



Caring for Your Wealth: Personal Finance Tips for Medical Professionals

Your Presenters



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Modera at a Glance

Independent, Fee-Only, Fiduciary

Attribute	The Modera Difference	What This Means for our Clients
Service	Responsive, personalized guidance	<ul style="list-style-type: none"> • We can help you understand your wealth by first understanding you. We provide guidance designed to respect what’s important to you. • Each client has a dedicated team of professionals
Structure	Fee-only fiduciary	<ul style="list-style-type: none"> • We work to establish a relationship of trust, confidence and legal responsibility through our transparent process • Legal and ethical commitment to place client’s interests first
Experience	Over 30 Years: We trace our roots back to 1983	<ul style="list-style-type: none"> • We’ve been there – we’ve navigated multiple market occurrences
Certification	53 CFP® certificants, 12 CFA® charterholders, and 6 CPAs (as of March 2023)	<ul style="list-style-type: none"> • A network of professional resources • Depth and breadth of experience to utilize for client’s unique situations
Ownership	Independently owned	<ul style="list-style-type: none"> • We are not subject to outside ownership influence; we are accountable to our clients • Open architecture investment philosophy, independent custodians
Size	\$6.8 billion in regulatory client assets under management as of Dec. 31, 2022	<ul style="list-style-type: none"> • Ability to negotiate favorable terms and conditions with custodians • Stability

Questions

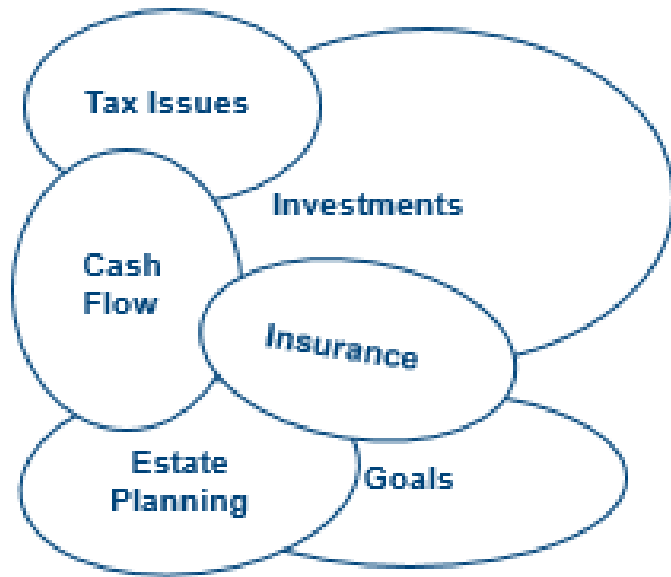
Common questions we receive:

- How do I improve my rate of return?
- Do I have too much in cash?
- Is my tax bill too high?
- Should I have more life insurance?
- Am I saving enough money?

Question we ask:
What are you trying to achieve?

Center Strategy Around Your Goals

Many individuals have no plan and lack a clear picture of their goals:



We encourage folks to create a comprehensive plan centered around their goals:



“It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent.”

- *Charlie Munger*
Vice Chairman, Berkshire Hathaway

Cash Flow

- What are you trying to achieve?
- Get a realistic grasp of your expenses
- Cash reserve
 - 6-18 months of expenses in cash/money market
 - Consider FDIC limits
- Order of priority
 1. Savings
 2. Need to have
 3. Want to have

Investments

- What are you trying to achieve?
- Risk/Reward
- Importance of Diversification
- Consider costs

