Health & Wealthness

10 Keys to a Healthy Financial Plan for Busy Health Professionals

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Introduction

The universe of available financial information can be overwhelming, especially when you are running a busy work schedule and balancing family life. It can be challenging to find time to educate yourself on what is essential and what is simply noise—what is relevant to you and what you should completely ignore.

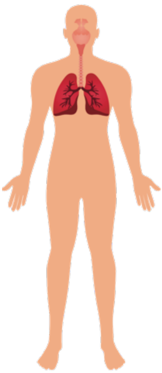
Let’s cut through all the noise.

There are ten keys to a healthy financial plan for busy health professionals. They are:

1. Cash Flow – Your Respiratory System
2. Investment Plan – Your Cardiovascular System
3. Tax Planning – Your Digestive System
4. Insurance Planning – Your Immune System
5. Estate Planning – Your Integumentary System
6. Debt Management – Your Urinary System
7. Children Planning – Your Reproductive System
8. Hard Work – Your Muscular System
9. A Plan – Your Skeletal System
10. A Planner – Your Central Nervous System.

Let’s look at each in turn.

Key 1: Cash Flow – Your Respiratory System



Your respiratory system is continuously in motion.

Breathe in, breathe out.

You are breathing constantly until the day you die. Your cash flow is similar.

Income, outgo.

What do you earn and what you spend.

Being in the health profession gives you a high income in a very stable industry. But what are you doing with that income?

Lungs take in oxygen and expel. If your lungs are functioning properly, they will absorb and keep some of that oxygen to nourish your body. It does this with every breath, automatically.

For your financial plan to function correctly, you need to be saving some of that income to nourish your financial goals. And it needs to be automatic. If you leave it to choice ("I will save a chunk of my next paycheck…"), it will never happen.

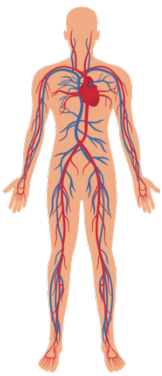
We have seen patients who are labored in their breathing or who need breathing assistance. No one would prefer this to the automatic, unconscious system of regular healthy breathing. **Your savings need to be automated. Set and forget.**

Perhaps as you look at your cash flow, you realize that too much of your income is going out to past expenses: debt. Student loans, car loans, mortgages, and other obligations can stack up easily and choke off cash flow you'd like to use for savings. Your initial cash flow plan might be to *increase* your cash flow by *decreasing* your debt. We will cover more of that in Key 8.

Here are five ways to make your savings (or debt paydown) automatic:

1. **Contribute to your 401(k)**. This can be done automatically through payroll as a percentage deduction of each check. Minimally contribute enough to get the employer match. If you work at Gundersen, that means you need to do 5% of your paycheck to get Gundersen's 4% match. If you work at Mayo, you must put in 4% to get a 2% match. Check with your employer if you work elsewhere.
2. **Contribute to your HSA or FSA**. This can also be done automatically through payroll and has excellent tax benefits. (Note: you need to be enrolled in the correct health plan to do this.)
3. **Split your direct deposit into a savings account**. Rather than having all your paycheck deposited directly into your checking, have a portion deposited straight into your savings. No more thinking about it. Automatic savings. Both Gundersen and Mayo have this feature.
4. **Pay debt payments automatically.** Set up automatic payments for all debts that you have. There is no reason to do these manually, and forgetting can have adverse consequences.
5. **Increase automatic debt payments.** Unless you're in the Public Student Loan Forgiveness program, paying only the minimum payment will keep you in debt forever, struggling to breathe. Rather than setting your debt payments for a low amount, set them for a high amount. This will pay off your debt, automatically.

Key 2: Investment Plan – Your Cardiovascular System



Your cardiovascular system keeps your blood moving throughout your body, supplying nutrients to every other system. Without it, you die. **Even when you are not consciously thinking about it, your cardiovascular system is working for you, keeping you alive both now and in the future.**

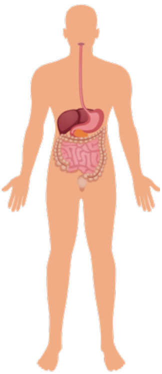
Your investments also keep you alive. They keep your money working as hard for you as you have worked for it. Having investments is not enough. You need, at minimum, a basic understanding of them and how they are working for you.

