Physician Retirement Survey

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Jackson and Coker recently completed a survey of physicians about retirement. The most interesting statistic in my opinion is that 70% of physicians have changed their retirement plans since the recession began. This includes a lot of doctors who considered themselves within 6 years of retirement. What are they planning to do now? Switch to part time work/locum tenens (32%), continue full time work (26%), move to a permanent position in the same field (19%), or leave medicine and try something new (19%.) Why are they doing this? 46% acknowledge they are doing it because their nest egg has shrunk or hasn't grown as quickly as it needed to. This study brings up two points worth considering, one good and one bad.

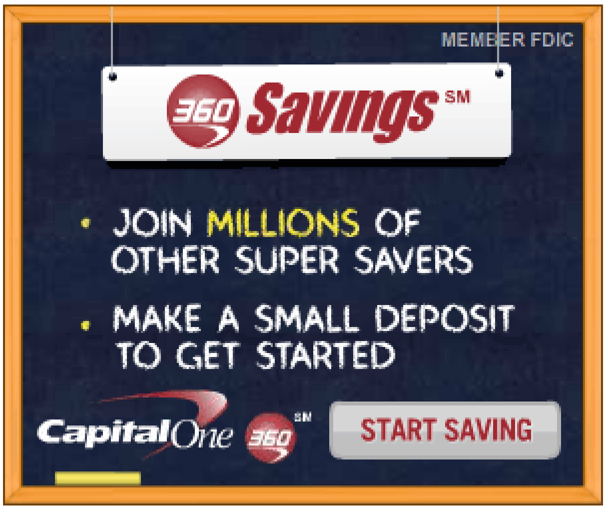
First, the good. Physicians have marketable skills, can still command a good income, and can work well into traditional retirement years if need be. I was participating in a discussion on the Sermo forum this week where a 75 year old physician was still taking call. I didn't want to be taking call at 35, much less 75. But the good news is that we often can work longer if we want or need to. This is a viable Plan B if your retirement plans don't work out exactly as expected. Many specialties lend themselves well to part-time work or shared positions. Certainly the shift-work specialties such as anesthesia, hospitalist, and emergency medicine, but also in many other situations. It is nice to have this option. I have friends in non-medical careers for whom this isn't an option. Their options are generally either to work full-time, not work at all, or seek out a much less financially rewarding job.

Now, the bad. 46% of those delaying retirement HAVE to do so due to lack of assets? That means one of four things. The most obvious is asset class performance has been less than one would have hoped over the last decade. The bond market (we'll use Vanguard index funds for proxies) has returned 5.4% a year the last ten years, but the US stock market only 3.6%, and the international stock market only 7.3%. Sure some asset classes have done quite well over the last 10 years (gold 19%, emerging markets 16%, and REITs 11%), but you had to either prescient enough to be able to divine that or make some big bets that could have just as easily gone the other way. But the point remains that a traditional stock/bond portfolio would have only returned 5% over the last ten years, just 2% more than inflation.

But there are three other reasons why physicians may have done even worse over the last decade. First, they may not have saved enough of their income. To retire at standard retirement age you'll need to save 15-20% of your income. That's hard enough to do, especially when paying 25% or more of your income in taxes. But it is even harder if your income then starts dropping. You still have to save that money, but now you have to carve it out of a portion of your budget that you were spending on consumer goods or travel.

Second, physicians are often paying too much to Wall Street's croupiers. High-expense mutual funds, big commissions, expensive financial advice, and other high-cost investing techniques can really add up in the long run. Even something as small as a 1% financial advice fee has cut your after-inflation returns in half over the last decade.

Last, physicians sabotage their investing plans through their own stupid behavior. I've mentioned before a colleague on the cusp of retirement in 2008 who sold everything at the market low and left it in cash, losing decades worth of retirement contributions in the process. Poor investment selection, poor market-timing, an inability to stay the course, or simply a poorly-designed investment plan can eat up more of your nest egg than inflation, taxes, and investment costs combined.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