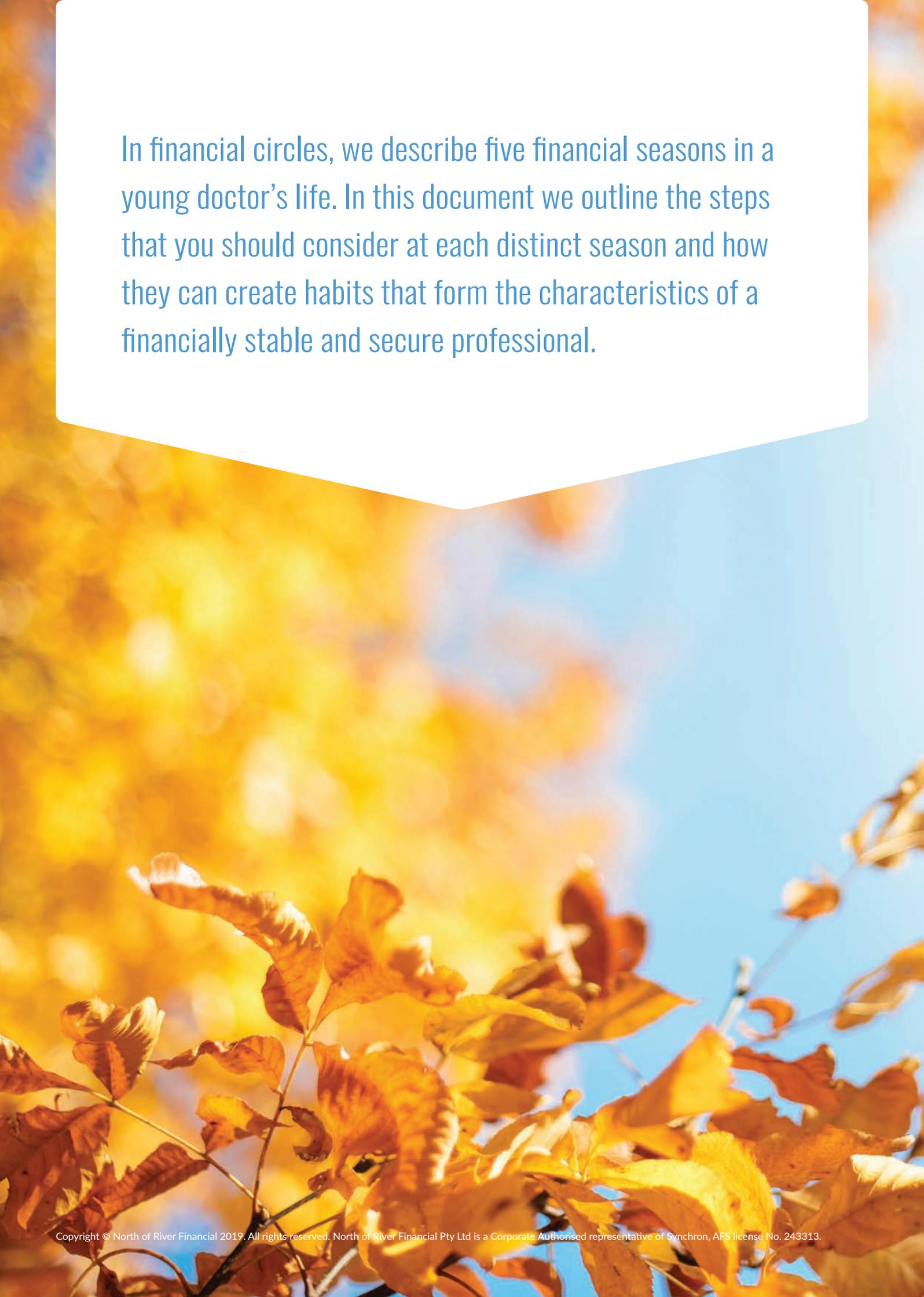


The 5 Seasons of Financial Planning for Doctors.



North of River
FINANCIAL

The background of the page is a photograph of autumn foliage. The leaves are in various shades of yellow, orange, and brown, some in sharp focus in the foreground and others blurred in the background. The sky is a clear, bright blue, visible through the gaps in the leaves. The overall lighting is warm and bright, suggesting a sunny day.

In financial circles, we describe five financial seasons in a young doctor's life. In this document we outline the steps that you should consider at each distinct season and how they can create habits that form the characteristics of a financially stable and secure professional.

Your 5 Seasons:

Summer:
Intern/RMO

1

Autumn:
Registrar

2

Winter:
Fellowship
exams

3

Spring:
Newly qualified
specialist

4

Endless Summer:
The rest of your
career

5



1 Summer

Intern/RMO

Graduating from Medical School is an enormous achievement and provides you with the skills and knowledge required to start your career in Medicine. However, this achievement is not without a large financial cost. Graduates often have a significant amount of debt from university fees and loans, as well as depleted savings.

