



Physician Personal Finance

Knowledge to Avoid Mistakes

September 14, 2017

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This presentation available with active internet links @ www.vfa.cc/cos



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Industry Experience	Since 1995
Valeo Experience	Since 2002
Hometown	Evansville, Indiana
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Our Mission

Valeo's **mission** is to improve how clients consume and advisors deliver financial advice. Our service is a continuous process of thoughtfully identifying and implementing **solutions** to ensure all aspects (insurance, cash flow/taxes, investments and estate) of your financial life are integrated with one another, to lower costs (interest paid, taxes and fees), to achieve better risk-adjusted investment results, to become better organized and repeating this process so you have peace of mind to know it is going to stay that way.

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Comprehensive Expertise

True financial planning is more than just investment advice. Advice related to taxes, insurance and estate planning strategies can deliver significant value.

Advice not Products

Advice from someone being compensated for the product they are recommending is simply not objective. We NEVER receive any compensation from anyone other than directly from our clients.

Accessibility

We believe the most common reason a client-advisor relationship fails is a lack of proactive communication. We embrace this industry flaw by limiting the number of clients each advisor is allowed to work with to ensure this does not happen.

Reasonable Fees

Transparent and easily found on our client agreements, invoices, website and other forms of company communications. Reasonable for the work we do and not simply what the market will bear.

Growing with Our Clients and Advisors

While the majority of our clients' situations merit regular, recurring meetings, we can provide substantial value for clients who are in the early phases of growing their net worth.

Giving Back and Paying Forward

We are fortunate to earn a living doing what we love and must give back to the communities that allow us to do so.

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Topics

- Protecting against what can go wrong
- Minimizing everyday taxes & interest
- Planning for the future & investing
- Giving away what you accumulate

Protecting Against What Can Go Wrong

- Identity Theft
- Disability Insurance
- Life Insurance
- Property & Casualty Insurance

Identity Theft

Key Points:

- Equifax 2017 Breach
 - 143,000,000 U.S. Consumers impacted
 - Visit www.equifaxsecurity2017.com
- Freezing Your Credit = Best Protection
- Update email and financial accounts with strong passwords
- More tips and links at www.vfa.cc/cos

Action Items:

Review your Credit Report

Freeze your credit

Update your email and banking passwords

Disability Insurance

Key Points:

- Group disability forms base
 - Inexpensive
 - No portability (can't take it with you)
 - Social Security integration
- Individual disability supplements
 - Portable
 - Expensive
- Definition is key (own occupation)
- After-tax premiums = tax-free benefits

Action Item:

Email your Human Resources contact to request group disability coverage summary + ask if you have the option to pay premiums with after-tax dollars.

Life Insurance

Key Points:

- Obtain appropriate amount of coverage
- Keep in mind your:
 - Group life insurance coverage
 - Social Security survivor benefits
- Term insurance most appropriate
- It pays to shop around
- Whole life insurance for permanent insurance needs (estate tax planning), not for investment

Action Items:

Visit vfa.cc/cos for a link to term life insurance quotes (without an agent or sharing your name).

Compare quote to current policy.

If whole life, why?

Property & Casualty Insurance

Key Points:

- Gaps in home owners coverage by captive carriers (State Farm, AllState, etc.):
 - No "Guaranteed Replacement Cost"
 - No "Mysterious Disappearance"
 - Limited Water/Sewer backup (\$10,000)
- Gaps in Umbrella Liability Insurance:
 - No coverage / less than net worth
 - No uninsured/underinsured policy rider
 - Fail to report pool, golf cart, trampolines

Action Item:

If you live in a \$1,000,000 +/- home and your insurance company sponsors your favorite sporting event, you have a high likelihood of a gap in coverage!

Find an independent insurance agent.

Minimizing Taxes & Interest

- Cash Management
- Debt
- Taxes

Cash Management

Key Points:

- Average bank savings account pays 0.10% APY
- Top online banks pay 1.20%+ APY
- \$250,000 balance for 1 year earns:
 - \$250 at 0.10% APY
 - \$3,000 at 1.20% APY
- Consider:
 - Barclays (1.20%)
 - Goldman Sachs (1.20%)
 - Special Rate (2.00%)
- Electronic link to primary checking with easy 1 day push/pull for deposits/withdrawals

Action Item:

Check the interest rate on your savings account.

Visit vfa.cc/cos for links to establish an online savings account.