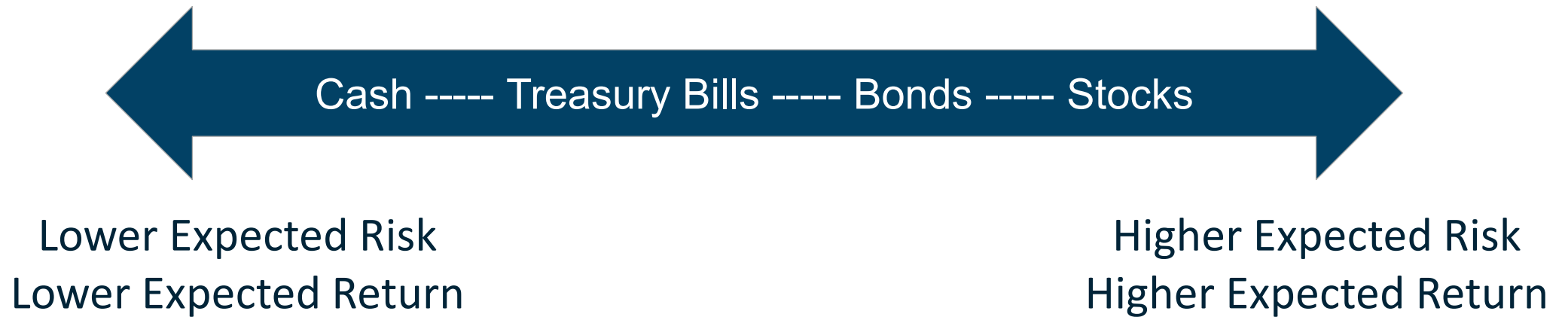
Risk and Return Are Related

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

The magnitude of expected return varies based on the risk profile of certain asset classes. Generally, stocks have outperformed bonds over long periods of time due different risk characteristics.