As a new doctor you will often be earning more than your non-medical peers. Understanding how to manage this income and translate it into future financial security is now a priority. Similarly, you now have easier access to loans and finance. Some organisations will provide upfront low-interest, 100% finance with deferred payments to tempt you into borrowing a little more than you intended or securing your loyalty and long-term business.

The key to this season is 'planning ahead', as this is often the stage in your career where you have no dependants, no mortgage etc and your income exceeds your outgoings.

1. Budget

At this early stage ideally your 'fixed costs' like your loans, living expenses and other bills should be less than 50% of your net income. At least 20% of your income should go toward paying extra off debt or saving. The last 30% is discretionary income for holidays, eating out etc. If in doubt try using an app to track your spending e.g [pocketbook](#).

2. Insurance

Establish [risk protection](#) on a level premium with a short waiting period. Without substantial savings a sudden drop in income caused by an accident, injury or illness will quickly deplete your small nest egg. This will probably be your first engagement with a Financial Planner, so make sure they have your long-term goals in mind rather than just selling you some insurance, collecting a commission and then never see you again.

3. Will and Power of Attorney

A simple [Will and Power of Attorney](#) can be completed for a small fee and allow your family to put closure to financial matters easily and quickly if the worst was to happen.

4. Accounting

Many doctors establish a relationship with an accountant early on in their career but as an employee without significant investments, you may well be better off understanding the deductions and requirements for claims by completing your own tax return. At this stage it is unlikely that you will need complex structures or family trusts if your sole source of income is from your professional services, even if you are working in a locum situation.

2 Autumn

Registrar

At this point in your career you have probably decided on your chosen speciality and embarked on a training programme. Whether this is hospital-based medicine, General Practice or in fact you need a bit more time to decide and will continue locum work until you commit to a speciality – these are all big decisions that affect the rest of your career.

This time is often when life gets a bit more complicated both professionally and personally.

Professionally outside of working hours - job applications, interviews, college submissions and primary exams all require attention. There is increased responsibility and accountability in the work place and if you have chosen GP training there is the transition into working in a GP practice. Expensive investments such as courses, conferences and exams are required.

Personally, you might be in a stable relationship and thinking of getting married. You might even have started a family. Commitments like mortgages and other large outgoings now make it more difficult to continue saving such large amounts.

The key to this season is 'upgrading' the basics that began back in summer.

1. Budget to save

You now should have any debts paid off and maybe a decent savings buffer, possibly for use as a house deposit or for a wedding etc. Once you are used to putting away a certain amount per month toward a savings goal its best to keep that going.

2. Adjust your insurance cover

Assuming you organised good quality income protection early on, it may now be time for adjustments. You may be able to save money by increasing to a 90-day waiting period, you may need to increase the amount you are insured for or cover dependants.

3. Time for 'The Talk'

You and your significant other are a team, you need to be open and honest with one another and where you want to be financially. If you have been tracking your budget and now have the cash to start making some investment decisions you will need to make sure you are both comfortable with this.

4. Think about Super

Have you managed to accumulate a few [Super funds](#) from different jobs? It might be time to take a good look at which fund you are in. You can see all of your funds and consolidate them in MyGov but its best to check with your adviser first to see if they have any hidden beneficial policies that are not obvious to the untrained eye.

3 Winter

Fellowship exams

Arguably the most stressful and difficult time in a doctor's career. Finishing specialist training and passing fellowship exams, especially when there are often only a limited amount of attempts available, can sometimes feel insurmountable. These exams can often take multiple attempts and depending on your speciality, over a year of thorough preparation and unfaltering commitment (not including the years spent in your training programme prior to this).

Exam preparations consume the majority of your spare time. People often reduce work hours to increase study time. Financially - textbooks, exam resources, revision courses and exam fees all mount up. Personally, relationships at home and work are put under strain by increased stress and reduced quality time.

The key to this season is 'maintenance'. Hopefully if you have followed the steps so far you can concentrate on the end of your training programme and not on your finances.



1. Find the time

Time is the one thing that you can't buy more of but if you have progressed well through spring and summer then hopefully you are now in a position where you have a good nest egg and have any debt under control. If required, you can be financially comfortable in reducing your work hours to make room to study and give yourself the best chance of progressing.

2. Focus

If you have followed the previous steps you shouldn't need to adjust anything. You have got a handle on what you need to do for your tax return every year and everything else can just coast on without input. Business as usual means more space in your head – just don't forget to keep track of all the exam related expenses for tax time!

4 Spring

Newly qualified specialist

You have completed your specialist training! Congratulations! All those years of work and study have been worth it! Whether you have chosen GP or hospital medicine, public or private work – you now can start to settle into your ‘new normal’.

It's tough initially transitioning into your new role – negotiating departmental or practice politics, increased responsibility and all that admin that you may have avoided when you were more junior. Often it takes a while to adjust to your new position and it's not unusual for doctors to find this process stressful. In the world of short-term junior specialist contracts this is amplified further with the pressure to prove that you can perform at this higher level.