Not all investments are created equal. A Prius and a Ferrari are both cars, but no one would claim that they are similar under the hood. Similarly, you may have a 401(k) like everyone else. **But the investments inside your 401(k) ("under the hood") are going to drive your performance long term. And when it comes to performance, do you want to be driving a Prius or a Ferrari?**

You should never take investment advice from a short guide, or from some "guru" on the internet that doesn't know you or your situation. Investment planning is one place where you really should get professional education and assistance. (View the *5 Questions to Ask an Advisor* at the end of this guide to find and work with an Investment Advisor in developing your investment plan.) Even if *you* are creating the rest of your financial plan, you should get help on this. It is too important.

You may cut your grass, change your oil, or remodel your kitchen because you like to do things yourself and save money. But you wouldn't insert a stent in your own blood vessel or perform open-heart surgery on your own heart. Your cardiovascular system is too important. Even though you know more about human health then most other people, you would leave these essential procedures to a specialist.

Key 3: Tax Planning – Your Digestive System



When we eat, our digestive system helps to pull out nutrients in our food to nourish our body and excretes the waste that we cannot use. **A healthy digestive system will reduce waste and absorb more of the nutrients into our bodies.**

While the income you earn as a medical professional is significant from a cash-flow standpoint, **if we're not careful, we will have excess "waste," a.k.a. taxes.** Higher incomes mean higher taxes and more task complexity. If you are not careful, you can pay much of your hard-earned income, today and over your lifetime, to the government.

Tax planning is different than tax preparation. Tax preparation is what your accountant or CPA does. **Tax prep is looking back at last year and determining how much you made, what deductions or credits you can take, how much you owe to the government.** This results in a refund or additional taxes owed. Your accountant has a vital role, and they are usually really good at their jobs. But **they are looking in the rearview mirror: last year.**

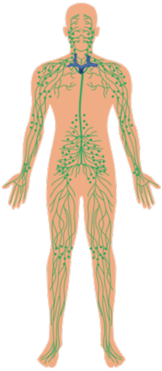
Going forward in life, you want to spend most of your focus looking through the windshield, not the rearview mirror. **Tax planning is figuring out not only what you paid in taxes last year but also how much you are likely to pay over your lifetime—and then working to reduce that amount.**

We will pay the government every dime they are owed. But we don't want to leave a tip.

Tax planning can be a complicated subject, but it is worth either the hours it will take you to learn how to do it, or the planning fee you will pay a Planner to do it for you. Let's not step over dollars to pick up dimes and avoid these significant tax savings by trying to save money on services. Put in the work, or delegate the job, and save yourself a boatload of taxes. Often the tax saving a planner can find can pay for an entire financial plan.

Your financial plan should include a tax planning subject where you are looking forward and figuring out what you need to do **to pay fewer taxes over your lifetime**. Doing your tax planning will also mean keeping up with tax law changes to ensure that your tax plan is correct as it encounters various winds and external forces. Let's keep that digestive system healthy and reduce waste.

Key 4: Insurance Planning – Your Immune System



Your immune system wards off many viruses and dangers, many of which you don't even know. And when you are struck ill, your immune system works to make you better.

The best-laid plans still encounter problems. A car accident, a house fire, a sickness that puts you out of work, a death in the family—**without a proper immune system, your financial plan can be ruined by just one of these issues.** Let's give your immune system some vitamin C and zinc, and make sure you have the right insurance. Here is a shortlist of immune fighters that you need in your portfolio, in order of priority.

Income Protection

Also known as disability insurance, this will replace a portion of your income should you become unable to work. Both Gundersen and Mayo have both short- and long-term disability as part of their group benefits package. Ensure that you are enrolled for both of those.

These will typically not be enough. Group short- and long-term disabilities pay 60% of your income if you are unable to work. But not only is that less than what you are typically taking home (usually 70-75%), you will also be missing out on other employer benefits. If you are not working, you are not contributing to retirement and are missing the employer match, Gundersen's Base contribution (historically 10-12% of your salary annually), and Mayo's pension. And if you are permanently disabled and unable to return to work, the health insurance that your family may be relying on is also gone.

You will likely need an individual disability income insurance policy on top of your group. It does not need to be significant, as you already have the group, and therefore it is not very expensive. **If you are willing to spend $100 per month to protect your $200,000 home, be prepared to pay $50 per month to protect your income worth *hundreds of thousands* if not *millions of dollars* over your lifetime.**

Your income is your largest wealth-building tool. Protect it.