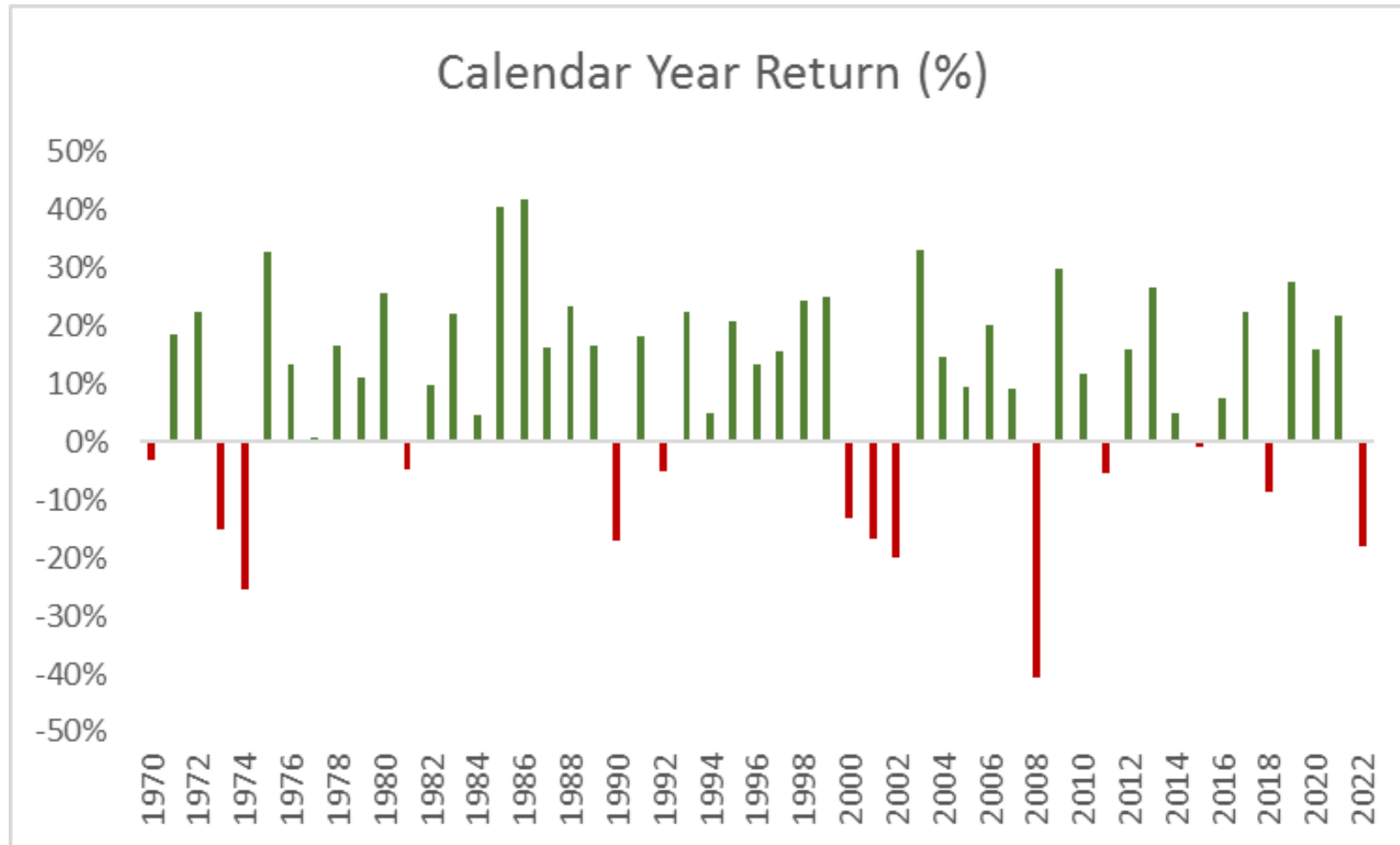


Risk and Return in Perspective



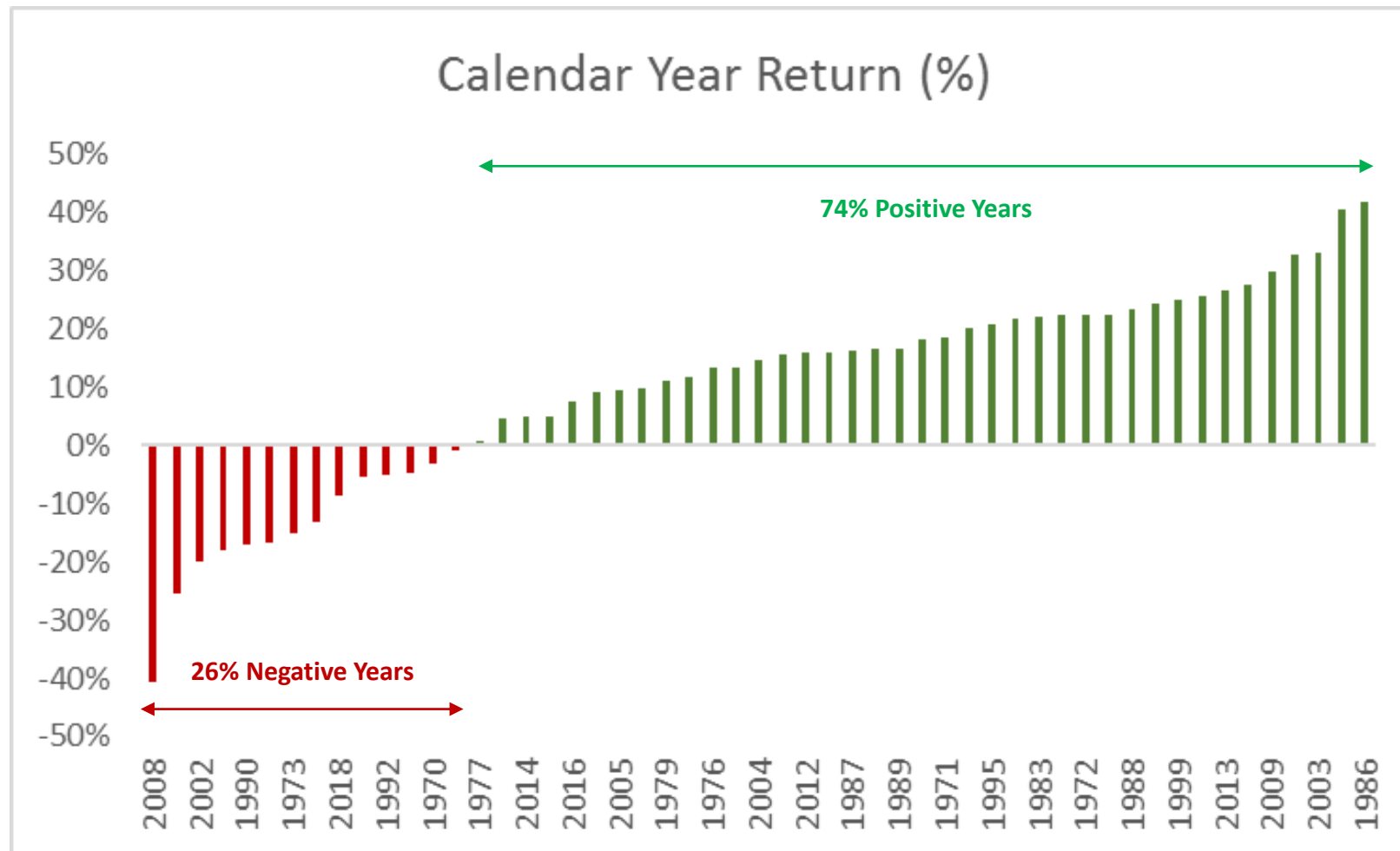
Global Stock Market Returns

1970 through 2022*



Global Stock Market Returns