However, the benefits should far outweigh the difficulties. Hopefully you can now start balancing your new specialist work and enjoying time with family and friends – something you may have sacrificed while studying. You should see a considerable increase in your earnings and although your new role does have some increased outgoings associated e.g increased indemnity costs etc, gone are the large study and exam expenses.

The key to this financial season is ‘adjusting’ your existing arrangements, minimising debt and optimising your insurance and taxable deductions. This is where the foundations that you have laid in previous seasons really do come into their own.

1. Time to get friendly with your Accountant

This is where things get interesting. BAS...GST... you might have never heard these things before depending on your speciality. You might be working over different sites, a mix of public and private work. Do you set up as a sole trader? Do you start your own Pty Ltd company and use a service trust? It's now time to seek some serious accounting advice.

2. Adjust insurance again

You will likely have had a jump in income and you can often increase your income protection to suit without going through the whole process again but this "guaranteed event", if built into your policy, needs to be triggered pretty quickly to lock in your new income with minimal fuss.

3. Reduce non-deductible debt

It's been a few years since you set up your mortgage, it's worth shopping around to make sure you are getting the best deal and can also make extra payments. Banks will bend over backwards for you, so drive a hard bargain. If you do change banks it's a good time to go through automatic direct debits that have gone unnoticed for a while and ask yourself is that something you still need?

4. Celebrations are in order!

Just be a bit careful before making the big purchase to celebrate your final exam – the shiny car etc can lose its lustre pretty quickly! Instead taking a bit of time off for a holiday and spending time with your family might be a way to repay their patience while you have been in study mode.

5 The Endless Summer

The rest of your career

Depending on your career trajectory you should now have approximately 20-30 years of specialist work ahead of you. Hopefully you now have a permanent employment contract (a far cry from the yearly applications of your junior doctor years), a good income and the work/life balance that you wanted. You can now start planning for the real long term.

You hopefully have more control over your work hours and a more social and flexible roster. If you went into GP or private practice your patient numbers should be steadily increasing, you may have become a partner or even have stepped further into practice management and have started an empire of medical centres.

Personally, often children are getting older and more independent. You may have chosen private education and costs are increasing. They may need supporting through university or higher education. The house you initially bought might no longer be suitable and upgrading/downsizing depending in your circumstances may be on the cards. If you have followed the previous steps you should be well on the way to managing your mortgage and have robust insurance in place to support your family if the worst was to happen.

The key to this season is the 'long game' - continuing to actively manage your finances, plan ways to optimise your earnings and aim for financial security in retirement.

1. Remember what you learned

At this point you haven't blown out your fixed costs, you've tracked your budget and have excellent risk protection in place at a reasonable cost. You have been saving for years and have worked hard to minimise your mortgage. By now the aim is to be well on the way to becoming debt free.

2. Leverage your skill set

Are you a specialist that is highly sought after? Can you expand your knowledge in a certain area? Where will the cutting edge be in 10 years and is this where you want to be? If you are a GP or run a practice, what is your target market, where are your patients coming from? How can you build a great practice? All this needs to be considered carefully. Watch and learn from mentors and see how others have faced these challenges before. You want to get it right first time, so be slow and steady. You likely have 20-30 years ahead of you so remember that it's a marathon, not a sprint.

3. Expand your investment portfolio

Now that you have been saving since starting work you have a good lump sum to work with. You might want to start your own practice. Done right you could even use your Superannuation for this. Taking on business debt needs to be considered carefully but does have its advantages. This is where you can make all kind of tax effective investments.

4. Write it down!

If you have gone into business on a handshake it is extremely important that every detail be documented. A valuation method and exit strategy needs to be agreed upon and a realistic way to fund an exit is just as important. There could be all kinds of reasons to leave a business and you need to agree upon the appropriate succession plan beforehand.



Educating & protecting doctors across Australia.

At North of River Financial we specialise in financial advice for medical professionals – those trained both in Australia, as well as those who have immigrated from overseas. We aim to simplify and streamline your financial affairs, to ensure you are fully in control of your hard earned income and are confident in the steps required to increase your wealth. We are privately owned and clearly disclose all revenue we generate from any source, so you can rest assured that we work only for you.

This 5 Seasons Model is a fictitious example based on real world cases we have dealt with over our years in practice. Nobody fits a perfect time line and your personal situation may span 1, 2 or even 3 stages or 'seasons'. The purpose of this document is identifying the financial progression that would ideally take place throughout your career. It should help you figure out what your focus should be at any time & help you develop a basic plan for a secure financial future. None of the information discussed in this document should be relied upon as financial advice as it is not specific to your unique situation.

If you would like to discuss which season you might be in, book in with us for an obligation free initial consultation. We are here to ensure you are financially on track throughout all seasons and that you are best placed to secure your professional and personal future.

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