income in a hurry. Even if eventually proven false, do you think your employer will let you work while they’re being investigated? If you’re self-employed how many of your patients will leave the practice when your mug shot shows up on the front page?

**Disruptive Physician Accusation**

You might have thought throwing that instrument across the O.R. or chewing out that respiratory therapist didn’t bother anyone, but nowadays, it could rapidly lead to a loss of your job.

**Decreasing Reimbursement**

Imagine a family doctor who sees a lot of Medicare patients. Now imagine the 29% reimbursement cut actually going through. What kind of a private practice would actually survive a 29% cut in revenue? Nobody is going to practice for long for a negative income.

**Benefits of Multiple Streams of Income**

Besides being available to support you and your family in the event of one of the above financial catastrophes, the
development of multiple streams of income provides a number of other benefits:

**Higher Income**

Who couldn’t use a few more bucks every month? Even if you don’t need it to fuel your lifestyle, it could accelerate your path to financial independence or allow you to cut back on hours worked.

**Lower Insurance Needs.**

If you have streams of passive income that will provide for your loved ones in the event of your death, or you in the event of disability, you can spend less money on life and disability insurance.

**F-You Money**

Loss of your job as a physician often means an expensive relocation to another city due to non-compete agreements. It may also mean 6 months without income as you get a medical license, a DEA license, and/or go through the credentialing/privileging process. You may have to sell your house at a loss or even liquidate investments in a down market to tide you over through a period of lost income. Because of this, employers have an advantage over you in negotiations.
But if you have multiple streams of income, you don’t have to play by their rules and you retain negotiating advantage. This is your F-You money because it allows you to say “F-You” to the employer and walk away from the job. You know there will still be money coming in every month even without your main job.

**Tax Advantages**

Many streams of income are taxed at a lower rate than the income from your main job. Many types of investments and real estate offer advantages this way. A side business may also allow you tax deductions such as “business” trips, travel costs, and a home office.

**Security**

Additional income not only provides peace of mind, but it also means you need less money to retire on. If your side business provides you $3000 a month, and you need $7000 a month to live on in retirement, you may be able to retire 5 or 10 years earlier than you otherwise might. Instead of a $2.1 Million portfolio, you may only need $1.2 Million. This, of course, assumes you’re willing to keep running the side business.

**Professional Enjoyment and Development.**

The best additional streams of income are those that you enjoy. A hobby leveraged into an income may provide a welcome break from the daily grind of medical practice. Your medical knowledge and training may be valuable in more ways than just practicing medicine.

**Opportunity to be With Spouse, Children,**
or Friends.

Many people find it rewarding to have a business where they can work with family, or teach their children the value of work. Many streams of income can be cultivated from home, where you can watch young children, or be interrupted frequently by them while still earning money.

Alternative Streams of Income for Doctors

The sky is the limit but some alternative income ideas are better than others. Stanley and Danko in *The Millionaire Next Door*, are quick to point out that millionaires allocate their time, energy, and money efficiently, in ways conducive to building wealth. That means that a millionaire is much more likely to spend Saturday mornings checking on his rental property rather than cruising garage sales looking to add to his garden gnome collection. Robert Kiyosaki of *Rich Dad Poor Dad* fame likes to emphasize the benefits of a passive income. The books aren’t exactly a prescription for wealth, but he makes two excellent points. The first is that a stream of income that provides money when you’re sleeping is preferable to one that requires you to work. The second is that passive income often enjoys much better tax treatment than the income from your professional work. Here are some income streams that are fairly common among physicians:

Moonlighting

A second job with another employer could provide income or be leveraged into a full-time job in the event of loss of your mainstream income. A clinic-based internist might pick up shifts as a hospitalist, for instance. Opening a cosmetic procedure clinic one day a week might also provide a valuable all-cash stream of income.
Endorsing Products or Supplements

You’ve all seen the doctors who recommend various products out there. You don’t really think they’re doing that for free, do you?

Speaking and Teaching Opportunities

Developing your reputation and skills as a speaker may allow you to give CME seminars for pay, or at least a cheap vacation. Look at those brochures you get in the mail for various CME conferences. It’s the same two dozen speakers at all the conferences. Become one of them.

Book Royalties

While most physician authors recommend against writing books purely for money, it can provide an additional small stream of income as the royalties come in year after year. Even quick articles for throw-away journals can provide significant income.

Blog or Other Website Income

I’ve obviously been experimenting with this one. While this blog may not be exactly breaking records for income, it does bring in money, and hopefully, more as time goes by. There
are plenty of full-time bloggers out there supporting families on nothing but website advertising income. I know several bloggers making $1000-3000 a month from their blog. [12/01/2017 Update: Click here for the current financial state of the WCI Blog.]

Your Portfolio

Stocks, bond, and mutual funds provide dividends and interest on a regular basis. While these are generally reinvested they are still an additional source of income you could use if you needed to. Dividends and long-term capital gains are taxed at 15% in a taxable account, and not at all in a tax-protected account.

Investment Real Estate

There are a plethora of tax write-offs available to real estate investors. They aren’t quite so generous for those with a high income, but they still exist. As a general rule, rental income tends to be a lot more stable than many kinds of income. And sometimes, properties even appreciate allowing for significant capital gains. Just remember that compared to a stock/bond portfolio, rental real estate tends to be more of a second job than an investment, even if a property manager is involved.
Expert Witness

Both the prosecution and the defense in a malpractice trial need expert witnesses. These guys often make several times more per hour testifying than they do practicing medicine. Even just reviewing potential cases may earn you income. Don’t forget your ethical standards when engaging in this type of work. I suggest you stick to your own specialty and do defense work only. We’ve got enough docs out there already willing to sell out their colleagues for a few bucks.

Consulting Work

One of my partners is the medical expert at a business. No one else at the medically-related business has a medical background, so he is the go-to guy when they actually need expertise.

Medical Equipment

Another of my partners owns a very profitable medical equipment company. Most of the products are his own inventions.

Pharmaceutical Trials

Part of the reason drugs are so expensive is the drug
companies have to prove to the FDA that they work. They have to pay people to run these trials. You could be one of those people.

**Recreation Physician**

Camps, ski resorts, cruise ships, airlines, expeditions etc all may have need for part-time or full-time medical expertise. Part of the compensation may be taxable income, or it may simply be opportunities. For example, I work at a ski resort several days a month. I take runs and a P.A. sees the patients. If the P.A. needs me, I’m there in 5 or 10 minutes. If they don’t, I get a free day of skiing in for my family and friends. At the end of the day, I sign 4 or 5 charts. Sure, it’s not much money (perhaps the equivalent of $100-200 a day in lift tickets and meal discounts), but it’s still an income. When engaging in this type of work, look carefully at the liability issues.

**Buy a Surgical or Imaging Center**

Be careful with this one. Many doctors list this as one of the _dumbest financial moves_ they ever made.

**E-Bay**

Selling stuff you’re not even using on eBay or Amazon can be surprisingly profitable. Not only do you get tax-free income, but you can spend less on housing and utilities because you don’t have to store all that stuff anymore. Many people that start out selling on the internet just to get rid of their junk find it is so easy they open a side business doing it.

**Spouse’s Job**

Okay, seems a little strange. But it might be the most important alternative stream of income in your arsenal, and it is completely passive to you!
I’m sure there are many more streams of income out there developed by other physicians. Your only limit is your own creativity. But as reimbursement continues to decrease in the future, you would be well-advised to develop a few of these along the way. There’s nothing out there that says your main job has to be your only job.

What do you think? What kind of alternative income ideas have helped you diversify? Do you have other ideas to help docs diversify their income?