1970 through 2022* - Worst to Best

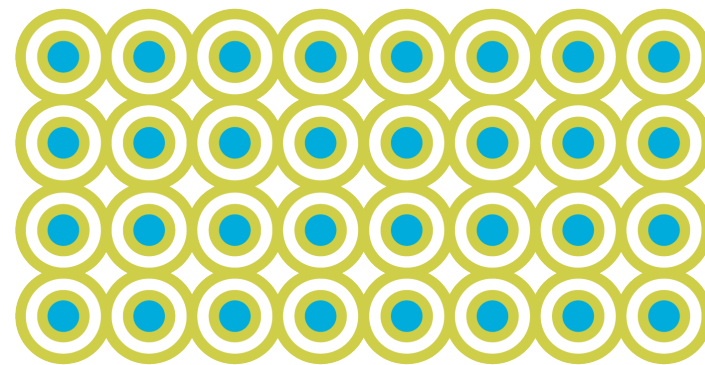
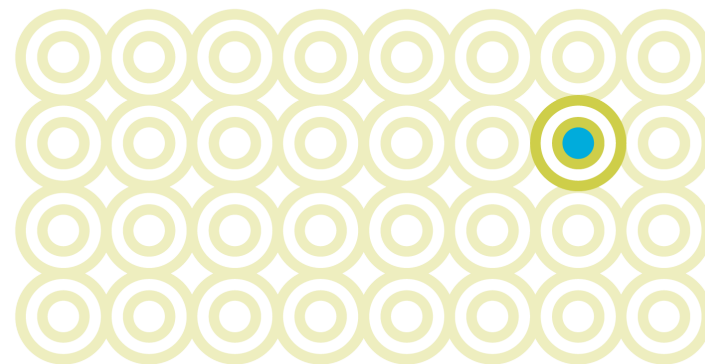


*MSCI World Index (net div.) Source: Dimensional Returns Web
Earliest Available Data