Health Insurance

The number one cause of bankruptcy in America is medical bills. Gundersen has three types of health insurance: a Health Maintenance Organization Plan (HMO), the Consumer

Involved Medical Plan (CIMP), and the High Deductible Health Plan (HDHP). The annual guide that Gundersen puts out as well as human resource employees help you figure out the differences between these plans. But they often cannot determine how they factor into the rest of your financial plan. Your health insurance choice is a big part of your plan.

They have a variety of coverages and costs, as well as other benefits (such as access to an HSA). Your cash flow and tax planning will also factor in how you choose your health insurance. If you don't know how your health insurance factors into the rest of your plan, work with a Planner who focuses exclusively on Gundersen employees. They can help you figure it out. It could be worth 10s of thousands of dollars over your lifetime.

Life Insurance

You need life insurance if you have people depending on you. Period. If you were to pass away, all the income and benefits they depended on you to make are gone. If you have children, you need life insurance. And not merely the one times your salary that you are provided at work.

There are ways to calculate precisely how much life insurance you need based on your situation. It typically works out to around 10 to 20 times your income, depending on your circumstances. You can get this with term insurance for pretty cheap. Many Financial Planners also have access to insurance brokerage firms that can get you the best life insurance for the best value. Check out the *5 Questions to Ask an A*dvisor guide at the end to learn more.

It is unlikely that you need permanent insurance (whole life, universal life, indexed universal life, etc.) While there are some situations and circumstances where it might make sense, these products are oversold by insurance reps to people who should be doing many other things with their money before looking at permanent insurance. If your "Advisor" brings permanent insurance into the conversation early on, you should get a second opinion.

Home & Auto

You already have this, but make sure you don't merely have state minimums for auto insurance. One accident for which you are at fault will blow through your liability coverages and ruin your financial plan. Work with a skilled and ethical home & auto independent insurance agent to get access to the best rates and values. Your Financial Planner is unlikely to have their home and auto licenses, but have often vetted local agents and can connect you with a good one. It is worth getting this looked at, as it could save you hundreds per year while also having the right coverage.

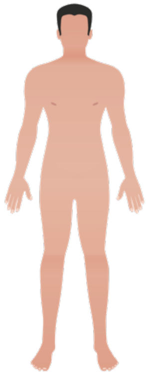
Note: In our experience, home & auto agents also offer life and disability insurance, but for many, it is a tack-on item. They are unfamiliar with how to calculate how much you need as it relates to the rest of your financial plan. Who you get your home and auto insurance through may be different from whom you get your life and disability insurance.

Long-Term Care

If you are 55 or older, you may want to begin looking at long-term care costs and coverage options. We may be biased, but we recommend exploring long-term care with an excellent independent Financial Planner. We have found that other strategies can be used to pay for long term care other than insurance, but sometimes insurance is the best way. This topic is quite nuanced, and you shouldn't plan it yourself.

The insurance planning portion of your plan should calculate how much and what kinds of insurances is you need, as well as explore the best values for coverage. This can be a lot of work, and it might simply be better to outsource this to a Planner. A good insurance plan should be planned, carried out, and then reviewed occasionally.

Key 5: Estate Planning – Your Integumentary System



Your integumentary system covers your whole body and protects it. It has multiple facets, and each is important. You can't have a body without it.

You also can't have a financial plan without an estate plan. Whether you have a formal estate plan or not, you have a plan--it just might be a bad one.

An estate plan is simply a plan for what happens to your children and your assets if you cannot make any decisions yourself or pass away. Again, even if you don't have a plan, what happens to your children and assets will still be decided. It will be determined by the state. We don't want the State of Wisconsin to tell us what should happen to our children or our assets. Let's make a plan.

Your estate plan should consider these Five Items:

A Will instructs what should happen to your children, including who will take care of them (their Guardian) and who will handle money for them (their Conservator). Sometimes the Guardian and Conservator will be the same person, but often it is not. There are even some good reasons why it should not be the same person. You want to decide who these people are, talk to them ahead of time to make sure they agree with taking on that responsibility, and then get that in writing in a legal document known as your will.

A Trust can help pass your assets to your children in a tidy fashion. While a will can also do this, it is more limited in what it can accomplish, and it still needs to go through the courts before it can be resolved, a process that can take months. You should explore a trust with your Planner to see if this makes sense.

