

Practice Management

STARTING UP YOUR PRACTICE

Lesson 1: Getting started as a professional



New Brunswick
Medical
Society



Société
Médicale
du Nouveau-Brunswick

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LESSON 1 KEY LEARNING POINTS

- Establishing your professional advisory team
- The roles of your professional advisors

ESTABLISHING YOUR PROFESSIONAL ADVISORY TEAM

Physicians are trained to be medical experts, not business experts. However, many doctors fail to seek advice from business professionals to help them make important personal and practice decisions until after they have committed to what too often proves to be a suboptimal decision.

We encourage a more holistic, “primary care” approach to business decision-making. Just as family physicians seek the expert advice of specialist colleagues to complement the care of their patients, all physicians should seek the expert advice of professional advisors to best address their personal and professional wellness.

It is essential for all physicians to do a detailed personal and professional self-audit to address such important questions as: Where am I now? Where do I want to be in the short, medium and long term? How do I get there? What professional advice should I obtain to help me make the best decisions?

Regardless of whether you are a medical student, PGY-1 a senior resident, or an early in career physician, you should seek professional advice now, not later.

Your professional advisory team will include a financial planner, an accountant, insurance advisors, a lawyer, and a bank manager. This Lesson will provide an overview of the roles and responsibilities of each of these professionals.

THE ROLES OF YOUR PROFESSIONAL ADVISORS

Your financial consultant and accountant are probably the most important members of your advisory team. You will want to establish a long-term, trusting relationship with these two professionals, who should be very knowledgeable of physician needs and always act in your best interest.

Even though your interaction with lawyers, insurance advisors and bankers may be less frequent, it is equally important to choose professionals who are competent and with whom you feel comfortable.

WHETHER YOU ARE A NEW MEDICAL STUDENT OR A SENIOR RESIDENT, YOU SHOULD SEEK PROFESSIONAL ADVICE NOW TO MANAGE YOUR FINANCIAL AND LEGAL AFFAIRS.

Financial consultant

In many ways, the financial consultant is the “quarterback” of your advisory team. This professional should be much more than just an investment advisor to consult when you have disposable income to invest. In fact, your financial consultant is even more important to you when you are in debt. A comprehensive financial consultant will work with you to address several essential personal matters:

Cash flow and budget –

Understanding your cash flow is the cornerstone to your present and future financial health. You need your cash flow statement in order to develop a reasonable budget.

Your financial consultant can teach you how to assess your cash flow and prepare an effective and efficient budget.

Net worth statement – Most residents carry significant debt and therefore feel that a net worth statement is of no value since it is

depressingly negative and in the red. Not so! Your net worth statement becomes a benchmark for future comparison and is essential for effective financial planning.

Debt status – Debt is rated as good, acceptable and bad, e.g., tax-deductible debt arising from business loans is good debt; low-interest mortgages and personal lines of credit are acceptable debt; and high-interest credit card debt is bad debt. By analyzing your debt status, a financial consultant can recommend efficient debt load reduction measures. This will include weighing the pros and cons of consolidating student loans and other debts, such as credit cards carrying high interest rates.

Personal line of credit and interest rates – Your financial consultant will also help you negotiate with your banker for the best interest rates for your personal line of credit during medical school or residency. A concise and well-organized cash flow statement, net worth statement,

and business plan will be of great assistance when you are negotiating with any financial institution. On completing residency you will have to renegotiate your personal line of credit.

Life insurance decisions – By conducting an objective and unbiased review of your present and potential future liabilities that takes into account your aspirations for your family, your financial counsellor can project your life insurance requirements and help you decide how much life insurance you should buy.

WORK WITH TRUSTED
PROFESSIONAL ADVISORS WITH
WHOM YOU ARE COMFORTABLE.

Financial plan and investment strategy

– Once your financial counsellor has gathered and analyzed all the above information, he/she can help you develop a financial plan and investment strategy that addresses your short-, intermediate and long-term goals.

The principles of financial planning are examined in more detail in **Lesson 2: Financial planning.**

Accountant

It is never too early to talk to an accountant. Medical students and residents at all levels of training can benefit from the sound advice offered by a tax specialist.

Accountants can provide advice on the tax deductions and credits that you can claim now, as well as the expenditures made during medical school and residency that may be

carried forward and deducted once you enter practice. Setting up personal and professional financial books and bank accounts before you start practice will save you a lot of time and money in the long run.

The principles of taxation and accounting are examined in more detail in Lesson 4: Personal and professional accounting and taxation.