Diversification Reduces Risks That Have No Expected Return

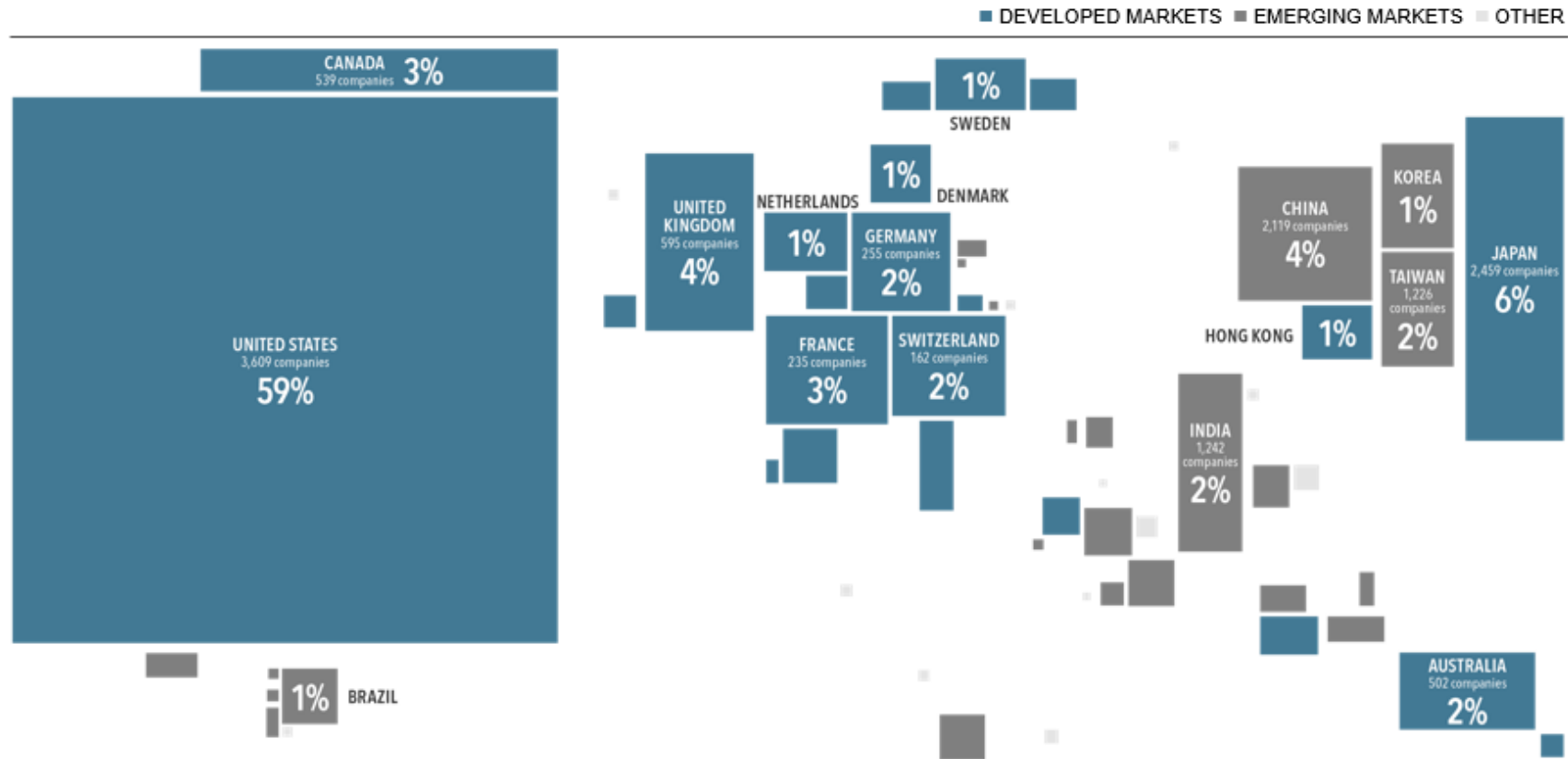
Concentrating in one stock (or bond) exposes you to unnecessary risks.

Diversification reduces the impact of any one company's performance on your wealth.



There's a World of Opportunity in Equities

Percent of World Market Capitalization as of December 31, 2022



Information provided by Dimensional Fund Advisors LP.

Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Dimensional makes case-by-case determinations about the suitability of investing in each emerging market, making considerations that include local market accessibility, government stability, and property rights before making investments. China A-shares that are available for foreign investors through the Hong Kong Stock Connect program are included in China. 30% foreign ownership limit and 25% inclusion factor are applied to China A-shares. Many nations not displayed. Totals may not equal 100% due to rounding. For educational purposes; should not be used as investment advice. Data provided by Bloomberg. Diversification neither assures a profit nor guarantees against loss in a declining market.