Beneficiary Designations can be placed on lots of different assets and insurances, such as your 401(k) and your life insurance. Typically, your spouse will be on as your primary beneficiary, but the secondary beneficiary is often neglected. What happens if you and your spouse go out at the same time? Without thorough beneficiary designations, the state will decide.

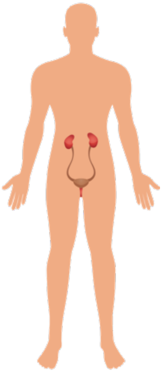
A Durable Power of Attorney is a role given to someone to make decisions for you if you cannot make decisions for yourself. Typically, there are two types of Power of Attorney. A Financial Power of Attorney will take charge of your finances for your benefit when you can't. A Healthcare Power of Attorney will make health decisions for you if you are unable to make them for yourself. Again, this may be the same person or a different person. Often it is your spouse initially, but someone else should be named if your first choice cannot make those decisions for you.

A Health Directive, also known as a Living Will or Advanced Directive, are your wishes on several crucial health issues. Do you want to be kept alive with life support, or would you prefer to be left to pass? Are there any procedures that you would not want performed? Many of these decisions are significant and impactful and should not be left to your family to decide. If there are disagreements in that decision, it can tear a family apart. Don't put that on them. Get your Health Directive done. These can be filed directly with your hospital, presumably Gundersen.

A Financial Planner can help you with your estate planning by giving you guidance on what documents you need, and how to structure your beneficiary designations or trust provisions. They cannot, and will not, create legal documents for you, or give you legal advice. You need an attorney for that. But, since Financial Planners are not paid to create those documents, they can be an independent and unbiased voice on which estate planning provisions you need.

For example, many estate planning strategies can be carried out through proper beneficiary designations and adequate titling of assets than through a complicated and expensive trust. A Financial Planner can help you with those strategies and potentially save you the money you would have paid an attorney to do that same thing. Further, Financial Planners tend to have a better sense of how it fits in with the rest of your financial plan. Again, they are the central nervous system, and estate plans should not be created in a vacuum.

Key 6: Debt Management – Your Urinary System



Our bodies cannot function without liquid's lubricating our organs, muscles, and joints. We take in water and other fluids, and our urinary system helps filter out toxins and flushes them from our bodies.

Many of us cannot get started in life without a little bit of lubricant in the form of debt. Whether it is taking out student loans (a *lot* of student loans) to finance our education, a mortgage to finance our home, or other consumer debt to finance cars and lifestyle, debt is a part of most of our lives. And if we have too much debt, it can cause an infection in our financial plan.

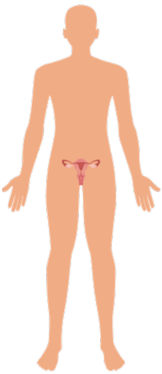
A good financial plan will include strategies for debt management and debt reduction. There is no “good debt”; there is only “bad debt” and “worse debt.” Only lenders and those who are making money off of you having debt call it “good debt.”

“Good debt” proponents can include financial “advisors” who tell you to keep your 4% debt so that you can invest while at the same time putting your money into whole life where your money is making less than 3% or other fixed-income investments that are making less than your debt. They are incentivized to have you keep your debt because they do not make money when you pay it off. They only make money when you put your money with them. This stresses the importance of having a real Financial Planner over a financial services representative—more on that in our guide to advisors at the end.

Debt takes up cash flow and is a risk to our financial plan. Now, that risk and reduced cash flow may be overcome by the investments we make with the debt (a higher income or a higher return), but most of us are not optimizing this. For many of us, life piles up debt, and we are unsure of how to pay it off or whether we should even focus on that or something else, like investing.

We need a plan for how to rid our lives of this waste and how to make the most of the lubricant we do have. Your debt management plan should carefully weigh the costs and risks of the debt you have against the potential gains and opportunity costs of other options and give you a defined action plan to follow.

Key 7: Children Planning – Your Reproductive System



If your reproductive system has blessed you with children, the greatest gifts on earth, that you may also be thinking about how you want to support them financially beyond only food, clothing, and shelter. Enter: Children Planning.

This is not to be confused with "family planning." That is way outside of both the scope of this guide and our expertise.

Children planning is planning for your children. It is planning what you want for them, whether it is education, a vehicle, or other ways that you want to be able to support them financially. Some will refer to this as college planning, but we believe it goes beyond that. There are more ways to promote your children than through only helping them with college.

