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## Attaining Financial Fitness for Your Career Journey

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## Attaining Financial Fitness for Your Career Journey

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# Attaining Financial Fitness for Your Career Journey

JEFF FEAKES

While moving through your career as a healthcare provider, there isn't a single template for a financially healthy life. Let alone a fulfilling journey to retirement. It's not an exact science. Life happens and there will always be twists and turns along the way whether it's contract reviews, buying additional real estate, or selling a private practice. Having the wherewithal to at least understand the importance of reviewing your situation and making updates or course corrections, on a regular basis to keep you on track will keep you ahead of the game. As you continue on your professional journey, here are some tips for each career stage to help keep you financially nimble and fit.

## EARLY CAREER

For dentists or dental students, who are just starting out, you can view this period as some of the most important years to set you up for success. It's said you can't "win the race" to retirement in these early years of your professional career, but you can set yourself back years with both poor planning and financial decisions. It's not sexy but it's best to keep things simple.

### Understand Your Budget and Spending Habits

While reading through this article you may be shaking your head at the simplicity of this suggestion for financial health, but it is the single most important fundamental to understand. If you are someone who struggles with spending, or over-spending at that, it is one of the largest hurdles you will need to overcome to meet your financial objectives. The Rule of 50/51 states, "If you make \$50 (or have \$50 coming into your household), do not spend \$51." Seems simple right? However, most of people struggle with this rule. We are a nation that runs on debt and deficit. A couple of statistics for the US, in this year alone:

- \$17.1 Trillion in household debt
- \$12 Trillion in mortgages
- \$1.6 Trillion in auto loans
- \$1 Trillion in credit card debt

However, the really harrowing statistic is, "since 2020, 36% of Americans hold more credit card debt than actual savings."<sup>1</sup> As a dental student, resident or early career dentist—highlight, earmark or do something to remind yourself of that. Be vigilant and understand the importance of your personal spending habits.

## MID-CAREER

### Protect Your Income and Assets

Whether you're an early or mid-career dentist, you will be targeted with direct ads or agents trying to sell you disability and/or life insurance. The tactic is so frustrating it mostly leads to young professionals never wanting to discuss either coverage or the topic of it again until they reach mid to late career. However, they are both fundamental to creating a healthy financial plan. For life insurance, coverage is typically only needed if you are trying to protect a spouse or loved one in the event of one of the following circumstances:

1. Debt that isn't federally obligated.
2. Income supplementation for your partner or spouse.
3. Mortgage: your place of residence will be paid off through the death benefit.
4. Education Planning: if it is your intent to cover your child's/children(s) high education.

If none of these situations apply to you, your need for life coverage is low and you probably don't need to focus on life insurance at this point (but things do change so keep it in the back of your head). Disability insurance may be the most important to hold especially as a dentist. This particular coverage protects your income and is traditionally designed to protect you until your projected age of retirement. When discussing this with mid-career dentists, it is traditionally compared to, "shifting the job lotto." If you are a professional between the ages of 35-40, you have two possibilities: ▶



## ABOUT THE AUTHOR

*Jeff Feakes is an Account Executive for COPIC Financial Service Group. His niche is working with medical residents and dental students. He meets with these rising health care professionals and provides strategies to help consolidate their debt and jump-start their financial goals. He helps clients with financial services products, as well as disability and life insurance.*

1. For the next 25 years you have “won” the ability to collect \$10M. But, there is a 25% chance that it could be lost, taken away or payment could be altered at any point in these 25 years.

2. Or, in the next 25 years you have 100% certainty that you will collect \$9.7M.

That is disability insurance in a nutshell. Now let’s review those scenarios in terms of income protection. Statistically, for professionals starting at age 35, there is a 25% chance of a disabling event that will prevent you from working in some capacity<sup>2</sup>, as seen in scenario one. Additionally, the average cost of this protection is about 3% of your paycheck, which is illustrated in scenario two.<sup>2</sup> Even if the average cost of protection doubled when viewing the benefit as a lottery pay-out, there

isn’t much of a case for not proceeding with option two in a risk/reward scenario. As a society, we have been wired to avoid insurance due to excess advertisements and pushy sales tactics.

#### LATE CAREER

##### Understanding the Impact of Different Tax-Deferral Retirement Accounts

Congratulations, as a late-career provider, you’re traditionally in your highest income-earning years. Protections have been accounted for and saving to meet your financial objectives becomes paramount. You may have been contributing to an employer-sponsored (or self-sponsored) retirement account for years but having a thorough understanding of the tax implications you will face when the time comes to withdraw from the account becomes one of the more fundamental planning strategies at this stage. It’s statistically been shown that

for professionals with more than 2-3 different retirement accounts, which hold different taxation upon withdrawal, there is a 20% greater likelihood of having a higher portfolio return based upon income drawn from those accounts during down years in the market.<sup>3</sup> Or more simply put, the diversification in retirement accounts allows you to systematically pull retirement savings that preserve retirement assets for a greater period.

Remember, there’s no exact science to a financial planning journey. But there is a framework you can follow to make life easier and reaching your goals more attainable. Whether you’re an early, mid or late career dentist, a combination of simplifying your financial life while working with reputable and trustworthy sources will eventually yield positive results. The goal is to become financially independent at whatever stage you see fit in your life. ■

#### REFERENCES

1. The Kobeissi Letter
2. The Council for Disability Awareness
3. Legg Mason

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