Insurance advisors

Medical trainees are notorious for underinsuring themselves, wrongly assuming that they can defer buying insurance until they are earning more money in practice. The opposite is true. You should consider buying insurance as soon as you are accepted into medical school, then review your insurance needs when you start residency.

Insurance, the cornerstone of your financial plan, is most important when you are in debt and have family and financial responsibilities.

All medical students and residents should have a detailed, objective review of their present and future insurance needs. This will include an evaluation of different insurance packages, including:

- Disability insurance for income replacement. If possible, this should be purchased during medical school and re-evaluated annually during residency.
- Life insurance: Even if you presently have no dependants, you should buy as much life insurance as you can now. Your future liabilities will be greater than they are currently, and you may not be as insurable tomorrow as you are today. Your health, good lifestyle and youth allow you to buy insurance at preferential rates. Members of New Brunswick Medical Society are eligible to apply for life and disability income insurance plans offered through OMA insurance.
- Property insurance for your home/apartment and personal goods. Automobile insurance: The New Brunswick Medical Society's preferred property and automobile insurance provide is Wilson Insurance, for more information visit their website www.wilson.nb.ca.

ILLUSTRATING INTEREST

A reduction of 0.25% in one's personal line of credit can make a big difference over five years.

For illustrative purposes only, a \$300,000 loan with a five year term will incur interest expense based on the following rates:

Interest Rate	Interest Expense
5.00%	\$39,682
4.75%	\$37,624
4.50%	\$35,574

In this example .25% over five years will **save you** just over **\$2000 dollars**.

Personal liability insurance

Personal and professional insurance issues are examined in more detail in **Lesson 3: Personal and professional insurance**.

Legal advisors

Physicians' exposure to lawyers during medical training is often restricted to malpractice issues. However, legal issues touch every aspect of our personal and professional lives. It is extremely important to seek professional legal advice before signing any contract. Doctors often are reluctant to seek and pay for a lawyer's advice, even though it is much cheaper than a lawsuit!

Medical students and residents will discover that legal advice is very important for:

- wills
- Powers of Attorney for personal care and property, granting authority for another person to act on your behalf
- personal and professional contracts
- home purchase agreements
- creditor protection
- incorporation

Legal concerns will be examined in more detail in **Lesson 5: Legal Issues for Physicians**.

Banker

Banking issues are extremely important to all medical students and residents. The average debt load of a PGY-1 in Canada now exceeds \$100,000 and the interest liabilities on this debt are significant. For physicians considering the purchase of a home soon after completing residency, the subsequent debt load can easily exceed \$300,000. Even a reduction of 0.25% in one's personal line of credit can make a big difference over five years.

Before approaching a bank manager, review the pros and cons of student loan consolidation with your financial consultant. Your objective will be to obtain prime rates for your personal line of credit, and, when in practice, your professional line of credit.

LESSON 1 ACTION PLAN

- Establish a relationship with a financial consultant and other professional advisors.
- Assess your disability and life insurance requirements and purchase the best coverage you can now.
- Get a will and appropriate powers of attorney.
- Review existing and any forthcoming contracts with a lawyer.
- Talk to an accountant.

Your financial consultant will be of great assistance to you as you prepare for your negotiation with a financial institution. Remember:

Always negotiate with someone at the bank (such as the branch or loans manager) who can make The Decision. **Banking institutions will favour applicants who have the three Cs:**

Character – An organized and well-prepared individual knows where they are and where they are going. A current curriculum vitae, a business plan and an income/employment projection will make a positive impression.

Cash flow – and net worth statements that are comprehensive and current.

Credit rating – Banks value your credit rating more than your future income-generating potential, so having an excellent credit rating is crucial. You can check your credit rating by contacting Canada's major credit bureaus — Equifax

(www.equifax.com/EFX_Canada/), TransUnion (www.transunion.ca) or Northern Credit Bureaus (www.creditbureau.ca). Credit ratings work on a seven-year cycle, so any late interest payments or failures to pay bills will negatively affect your rating for some time. Since errors are not uncommon, verify that any claim against you is legitimate. If you discover an error you should apply, with documentation, for an appropriate correction.

Negotiate with two or three banking institutions at the same time. You may not have money now, but you will in the future and, historically, physicians have been excellent credit risks. As such, the banks should treat you as a valued customer right from the start. They want your business; let them earn it!

Negotiate service charges. These are not set in stone.

RESOURCES

You are encouraged to explore the Web resources dedicated to medical students, residents and CMA members at cma.ca.