Children Planning should identify how you want to help your children and the best ways to do that. Just as it is OK to plan on delaying children in your life plan, it may also be OK to delay planning for your children if there are other areas of your financial plan that must be addressed first. Plan other aspects first.

For now, on your One-Page Financial Plan, your Children Planning section may look like this: "Revisit in 2025."

Key 8: Hard Work – Your Muscular System

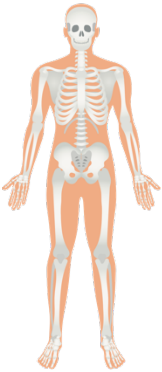
Your body has lots of systems, but the muscular system does all the "heavy lifting." We mean that literally. Your muscles lift things.

You are the muscular system in your financial plan. A financial plan can be excellent for all these other areas of your life, and if carefully constructed, can work together seamlessly on paper. **But if you do not work the plan, nothing will improve.** You will need to put in the hard work to improve your financial life. Your Planner can't do it for you. The plan can't do it for you. Only you can do the work.

Consider a Planner, get a plan, and then work the plan. Work the plan, the plan works.

For some people, they can work their muscular systems just fine on their own. They have the time and discipline to get into the gym regularly and workout. For some of us, we could use a little help. A fitness coach can go a long way in improving your physical muscles, and a financial coach can go a long way in improving your financial muscles. We strongly recommend you have someone walking with you day by day, month by month, year by year, helping you form your plan and guiding you to stay on it.

Key 9: A Plan – Your Skeletal System



Everybody has a skeletal system that supports all other systems in the body. Without our skeletal system, the organs, muscles, and other systems would all collapse. **As the skeletal system provides a structure for the body, a plan is the backbone of all good financial decisions.**

When some people think of a financial plan, they think of a 200-page document with lots of charts, graphs, and financial jargon. But these are worth only the paper on which they are printed. A financial plan is not a lengthy document that you use as a doorstop or stick on a shelf to collect dust. It is a living and breathing framework for how you make financial decisions. It needs to grow with you, just as your skeleton grows two continued to support the rest of your body.

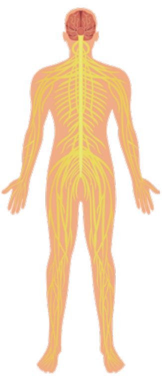
When a pilot is going to fly a plane, she will always file a detailed flight plan before takeoff. It will map out how she will get from where she is to where she wants to go. But the flight will never go according to that plan. Headwinds will slow her down, tailwinds might speed her up, and high and low-pressure systems may divert her off course. But the flight plan helps her re-navigate and still end up where she wants to go.

This is how a financial plan should be organized. It should tell you what you need to do today to move forward. But then it should grow and develop with you to continue to tell you what you need to do, what you should keep doing, and what you must avoid at all costs.

We prefer a one-page financial plan. All your financial complexities distilled down to one page that you can easily read and understand at a glance. A proper system to review and update this plan over the years must also be part of that plan. Otherwise, it will grow stale, and you will lose your course as the winds of life arrive.

If you decide to be your own Planner and create your own financial plan, we recommend creating a plan with headings for the first seven keys.

Key 10: A Planner – Your Central Nervous System



Everybody has a central nervous system that connects all other parts of the body and ensures that they work together correctly. Every financial plan needs the same role.

It is easy to find lots of information about the various aspects of finance, but it can be challenging to understand how they all fit together. Legs are not very useful without lungs, and a sound investment strategy can be wrecked by overwhelming taxes.

You need a Planner to be the central nervous system of your financial plan. Someone who sees how everything fits together and can control the various aspects of your plan, both the conscious and unconscious systems (the intentional and automatic elements of a plan.)

That Planner might be you. You could it certainly sift through the mountains of information available, much of it for free. And you could probably do a great job. You are clearly intelligent, or you would not be able to make it in this profession. Be sure if you decide to be your own Planner that you do all the research necessary on all these topics so that you can feel confident you aren't making any crucial mistakes.

(We have a book in the works that will help you sift through those mountains of information and make it clear which applies to you and what you can ignore. Be sure to stay on our mailing list to be notified when that is available.)

But you might want to ask yourself if you're going to subject yourself to that much more education on a subject that you will not use for more than just yourself. You have already gone through your bachelor's degree in nursing, or your master's degree to be a physician's assistant, or even medical school to be a resident. You have enough facts in your mind and enough decisions to make about the lives that are in your care. Consider finding someone else to be your Planner. Someone who has gone through the education in financial topics that you have gone through on health topics. The end of this guide will give you some key questions to ask potential Financial Planners and help you decide whom you should work with if you choose to outsource this key.

