



# Module 1:

## Getting Started As A Professional



MD Physician Services acknowledges the significant contributions of the author of this resource document, as well as the efforts of the team.

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## Key Learning Points

- ▶ *Establishing your professional advisory team*
- ▶ *The roles of your professional advisors*

### Key Message

- ▶ *Practice management addresses the planning, financing and management of our personal and professional affairs.*
- ▶ *Whether you are a new medical student or a senior resident, you should seek professional advice now to manage your financial and legal affairs.*

## ESTABLISHING YOUR PROFESSIONAL ADVISORY TEAM

Physicians are trained to be medical experts, and most medical training programs still lack formal training in business and practice management. Subsequently, many doctors fail to seek advice from business professionals to help them make important personal and practice decisions until *after* they have committed to what too often proves to be a suboptimal decision.

We encourage a more proactive, “primary care” approach to practice management decision-making. Just as family physicians offer preventative care to their patients and seek the expert advice of specialist colleagues to complement the care of their patients, all physicians should seek the expert advice of professional advisors to best address their personal and professional affairs.

We also recommend a more holistic and comprehensive definition of ‘practice management’. Practice management should encompass the planning, financing and managing of our personal and professional affairs. Therefore, attention to comprehensive practice management principles caters to our personal and professional wellness.

To get started, it is essential to do a detailed personal and professional self-audit to address such important questions as: Where am I now? Where do I want to be in the short, medium and long term? How do I get there? What professional advice should I obtain to help me make the best decisions? An example of a self-audit tool is appended to this module.

Regardless of whether you are a medical student, PGY-1, a senior resident or new to practice, you should seek professional advice *now*, not later.

Your professional advisory team will include a financial consultant, an accountant, insurance advisors, lawyers who specialize in personal, family and contract law, and a bank manager. This module will provide an overview of the roles and responsibilities of each of these professionals.

## THE ROLES OF YOUR PROFESSIONAL ADVISORS

Your financial consultant and accountant are probably the most important members of your advisory team. You will want to establish a long-term, trusting relationship with these two professionals, who should be very knowledgeable of physician needs and are committed to always act in your best interest.

Even though your interaction with lawyers, insurance advisors and bankers may be less frequent, it is equally important to choose professionals in those spheres who are competent and with whom you feel comfortable.

### Financial Consultant

In many ways, the financial consultant is the “quarterback” of your advisory team. This professional should be much more than just an investment advisor to consult when you have disposable income to invest. In fact, your financial consultant is even more important to you when you are in debt. A comprehensive financial consultant will work with you to address several essential financial matters:

- ▶ **Cash flow and budget.** Understanding your cash flow is the cornerstone of your present and future financial health. You need your cash flow statement in order to develop a reasonable budget. Your financial consultant can teach you how to assess your cash flow and prepare an effective and efficient budget.

- ▶ **Net worth statement.** Most residents carry significant debt and therefore feel that a net worth statement is of no real value because it is depressingly negative, and in the red. Not so! Your net worth statement becomes a benchmark for future comparison and is essential for effective financial planning.
- ▶ **Debt status.** Debt is rated as good, acceptable and bad—for example, tax-deductible debt arising from business loans is good debt; low-interest mortgages and personal lines of credit are acceptable debt; and high-interest credit card debt is bad debt. By analyzing your debt status, a financial consultant can recommend efficient debt load reduction measures. The analysis will include weighing the pros and cons of consolidating student loans and other debts, such as credit cards carrying high interest rates.
- ▶ **Personal line of credit and interest rates.** Your financial consultant will also help you to negotiate with your banker for the best interest rates for your personal line of credit during medical school or residency. A concise and well-organized cash flow statement, net worth statement and business plan will be of great assistance when you are negotiating with any financial institution. Upon completing residency you will need to renegotiate your personal line of credit and establish a professional line of credit.
- ▶ **Life insurance decision.** Your financial consultant can assist you to project your life insurance requirements and help you decide how much life insurance you should buy. This is done by conducting an objective and unbiased review of your present and potential future liabilities, which also takes into account your aspirations for your family.
- ▶ **Financial plan and investment strategy.** Once your financial counsellor has gathered and analyzed all of the above information, he/she can help you to develop a financial plan that addresses your current debt load management, as well as an investment strategy that addresses your short-, intermediate- and long-term goals.

