DocOnomics
Financial and Investment Insights for the Physician

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FINAL THOUGHTS FOR 2007

As chilling temperatures and winter storms descend over much of the United States, financial gale force winds are swirling across Asia, Europe and North America. These winds are of a potentially destructive nature and are causing a great deal of angst in government and investment circles.

Throughout 2007, we have detected marked changes in the weather patterns that affect wealth management strategies and tactics. It is now apparent that one must take on more investment risk, live with greater investment volatility and extend one's time horizons for measuring and evaluating investment performance. A primary objective is to protect the purchasing power of one's wealth as we journey through a period of indeterminate length that one day will be chronicled as The Decline and Fall of the US Dollar.

There is no better time to turn a critical eye toward your existing wealth management game plan. In order to simplify this task, we strongly encourage you to use our AARP methodology:

Accumulate, Allocate, React **and** ***Protect.***

As we sign off for 2007, we would like to offer you a quick recap of the AARP wealth management framework in the hope that some of the attendant action steps will make their way onto your list of New Year's resolutions:

ACCUMULATE

Accumulate starts with the discipline of spending less than what one earns and acquiring the skills to grow the surplus.

In practice, the ability to *accumulate* is a very challenging series of tasks and often requires outside assistance. If you have neglected this area, make it a priority in 2008 to spend time with your financial advisor or CPA in order to chart your course toward financial independence.

ALLOCATE

Allocate pertains to time and money. We can't advise you on how to best allocate your time, but we can say that the allocation of your investment portfolio is a crucial determinant of long-term success or failure in the accumulation of wealth. In this regard, *allocate* means moving assets into strategic locations on the investment board, minimizing losses along the way and devoting sufficient time to the maintenance of strategies. To *allocate* prudently, it helps to be a student of politics, economics and history. If you can't find the time to keep up with the dynamics of our rapidly changing global environment, seek out discussion groups, plug into an independent think tank or hire someone to keep you informed.

REACT

React involves making timely changes to protect against income and investment losses, not to mention changes in estate tax laws that can affect your legacy planning. Conversely, *react* can mean pursuing opportunities for income and investment growth. Some reactions can be made in anticipation of events while others must be made in the aftermath of unanticipated events. The foundation of *react* rests on your ability to remain adequately informed about pending or current events that will better enable you to *accumulate* and *protect*. If you cannot find the time to personally assess the future of your business environment or what may be on the horizon for the domestic and global economies, seek out the opinions of others.

PROTECT

The motivation to *protect* wealth arises from an array of perceived risks. Essentially we look to *protect* our assets from catastrophic losses (e.g., natural and man-made disasters), investment losses (e.g., adverse political and economic events, acts of fraud and errors in analysis and judgment), confiscation by the government (e.g., income taxes, estate taxes and inflation of the money supply) and adverse rulings by the court system (e.g., legal judgments). In addition, we seek to *protect* income by owning disability insurance. *Protect* is an integral part of the ongoing wealth management effort and requires a commitment to being personally informed and advised by professionals in the insurance, tax, investment and legal fields.

Switching gears, we are pleased to report that physicians will not be getting hit with the projected 10% cut in Medicare reimbursements that were scheduled for

January 2008. Congress remains hopelessly mired in the ongoing healthcare debate and instead has granted a 0.5% increase in Medicare reimbursements through mid-2008. This temporary reprieve gives you a bit more breathing room to plan and prepare for an inevitable cut.

See you next year!