5 Questions to Ask an Advisor

Throughout this guide, we have encouraged you to seek professional advice on any areas you are not an expert in. There are a lot of options for financial professionals with whom you could work. Not all are created equal.

As you look into who you want to trust with some of life's most significant responsibilities, here are five questions that you should ask any Financial Advisor or Planner that you are considering. There are some insights and tips that you should be looking for in each answer. There is also some homework you may need to do on your own. We have provided our answers in italics at the end of each question.

1. Are you Rep, Advisor, or Planner?

What's the difference? While different people have different definitions of these titles, we will give you how we see them.

- **Financial Services Representative.** An FSP is typically an employee of a financial company whose primary role is to sell its financial services. This is not necessarily a bad thing. There are many good financial services companies out there, and their products are beneficial. But know that if they are simply a Financial Services Representative, they will be unable to offer many of the Financial Planning services you need. They will also be unable or de-incentivize to provide you with products outside of the company they represent. Typically, FSPs will have their Series 6 and Series 63 investment licenses and Life and Health insurance licenses. These licenses allow them to offer mutual funds and variable annuities, as well as life, disability, and long-term care insurance. You can find out what licenses a Rep has by going to www.BrokerCheck.com.
- **Financial Advisor.** A Financial Advisor may work for one specific company or maybe independent and will be able to offer a greater breadth of services than an FSP. Financial advisors will have a Series 65 or Series 66 securities license, which allows them to take assets under advisory. Often, they work for a Registered Investment Advisor (company) as an Investment Advisor Representative. As of June 30th, 2020, financial professionals cannot call themselves an "Advisor" unless they have an Advisor license. Prior to this, almost anyone could call themselves an Advisor. If you already have a "Financial Advisor," you may want to double-check that they genuinely are an Advisor since the rules have changed. Advisors may also have a

Series 7 license, which allows them to trade individual securities and ETFs, giving them the greatest range of options for their clients. The new regulations state that Representatives or Advisors that do not have all licenses must disclose that they are unable to provide certain services. That does not mean that individuals will follow the regulation, so you may have to do the research.

- **Financial Planner.** A Financial Planner will often be able to do most of what a Financial Advisor can do, but typically has more advanced training in the other areas of finance other than investments and insurance. Often they will be able to provide better advice on tax planning, estate planning, cash flow, and other topics. Most Financial Planners will carry the Series 65 or 66 license and do everything that an Advisor can do. Double-check on www.BrokerCheck.com.

At Swartz FP, both Michael Swartz and Freeman Linde are Financial Planners. We believe in looking at everything because it all connects. And we believe in being able to do everything, as it all needs to be done. We have a broad education and experience in all aspects of the financial planning process and focused knowledge and experience working with health professionals.

2. Who is your Broker-Dealer? Are they independent or an affiliate of an insurance company?

We think this is a crucial question to highlight any potential conflicts of interest your Advisor or Planner may have. Typically, if an Advisor or Planner works for an insurance company (or a broker dealer affiliated with an insurance company), they will have required minimum amounts of insurance they must sell every year to keep their contract with that company. They may also have additional incentives (such as higher payouts and firm trips) that they qualify for if they sell insurance at certain levels.

While insurance is an integral part of the financial plan as your immune system, we believe that requiring the sale of insurance creates an inherent conflict of interest. These production minimums may force the professional to recommend insurance when it is not appropriate, or suggest a more expensive product to help reach those requirements.

We are not saying that all advisors and Planners that work with insurance companies are pushy salespeople who sell more insurance than their clients need. (Those Advisors and Planners may believe that all the coverage is in the client's best interest.)

But if the Advisor is required to sell insurance and gets paid more to sell more of it, can we be sure that their advice is in the client's best interest, and not of their wallet? And if they are required to sell their own company's insurance, is it truly the best insurance product in that category, or are there other products from other companies that would be in the client's best interests?

At Swartz FP, we were initially affiliated with an insurance company. We decided to leave and establish our own Registered Investment Advisor. We did not want a company telling us how much insurance to sell and what products to recommend. We now have no insurance requirements and have access to an insurance brokerage company that allows us to get protection from dozens of companies and find the best product for the right situation. We believe this will enable us to manage conflicts of interest better and put the client first.