**The principles of financial planning are examined in more detail in  
*Module 2. Financial Planning.***

### **Accountant**

It is never too early to talk to an accountant. Medical students and residents at all levels of training can benefit from the sound advice offered by a tax specialist. Accountants can provide advice regarding the tax deductions and credits that you can claim now, as well as the expenditures made during medical school and residency that may be carried forward and deducted once you enter practice. Setting up personal and professional financial books and bank accounts before you start practice will save you a lot of time and money in the long run. Your accountant's advice is also essential when you look at the potential advantages of incorporation.

The CMA annually prepares an excellent tax planning resource called "Tax Tips for the Physician and Physician-in-Training", which addresses the latest changes in tax laws, credits and deductions. Tax Tips focuses on the special circumstances of medical students, residents and doctors in practice; it can be downloaded from [cma.ca/pmresources](http://cma.ca/pmresources).

**The principles of taxation and accounting are examined in more detail in  
*Module 4. Personal And Professional Accounting And Taxation.***

### Insurance Advisor

Medical trainees are notorious for under-insuring themselves, wrongly assuming that they can defer buying insurance until they are earning more money in practice. The opposite is true. You should consider buying insurance as soon as you are accepted into medical school, then review your insurance needs again when you start residency.

Insurance—the cornerstone of your financial plan—is most important when you are in debt and have family and financial responsibilities.

All medical students and residents should conduct a detailed, objective review of their present and future insurance needs. This will include an evaluation of different insurance packages, including:

- ▶ **Disability insurance.** For income replacement. If possible, disability insurance should be purchased during medical school and re-evaluated annually during residency.
- ▶ **Life insurance.** Even if you presently have no dependants, you should buy as much life insurance as you can now. Your future liabilities will be greater than they are currently, and you may not be as insurable tomorrow as you are today. Your health, good lifestyle and youth enable you to buy insurance at preferential rates today.
- ▶ **Property insurance.** For your home/apartment and personal goods
- ▶ **Automobile insurance**
- ▶ **Personal liability insurance**

**Personal and professional insurance issues are examined in more detail in *Module 3. Personal And Professional Insurance.***

### Legal Advisor

Physicians' exposure to lawyers during medical training is often restricted to malpractice issues. Legal issues, however, touch every aspect of our personal and professional lives. It is extremely important to seek professional legal advice before signing any contract. Doctors are often reluctant to seek and pay for a lawyer's advice—even though that advice is much cheaper than a lawsuit!

Medical students and residents will discover that legal advice is very important for:

- ▶ Wills
- ▶ Powers of attorney for personal care and property, to grant authority for another person to act on your behalf
- ▶ Personal and professional contracts
- ▶ Home purchase agreements
- ▶ Creditor protection
- ▶ Incorporation

**Never sign a contract without first seeking legal advice! Legal concerns will be examined in more detail in *Module 5. Legal Issues For Physicians.***

## Banker

Banking issues are extremely important to all medical students and residents. The average debt load of a PGY-1 in Canada now averages approximately \$175,000—and the interest liabilities on this debt are significant. For physicians who are considering the purchase of a home shortly after completing residency, the subsequent debt load can easily exceed \$400,000. Even a reduction of 0.25% in one's personal line of credit can make a big difference over a span of five years.

Before approaching a bank manager, review the pros and cons of student loan consolidation with your financial consultant. Your objective will be to obtain prime rates for your personal line of credit and, when in practice, your professional line of credit.

Your financial consultant will be of great assistance to you as you prepare for your negotiation with a financial institution. Remember:

