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Plan Now for the Impact of Healthcare Reform on Personal Finances

By BARBARA RICHARDS,
TRUSTCORE

How will the new healthcare reform law affect physician incomes? No one knows for sure, but the worst thing doctors can do is to put off personal financial planning in the face of that uncertainty.

Speculation is out there that some physicians could see their incomes drop 30 to 40 percent. That's what happened in some specialties in the 1990s when both the government and insurance companies reduced reimbursements.

A cut of even half that would send strong shock waves through the family finances of most practitioners. And make no mistake, preparing for such an outcome is tough. Not only does it involve making difficult choices, it also calls for setting aside precious time that would otherwise go to your practice, your family, your church or your community.

But while financial planning and wealth accumulation is not an easy process, neither was preparation to become a physician. You made the commitment, made the sacrifices, spent years learning, earned very little, and in many cases borrowed money to become a physician. Financial freedom is similar in that it takes time, commitment and sometimes sacrifice to accumulate enough wealth to, for

example, retire (or not) when you want.

It is all about having the freedom to choose what you want to do and when you want to do it. Without that freedom, you could be forced to work longer than you want or in a situation you do not prefer.

With all that in mind, here is a framework for undertaking financial planning, either on your own or with the aid of a professional planner. While you certainly can do it yourself, a planner has the advantage of having some distance from what can be an emotional topic. A planner also has knowledge of some techniques that might help you reach your goals.

Take the big view and be realistic.

The impact of healthcare reform is not the only thing that affects practice finances, of course. So start by taking a realistic view of what else is happening financially in the business and how it might filter down to your income. Are expenses headed up – health insurance premiums, malpractice premiums, rent? What's happening to patient volumes?

Then swallow hard and make a worst-case estimate of what healthcare reform will do to practice revenue and rough out how your personal income will be affected by your expense and revenue projections.

And keep in mind that any impacts generated by the current version of healthcare reform could be just the first wave. Many people – even proponents of the legislation – see it as almost inevitable that the provisions will be revised to some degree as they begin to play out in practice.

Review your goals.

Next, list and prioritize family financial goals – debt reduction, retirement, education, charitable giving, travel, weddings, homes, cars, furniture, etc. Get your family involved in talking about what is important and in setting priorities.

Estimate realistically how much money it will take to reach those goals working with the information you know. Also be realistic about your current spending, saving and borrowing habits.

Take a hard look at spending.

Once you match your conservatively estimated income against your priorities, you might find that some things are no longer possible. Make the tough decisions to allow for debt elimination and savings for the future.

Start by listing the things you cannot change: mortgage, utilities and so on. Then look at the variables: such things as private schools, vacations and clothing.

If you have a family of three, it's amazing what you can spend on vacations. Instead of going abroad this year, perhaps you want to wait. Maybe your kids don't go on the school trip to Europe. How about foregoing the new car this year or buying something less expensive?

It can be hard to make these choices, but if the whole family is involved, the process can ultimately be rewarding as everyone works towards a common goal.

Create a roadmap and follow it.

It is important to put your personal financial plan in writing. It becomes much more real – and actionable – that way. It's also important to set up your plan as a roadmap with milestones along the way that allow you to monitor your progress.

And remember ... the time to take action is now. If you wait until the impact of healthcare reform is fully known, you will have lost all the time between then and now to start to cushion yourself.



Barbara Richards is a financial planner with TrustCore in Brentwood (www.trustcore.com), one of the state's largest financial advisory firms. She is a Chartered Financial Consultant, a Registered Securities Representative and a Licensed Insurance Agent. Securities offered through TrustCore Investments, Inc. Contact her at barbara.richards@trustcore.com.