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Timely Opportunities for Third Year Trainees

It is a time of anticipation for trainees across the country. If this is your final year, it is almost time to cross over into the promised land of a higher income tax bracket. For others, there is the hope that there will be at least a nominal pay increase in July.

This is a busy time, so the following is a quick list of potential timely opportunities.

SEP IRA

If you are in the process of doing your taxes and you just realized how much you owe in tax because of that moonlighting that you did last year, open a Simplified Employee Pension plan (SEP). This is a type of individual retirement plan that allows you to defer approximately 25% of any 1099 income that you may have had last year up to the federal maximum limit. If you are befuddled, call your CPA. He or she should be able to assist you in maximizing any opportunity.

Disability Insurance

Protect your current and future income! For many of you, everything that you currently have, plan to have or plan to pay off is based on your ability to earn an income. Make sure that it can't go away!

- There are now five individual disability contracts with specialty specific (Own Occupation) language for a Gastroenterologist, in most states.
- You can often purchase up to \$6,500 of benefit as a third year trainee with no financial qualification.
- Premium expenses have become increasingly more competitive in the past six months, further benefiting trainees.
- To view an informative video and obtain a personalized disability contract analysis, visit www.integratedwealthcare.com/education.

Roth IRA

Roth IRAs continue to provide significant tax leverage for trainees. Two thoughts:

Funding – If you have been max funding your Roth IRA during residency/fellowship and will lose the ability soon due to your increased income, consider max funding a non-deductible traditional IRA. In the year 2010, you can convert those funds into your Roth IRA (paying taxes on any gains). Understand that there are some tricky guidelines to this and it is not advisable in every situation. Consult your tax advisor or financial planner for planning strategies.

Roth Conversion – If you have money in former 403(b) or 401(k) accounts or in a traditional IRA, you can convert them to Roth IRA accounts this year, locking in a future tax free income. Again, consult your CPA first as there are tax ramifications.

Evaluate Your Credit

If you are planning to move this summer, and therefore purchase a new home, start to work on your credit score now. A few things that you can do are:

- Obtain a copy of your personal credit report for free at www.annualcreditreport.com.
- If you have any incorrect information, late charges, or other negative influences, contact the reporting companies, solve the problem and have them adjust your report.
- Contact your credit card company and ask them to raise the limit on your card. If you keep less than 30% of your available limit outstanding, it has a positive impact on your credit score.

Following are the minimum FICO scores that you commonly need to get the best rates: Home Purchase – 620; Refinance – 680; Credit Card – 700.

If you are getting ready to purchase a home, get good advice. A mortgage broker or lender should be able to explain the different types of mortgages (Fixed, ARM, Interest Only). Be forewarned that the classic “Doctor Loan” programs with 100% financing are becoming more rare. The mortgage industry continues to try to shake the crisis that it has faced over the past 24 months. My suggestion is to interview several professionals and work with the person who has the greatest understanding of the culture of medicine. In particular, they must understand that just because you have a current salary of \$55,000 and student loans of \$150,000, you are not a poor risk!

Develop a Plan

To make this simple, take the next few moments to think about which of the above topics most interest or concern you. Next to each one, rank them in order of your priority and then write down where you can go to move each one forward. Start with number one and delegate each topic until you get to the end of the list. Now go back to the clinic. ACG

Information on this page is courtesy of Shayne Ruffing, CLU, ChFC, AEP®, who is the creator of the Confident Transition Plan™ for medical residents, the Physician Disability Income Analyzer™ and the Physician's Financial Navigator™. Shayne specializes in executive benefit planning for physicians and medical practices, and can be reached at 800.225.7174, or on the web at www.IntegratedWealthCare.com.

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