- ▶ Always negotiate with someone at the bank (such as the branch or loans manager) who can finalize any decisions.
- ▶ Banking institutions will favour applicants who have the 'three Cs':
  - **Character.** An organized and well-prepared individual knows where they are financially and where they are going. A current curriculum vitae, a business plan and an income/employment projection will make a positive impression.
  - **Cash flow.** Along with net worth statements that are comprehensive and current
  - **Credit rating.** Banks value your credit rating more than your future income-generating potential—so having an excellent credit rating is crucial. You can check your credit rating by contacting Canada's major credit bureaus: Equifax ([www.equifax.com/EFX\\_Canada](http://www.equifax.com/EFX_Canada)), TransUnion ([www.transunion.ca](http://www.transunion.ca)) or Northern Credit Bureaus ([www.creditbureau.ca](http://www.creditbureau.ca)). Credit ratings work on a seven-year cycle, so any late interest payments or failures to pay bills will negatively affect your rating for some time. Because errors are not uncommon, verify that any claim against you is legitimate. If you discover an error, you should apply, with documentation, for an appropriate correction.
- ▶ Negotiate with two or three banking institutions at the same time. You may not have money now, but you will in the future and, historically, physicians have been excellent credit risks. As such, the banks should treat you as a valued customer right from the start. They want your business—let them earn it!
- ▶ Negotiate service charges. These are not set in stone.

### Key Message

*Work with trusted professional advisors with whom you are comfortable.*

## RESOURCES

The indicated Practice Management Education Modules offer more detailed information about the above topics, including how to choose the right professionals to work with.

You are also encouraged to explore the web resources that are dedicated to medical students, residents and CMA members at [cma.ca/pmresources](http://cma.ca/pmresources).

### ACTION PLAN

- ▶ Establish a relationship with a financial consultant and other professional advisors.
- ▶ Assess your disability and life insurance requirements and purchase the best coverage you can now.
- ▶ Get a will and appropriate powers of attorney.
- ▶ Review existing and any forthcoming contracts with a lawyer.
- ▶ Talk to an accountant.
- ▶ Negotiate with your banker.

## APPENDIX 1: PROFESSIONAL AND PERSONAL WELLNESS SELF-AUDIT

<b>Financial Health</b>			
<i>In the past 12 months, have you... (Circle the "?" if you don't know.)</i>			
Analyzed your cash flow (income and expenses) in detail?	Y	N	?
Is your cash flow: <input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Negative <input type="checkbox"/> Don't know			
Updated your net worth (assets and liabilities)?	Y	N	?
Reconciled bank and credit card statements (monthly)?	Y	N	?
Always paid off all credit card balances on time?	Y	N	?
Verified that your credit rating is accurate?	Y	N	?
Negotiated prime rates for your personal line of credit (PLC)?	Y	N	?
Asked how your PLC will be renegotiated after residency?	Y	N	?
Established objectives for paying off this debt?	Y	N	?
Aware of the administrative, licensing and other requirements before beginning practice? (i.e., I have read "So you are finishing residency")?	Y	N	?
<b>Personal And Professional Risk Management And Liability</b>			
Upon making the transition to practice, have you considered...			
Your present and future life insurance requirements?	Y	N	?
Your post-residency disability insurance requirements?	Y	N	?
What riders are crucial to include in your disability insurance?	Y	N	?
Your professional office overhead protection requirements?	Y	N	?
Your present and future critical illness insurance requirements?	Y	N	?
Your future long-term care insurance requirements?	Y	N	?
Creating a foundation of financial security for your family?	Y	N	?
Creating/updating your will and assigned powers of attorney for both personal care and property?	Y	N	?
Verifying that your parents have up-to-date wills, powers of attorney and advanced life directives?	Y	N	?
Obtaining independent legal and accounting advice before signing any personal or professional contracts or leases?	Y	N	?
<b>Tax Planning ("It's not what your EARN... it's what you KEEP.")</b>			
Have you reviewed the latest "Tax Tips" on <a href="http://cma.ca">cma.ca</a> ?	Y	N	?
Will you meet with an accountant before finishing residency to address tax planning, available tax deductions and obligations of transition from residency to practice?	Y	N	?
Do you know if the academic APP you are considering joining allows you to be a self-employed proprietor or obliges you to be a salaried employee?	Y	N	?
Do you understand the importance of tax instalments and the implications if such payments are inadequate or missed completely?	Y	N	?
Do you understand how RRSPs reduce your taxes?	Y	N	?
Have you started an RRSP savings plan yet?	Y	N	?
Do you know what your RRSP contribution room is?	Y	N	?
Do you understand the pros and cons of incorporation?	Y	N	?

### ACTION PLAN

If you answered No or "?" to any of the above questions, you should address these outstanding issues as soon as possible. Your financial consultant at MD Management is an excellent source to help you address all of these issues.