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Two of your colleagues took the podium in our most recent *DocOnomics*. Dr. Ryan Ford wrote about his experience as a rural Texas physician and our own Dr. Bob Kramer provided a followup commentary. Reflecting on their views, one is led to wonder if current and future physicians will be able to practice medicine in ways that remain professionally fulfilling and financially rewarding.

Many have expressed fears that our nation's growing healthcare needs will be served by fewer doctors who will be required to see more patients for steadily decreasing compensation, and that the healthcare system will inevitably become seriously compromised. Some of you have responded to the commentaries of Drs. Ford and Kramer, expressing similar concerns and frustrations.

We have just received a jarring series of wakeup calls. Soup-to-nuts wealth management for everyone just became infinitely more difficult, since signs of deteriorating conditions in the world of finance are abundant and in plain view. The sheer magnitude of a recent federal bailout causes us to wonder when the next shoe will drop, and how long the federal government might attempt to organize rescue missions.

One fact is abundantly clear. Bailouts <u>always</u> come at the taxpayer's expense, no exceptions. Anyone who misses the signs or falls asleep at his or her wealth management wheel is destined to end up in a financial ditch. For those who will pay attention to these signs of deterioration, now is the time for vigilance and now is the time to ensure that financial houses are in order.

That said, the mission of *DocOnomics* will remain consistent. We will try to help physicians understand the economic forces that are at work, and identify actions that can be taken to help physicians weather the developing storms.

THE BEAT GOES ON

AARP. "Accumulate", "Allocate", "React" and "Protect". If you are a regular ***DocOnomics*** reader, you recognize these as our four wealth management cornerstones. At any moment, one or more of these fundamental disciplines can be front and center in a personal effort to maintain financial health.

Some of you have asked about AARP and how to best employ these guidelines. Our consistent reply is that individuals cannot know where they are going until they know where they are.

As wealth management advisors, we have frequently observed situations where the stewardship of a physician's personal wealth is scattered among assorted planning concepts or ideas. And, while a particular planning concept may have merit, we often find that a concept or strategy can fail to work cohesively within the planning big picture. Consistently, we find that if individuals have not taken the time to thoroughly coordinate planning steps with their fundamental objectives, planning will remain fragmented and vulnerable to the types of breakdowns that typically occur absent a master plan.

AARP will be meaningful to individuals who devote the time to identify their objectives and frame them within the big picture. Sometimes it is even more basic, i.e., there is no big picture and AARP must be used to develop one. If someone finds that they are unable to effectively conduct the process on their own, then an experienced advisor should be consulted to assist in the process.

When planning is fragmented or nonexistent, there are many wealth management pitfalls. Consider the subject of retirement planning. If there is any doubt about the deplorable condition of *retirement planning* in this country, one need only observe the chaos that has evolved from an earlier time when many individuals retired with the guarantee of a lifetime pension check.

Not too long ago, retirement income security was the result of defined benefit pension plans which many employers used to ensure that their employees would not run out of money in their retirement years. Today, such pension plans are on the verge of extinction, having been replaced with plans (e.g., 401(k) plans) that have shifted the responsibility to "accumulate" onto employees who participate in these plans. We share the following observations with you, to illustrate the pitfalls that can occur in just one aspect of wealth management planning (i.e., retirement):

- **Many individuals who "accumulate" retirement assets in employer plans such as 401(k), 403(b), etc., and others who have assets in IRAs have no concept of longevity risk. Many of these individuals manage these assets poorly before and after retirement, and will run out of money before they die. *(Note: we draw your attention to the March 25, 2008 statement issued by the Social Security Board of Trustees, repeating previous warnings that Social Security will go broke by 2041)***

- **The reason many individuals fail to "accumulate" sufficient retirement assets is that at the appropriate times during the accumulation process, they did not "allocate", "react" and "protect" retirement assets in their 401(k), 403(b) and IRA plans. We have seen far too may physicians fail to do just this type of planning. We wonder how many have scrutinized their retirement plan holdings in light of the debacles that have taken place on Wall Street (e.g., the Fed rescue of Bear Stearns). By failing to "react", the resulting absence of prudent "allocate" and "protect" actions will predictably result in decreased accumulations that will be insufficient to provide income security for lifetimes that can easily extend into the 80s, 90s and even 100s.**

BOTTOM LINE

A thorough baseline evaluation <u>is</u> a process that can help you visualize what may lie ahead in the following areas:

- <u>Retirement Planning</u>: determine how long assets will remain available during lifetimes that can extend well into the 80's, 90's or even 100
- <u>Wealth Transfer Planning</u> (aka estate planning): visualize how much goes to family, charity and government
- <u>Asset Protection Planning</u>: planning to protect assets from creditors and lawsuits

An important aspect of a "baseline" evaluation of planning is that frequently, other planning matters surface which can lead to additional wealth management benefits.

Some may think this overstates the benefits of a wealth management "screening" procedure. In response we'd say that experience has shown that this kind of a process has produced significant benefits for those who have employed it.

Does a small expenditure of time and capital make sense when doing so can produce significant, satisfying outcomes? If you respond in the affirmative, we encourage you to take action.