Shopping Your Mortgage

Key Points:

- It pays to shop around
- Significant physician only discounts
- Physician loan example:
 - 15 year fixed rate / good credit.
 - Large National Bank = 3.50%
 - Regional Bank physician loan = 2.75%
 - Physician loan savings = **\$52,215**

Action Item:

Check your current mortgage rate and terms.

Visit vfa.cc/cos to request a recommended physician mortgage loan program in your area.

Extending Your Income Tax Return

Key Points:

- Defer filing, but not paying taxes
- Avoids the April rush
- Fresh set of eyes for return preparation and review
- No impact to credit and no higher risk of an audit
- Amending a tax return does increase audit risk

Action Item:

Extend your tax return.

Review final return with your financial advisor and CPA after busy season.

Tax Loss Harvesting

Key Points:

- Process of selling investments at a loss to offset capital gains
- Even if no sales you may have capital gains from mutual fund distributions
- Requires a proactive conversation by your advisor and coordination in situations where multiple advisors
- Not just a year end activity - February 2016 was a great time to harvest losses

Action Item:

Check with your financial advisor to review year to date capital gains and opportunities for tax loss harvesting.

529 Plan Tax Credit

Key Points:

- Tax-free growth on college savings
- Many states offer tax incentives
- www.savingforcollege.com
- Make sure your CPA knows about 529 plan contributions

Action Items:

Visit
savingforcollege.com

**Make sure CPA includes
your 529 contributions
on your tax return.**

Venture Capital Investment Tax Credit

Key Points:

- Venture Capital = Highly Speculative
- Utilize State specific tax credits and flow through losses to reduce potential losses
- Generally credits must be approved BEFORE investing
- Indiana (20%), Ohio (25%), Kentucky (50%), Louisiana (25%), South Carolina (25%), other states

Action Item:

Always ask if venture capital / private equity investments qualify for Indiana Venture Capital Tax Credit.

Visit vfa.cc/cos for full details and links

Surgery Center Related Items

Key Points:

- Active vs. Passive income
- If income is treated as passive, additional 3.8% on net investment income
- Understand your buy-in and buy-out

Action Item:

Confirm your CPA is appropriately allocating surgery center income.

Planning For The Future & Investing

- Retirement Plans
- Investments
- Social Security
- Medicare
- Planning for Aging Parents

Roth IRAs

Key Points:

- After-tax contributions, tax-free growth, tax-free distributions, no required minimum distributions
- Direct contributions limited by income
- Indirect contributions at any income - nondeductible IRA contribution + Roth conversion
- \$5,500 (\$6,500 if age 50+) /person/year
- Available for non-income spouse
- Available for children with earned income

Action Item:

Don't have a Roth IRA.....get one!

SEP IRA vs. Solo 401(k) Plan

Key Points:

- Both available to defer tax on self-employment income (consulting, moonlighting, IP royalties)
- Solo 401(k) balance not taken into account when making Roth conversions
- SEP IRA balance makes Roth conversions tax inefficient
- Ability to rollover SEP IRA to Solo 401(k)

Action Item:

Establish a Solo 401(k) plan and rollover your SEP IRA.

Defined Benefit Pension Plans

Key Points:

- Ability to save up to 100% of self-employment income on a pre-tax basis
- Annual actuarial calculations & administration expenses
- Employees can complicate tax efficiency
- Example = physician making \$200,000 of 1099 / self-employment income moonlighting deferred 100% of income to the plan for the past 5 years

Action Item:

If you have significant recurring self-employment income, consider establishing a Defined Benefit Pension Plan.

Investments - Index Funds

Key Points:

- iShares S&P 500 Index ETF (IVV):
 - 0.04% annual expense ratio
 - \$400 per \$1,000,000
 - Tax-efficient
- Average Large Cap mutual fund:
 - 1.09% average annual expense ratio
 - \$10,900 per \$1,000,000
 - Tax-inefficient
- 90% of mutual fund managers failed to beat their benchmark over the last 15 years
- Survivorship bias

Action Item:

Compare your actively managed mutual funds to the Index.

Investments - Municipal Bonds

Key Points:

- Individual municipal bonds:
 - Protect against rising interest rates if held to maturity
 - Tax-efficient
 - Retirement income stream
- 3% municipal bond in top tax bracket = 5%+ tax-equivalent yield
- 10 Year U.S. Treasury @ 2.15% (9/12/17)

Action Item:

Build municipal bond portfolio to supplement retirement income.

Investments - Real Estate

Key Points:

- Income producing
- Inflation hedge
- Tax-efficient (depreciation and leverage)

Action Item:

Consider adding investment real estate to your portfolio.