Life Insurance

- Most people should consider term insurance instead of permanent (whole life, universal life, etc.)
 - Avoid using life insurance as a savings vehicle or as a replacement for investment
 - Many physicians are sold whole life policies and annuities – Consider your alternatives!
- Amount of insurance should be specific to your situation
- Consider what happens to your insurance if you were to leave your employer

Insurance

- What are you trying to achieve?
- You only want to insure risks that could happen infrequently, but could be catastrophic
- Common types of insurance to consider:
 - Life Insurance
 - Disability Insurance
 - Property & Casualty Insurance
 - Malpractice Insurance
 - Health Insurance

Disability Insurance

- For most people, their most significant asset is their earning potential over their lifetime.
- Short-term disability insurance is fine, but Long-term disability insurance is more critical
- Pay more for a “True Own Occupation” policy
- Amount of coverage should be based on your individual situation

Property & Casualty Insurance

- Understand the personal liability limits on your auto and home insurance policies
- Consider an umbrella policy to increase your liability limits
 - \$2-\$3 million of coverage is very reasonable
 - Amount will depend on your specific risk profile
 - Dog owner, teenage drivers, trampoline, pools
- Consider asset titling as well
 - 26 states offer tenancy by the entirety titling

Estate Planning

- What are you trying to achieve?
- Beneficiary designations
- Account titling
- The Other Big 3 – Will, Power of attorney, healthcare directive
- Do you need a trust? It depends

Estate Planning - Common Objectives

- Clearly Define Intentions
- Minimize Transfer Taxes (Estate, Gift, and State Death Taxes)
- Maximize Inheritance
- Avoid Family Disputes
- Accomplish Charitable Intentions

Estate Tax - Questions to Consider

- Who Are Your Beneficiaries?
- Who Are Your Family Members?
- What Do You Own and How Do You Own It?
- Non-Probate Property
 - Life Insurance
 - Retirement Accounts
 - Transfer on Death Accounts
 - Joint Accounts
 - Trusts

Estate Tax - Use of Trusts

- 'Deadhand' Control
- Flexibility
- Spendthrift Protection
- Professional Management of Investments
- Asset Protection
- Tax Strategies
- Probate Avoidance

Estate Tax - Probate Avoidance

Probate Can Be Expensive in Some States

[The 2022 Florida Statutes \(including 2022 Special Session A and 2023 Special Session B\)](#)

[Title XLII](#)
ESTATES AND
TRUSTS

[Chapter 733](#)
PROBATE CODE: ADMINISTRATION OF
ESTATES

[View Entire
Chapter](#)

733.617 Compensation of personal representative.—

(1) A personal representative shall be entitled to a commission payable from the estate assets without court order as compensation for ordinary services. The commission shall be based on the compensable value of the estate, which is the inventory value of the probate estate assets and the income earned by the estate during administration.

(2) A commission computed on the compensable value of the estate is presumed to be reasonable compensation for a personal representative in formal administration as follows:

- (a) At the rate of 3 percent for the first \$1 million.
- (b) At the rate of 2.5 percent for all above \$1 million and not exceeding \$5 million.
- (c) At the rate of 2 percent for all above \$5 million and not exceeding \$10 million.
- (d) At the rate of 1.5 percent for all above \$10 million.

Taxes

- What are you trying to achieve?
- Goal should be to lower your lifetime tax bill
 - Is Your CPA a Historian or a Consultant?
 - Diversify your tax “buckets”
 - Maximize your retirement savings
 - Low/no income? Don't miss the opportunity to pay taxes.

Historian or Consultant?