We do not claim that there are no good Planners or advisors at insurance companies. But we do believe it is the best way to do business.

3. What are all the ways you get paid?

It will come as no surprise to you that advisors and Planners don't work for free. So, it is not a matter of *if* they are paid but *how*. Unless the Advisor is working for a bank, there is almost no chance the Advisor is salaried. They are almost always responsible for generating 100% of their own income. There are three basic ways an Advisor can be paid.

Commissions. Commissions are paid to financial professionals on the sale of insurance products, including annuities, on many mutual funds, and other financial products. Commissions are sometimes paid to the Advisor by the company who makes the product (usually insurance products in annuities), where the client does not really see the Commission. Ultimately the client is paying these commissions in the form of surrender charges, high fees on the product, and delayed cash value growth as the company pays the professional who sold it. Other times commissions are paid directly by the client through a reduction in the amount invested. These are true of a share mutual funds, where the client will see a 2% to 5% reduction in the amount they invested which is being paid to the Advisor.

Commissions are not necessarily bad, and in some cases they are the only way to be compensated. For example, term insurance is cheap and a valuable part of a financial plan, but are a hassle to put in place. The fact that the Advisor is getting paid a Commission on that to compensate them for their time, expertise, and effort, should come as no surprise and does not mean the client did not need the insurance.

Commissions are an inherent conflict of interest, however. If the professional is paid more to sell you more (i.e., put you in a more expensive insurance product because more premiums mean more commissions), or change your investments often because they make a commission on transactions, Then there is an incentive for the professional to advise you to do things that pay them more.

True best interest advisors and Planners will be able to speak to any commissions that they earn. They can explain how the products are in the best interest of the client and why they are recommending them even though they are paid a commission on it. If you doubt their explanation, get a second opinion. If they are an FSP, this is the only way they are paid.

Financial Service Representatives are only paid on commission. They are not licensed for any other the other two.

Investment Advisory Fees. Financial Advisors and Planners can Charge a flat percentage of assets under management to advise on investments. Well some may express this as purely that percent that they are paid and ignore the other percentage fees the client is charged, we prefer to look at the all in cost of this. We find that the average all-in fee for investment advisory is 1.5% of assets. This is typically more than the ongoing fees of non-advisory mutual funds (often between 0.5% and 1.5%), but there is no up-front sales load, and no penalties or additional fees to changing investments.

A benefit to advisory fees over commission investments is that there are no sales loads, or additional money paid to the Advisor for making changes. The Advisor then typically only makes changes when the portfolio needs it, not to make more money. The Advisor also gets paid more as the portfolio grows, and less if it falls in value. This aligns the client's interests with the advisors.

Financial Planning Fees. This is a fee that the client pays directly to the Planner. Not surprisingly, these are typically only charged by Financial Planners and not by advisors or

FSPs. These fees compensate Planners for their expertise and their time and make sure that they are getting paid something to allow them to be more unbiased in their advice. If a professional is only paid by commissions or advisory fees, then they have a great incentive to focus only on those parts of a financial plan that give them an opportunity to make money, while forsaking the other parts.

When you ask this question, the Advisor should be able to give you a straightforward answer. If their answer is something to the effect of, “I get paid in two ways, by the companies I work with and by the referrals you give me,” then steer clear. Ultimately, you, the client are paying the Advisor. The Advisor should be transparent with all their fees and the ways they get paid.

At Swartz FP, we primarily get paid through Financial Planning Fees. We create and help you implement a full financial plan, as well as help keep it updated throughout the years. We charge a first year financial planning fee, either as a one-time fee or as a monthly automatic payment, for the creation and implementation of the plan, and for ongoing advice and service throughout that first year. We then charge additional fees if you would like to retain our service and help year after year. If at any point you do not feel like you are receiving value in excess of our fee, we can suspend the relationship. This allows us to get paid for good advice without having to get paid on other items. If paying off your debt is better than investing, we’re going to instruct you to do that.

We also manage clients’ assets on an advisory basis. Our all-in fee is about 1.5%, though it varies slightly based on what the actual investments inside are.

We also provide insurance products through our independent insurance brokerage. We get paid commissions for implementing insurance products, typically between 50% and 80% of the first year's premium. We could get paid more on some products that others, but, as much as possible, we try to be commission agnostic and find the best product for the client instead. You will experience that we always choose the lowest priced products for our clients, even though we will get paid less on them, in that you will not be able to find cheaper coverage anywhere else.