Investments - Alternatives / Private Equity

Key Points:

- Underwrite the deal sponsor before the deal
- Make sure sponsor has skin in the game (10% co-invest minimum)
- Be prepared to invest 2 - 3x your original investment
- It is not as fun as it sounds

Action Item:

If investing in this space, diversify by sponsors and time to build a portfolio of vintages....don't put all your eggs in one basket.

Social Security / Medicare

Key Points:

- Wait until Full Retirement Age (FRA):
 - Born 1943 - 1954, FRA = Age 66
 - Born 1955 - 1959, FRA = Age 66 - 67
 - Born 1960+, FRA = 67
- Delay Social Security until age 70 and grow your benefit 8% per year (0.67% per month)
- Consider a “Restricted Application” if born on or before 1/1/1954, are at FRA and have a spouse with Social Security earnings history
- Contact Social Security 3 months in advance of your 65th birthday to enroll in Medicare (even if you are not retiring)

Action Item:

Review your most recent Social Security Statement online.

A link to view your Social Security statement is available vfa.cc/cos

Planning for Aging Parents

Key Points:

- Evaluating Retirement / Assisted Living Facilities – Look for Continuing Care Retirement Communities or “CCRCs”
- Tax Planning – Negative income opportunities and Roth Conversions
- Medicaid Planning / Spenddown
- VA Aid & Attendance Pensions
- Estate Plans / Beneficiary Designations

Action Item:

Engage parents in financial planning discussion

Giving Away What You Accumulate

- Estate Planning
- Charitable Giving

Estate Plans

Key Points:

- No estate plan / "in progress" / old plan
- Missing/incorrect beneficiary designations:
 - 401(k) Plans, IRAs & Pensions
 - Life insurance
 - Annuities
- Out of state property ownership
- No consolidated list of accounts & assets
- Do not just use any attorney - use an estate planning attorney

Action Item:

Update your estate plan & prepare list of accounts/assets.

Visit vfa.cc/cos for a link to find a local estate planning attorney.

Charitable Giving Strategies

Key Points:

- Gift appreciated stock or mutual funds:
 - Avoid capital gains tax
 - Charity pays no capital gains tax
 - Invest cash to step up cost basis
 - Easier for charity to get cash vs. stock

Action Item:

Consider appreciated stock for funding of future charitable gifts.

In Closing

Key Points:

- Less than 10% of our presentation was related to investment selection.
- How much of the other 90% is your plan missing?
- Complete the action items or find someone to help you execute them.
- Any Questions?

Action Item:

Do the action items or find someone who can help.

Checklist of Planning Action Items

Protecting Against What Can Go Wrong
Check www.equifaxsecurity2017.com/potential-impact/
Obtain & Review a copy of your Credit Report
Freeze Your Credit with all 3 Credit Bureaus
Update Your Email & Bank logins with strong passwords
Review Group & Personal Disability Insurance
Compare Term Life Insurance to Current Coverage at vfa.cc/cos
Review Home, Auto & Umbrella Coverage with Independent Agent
Minimizing Everyday Taxes & Interest
Check the Interest Rate of your Savings Account
Visit vfa.cc/cos for links to High Yield Savings Accounts
Check your current Mortgage Rate and Terms
Review Capital Gains & Tax Loss Harvesting annual with your Advisor
Consider a 529 Plan for College Savings + Send CPA Contribution Details
Always ask if Venture Capital/Private Equity investments qualify for tax credits
Extend your Tax Return
Confirm your CPA is appropriately allocating Surgery Center Income
Review Tax Return with your CPA and Advisor after busy season
Planning for the Future & Investing
Open & Fund a Roth IRA for you/your spouse every year (ask CPA for specifics)
Establish a Solo 401(k) and Rollover your SEP IRA
Consider a Defined Benefit Pension Plan if you have significant self-employment income
Compare your actively managed Mutual Fund performance to the comparable Index Funds
Build a Portfolio of Individual Municipal Bonds to supplement retirement income
Consider adding Investment Real Estate to your portfolio
If investing in Alternatives/Private Equity, diversify with sponsors, asset class and vintages
Review your most recent Social Security Statement online (link at vfa.cc/cos)
Consider Social Security filing strategies - Deferring Benefits & "Restricted Application"
Enroll in Medicare 3 month prior to your 65th birthday
Engage Parent(s) in Financial Planning Discussion
Giving Away What You Accumulate
Complete an accurate Personal Financial Statement / List of all Accounts/Assets
Review/Update your Estate Plan (locate local estate planning attorney at vfa.cc/cos)
Consider using Appreciated Stock to fund Charitable Giving