4. Do you have any advanced training or designations? From where?

The basic licenses (Series 6, 63 & 65, or Series 7 & 66 for securities, and Life and Health for insurance) are challenging to obtain, but not overly so. Think of them as bachelor's degree (though they, of course, are not). If you want master's level advice, you need to go beyond that.

We have met Reps and even Advisors who seem like everything they have ever learned about finance they learned from wholesalers (the people that meet with advisors to show them how their companies' products can solve their clients' problems). We believe that many financial issues are better solved with good strategy than with expensive financial products.

Some advisors do pursue advanced designations. But you should understand what those letters behind the name stand for, and what they mean. If you don't know, ask them, and then look it up. Not all designations will be helpful to you.

For example, CLU® is a common one, and it stands for Chartered Life Underwriter®. This means they are an expert in Life Insurance and how it can be used. They have a particular emphasis on the use of permanent life insurance. If you are looking for expert advice in that area, then a CLU® might be precisely what you are looking for! But if you tend to agree with us that life insurance is not the catch-all "Swiss Army Knife" of financial products that it is made out to be, then it will not be helpful and may even mean that Advisor has philosophical differences with you. Frankly, if you don't want more life insurance than you have to, you might want to steer clear of them entirely.

Or take CFA®, Chartered Financial Analyst®. This is an advanced designation to get, and it focuses on securities analysis: how to build portfolios and mutual funds. Individuals with CFA®s are more often found working for mutual fund companies than with clients directly. They know a lot more about how to analyze a company and how to value its stock price than we ever will. But will that help you with your cash flow or tax planning? And will that additional knowledge provide you with demonstrably better returns? We believe the evidence says no, not for most people.

So, think about their answers and what they mean to you. Ask what the designation means. Does this advanced education or designation seem like it will help you?

At Swartz FP, Michael is committed to improving is knowledge and ability to work directly with clients. He has learned from the best on how to create and implement strategies that work with real people, not merely theories and simulations. And he has additional training and experience in working directly with the healthcare profession, knowing what matters to them and how we can help. He will be sitting for the Certified Financial Planner™ exam in March, 2022.

Freeman has the Certified Financial Planner™ designation (CFP®), widely recognized as the gold standard in personal financial planning. He also has advanced education in behavioral finance and investor psychology. Freeman and

Michael coordinate on all financial planning cases to ensure that nothing is missed and that all opportunities are realized.

5. What is your Investment Philosophy?

There isn't a right answer here. But all other items being equal, the philosophy of one Advisor might speak to you more than another. We do offer one caution.

Some Advisors' "philosophy" is to simply invest within your "risk tolerance." To do that, they give you a questionnaire and then put you in a "model portfolio" based on the questionnaire's answers. If this is the extent of their "philosophy", then we believe they don't really have a philosophy.

You're going to tell me that you are basing their entire investment future on a three-minute questionnaire? And that's it?! No education? No nuanced discussion about how much money you need and when you need it? No explanation of what the investments are inside that portfolio and why they were chosen? Surely it should take longer to understand and select your entire investment outcome than picking out your outfit in the morning.

At Swartz FP, we have a specific investment philosophy that we use with everyone. Not that we are shoving round pegs into square holes. But our philosophy is consistent. We are not reactive or wishy-washy. We have our principles, and we stick to them no matter what. If potential clients do not agree with or like our philosophy, then we will not be a fit.

We believe that the investor's behavior is responsible for upwards of 90% of the investor's lifetime return. We believe lifetime return is the only return that matters. Not this year's return. Not last year's return. We believe there is a big *difference between invest**or** returns and invest**ment** returns. The data proves it.*

Therefore, we focus on the investor's behavior, educating them on sound strategy and good behavior. We help hold them to that good behavior while assisting them to avoid the crushing mistakes that ruin so many people's lifetime returns.

We believe in talking about investments in a way that you understand. We do not use industry jargon or complex formulas and concepts to confuse clients. We take a complex subject and make it simple, but not simplistic. We have found that our clients come away understanding investments in a way that they never have before and in a way that makes them excited to have them.

We look forward to talking to you about that philosophy.

What Next?

If you are a Medical Professional and would like to assistance with creating your financial plan, or helping you implement it, and would like an opportunity to sit and discuss these questions in person, please reach out to us. We would love to talk to you.

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