- Many CPA's look backward at prior year. Forward-looking tax planning is critical for tax efficiency.
- Opportunities that may arise from proactive planning:
 - Withholding projections – no surprises!
 - Tax effective charitable giving – appreciated security donations, bunching deductions, donor advised funds.
 - Planning for unpredictable income
 - Unexpected life changes – Inheritance, Divorce, Relocation

Maximize your retirement savings

- Plans offered at employer
 - Matching contributions in 401(k)/403(b)
 - Pre-tax vs. Roth
 - Other retirement options: 457(b), pension plans, etc.
- Individual Plans
 - IRA – don't forget the backdoor!
- Self employment
 - SEP-IRA
 - Solo 401(k)
 - Cash Balance Plan

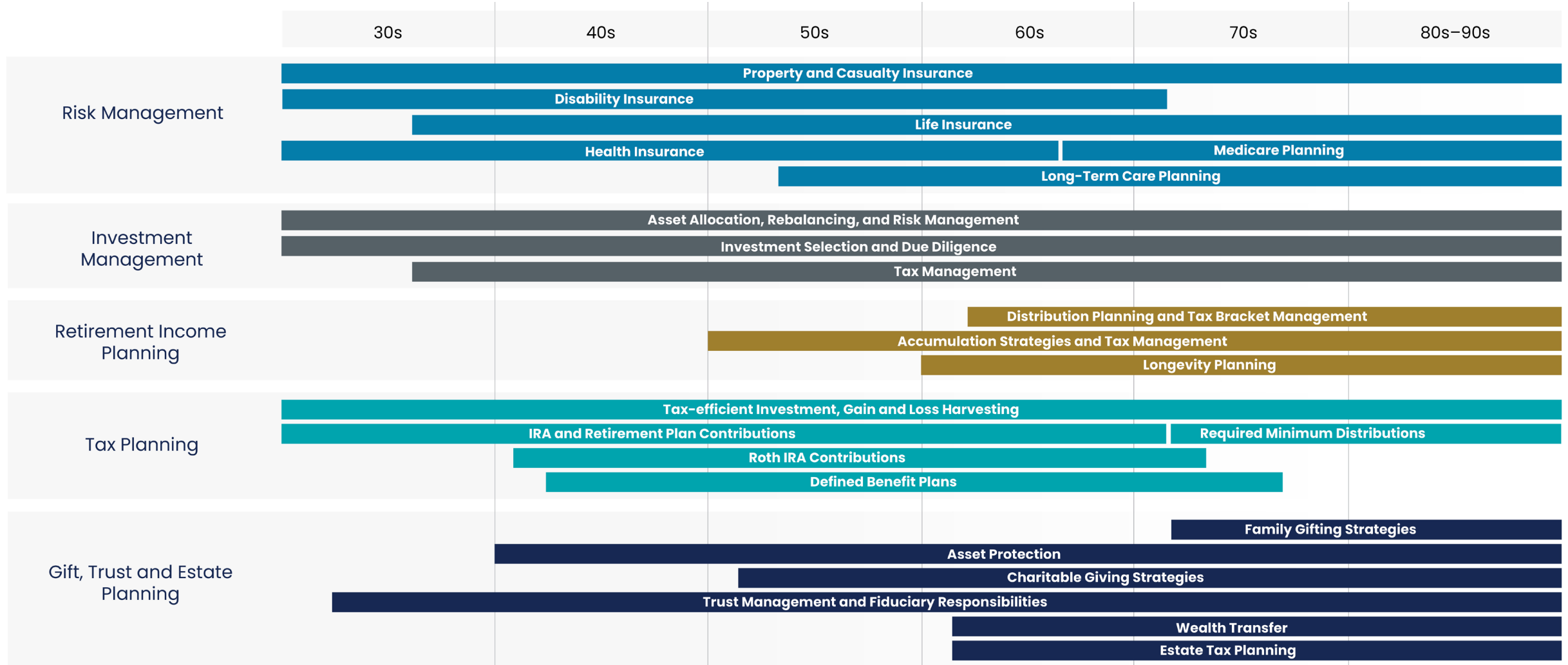
Diversify Your Tax Buckets

- Consider the tax diversity of savings
 - Taxable accounts
 - Pre-tax accounts
 - Roth/Tax-free accounts
- What is your drawdown plan?
- Planning for the unexpected expense

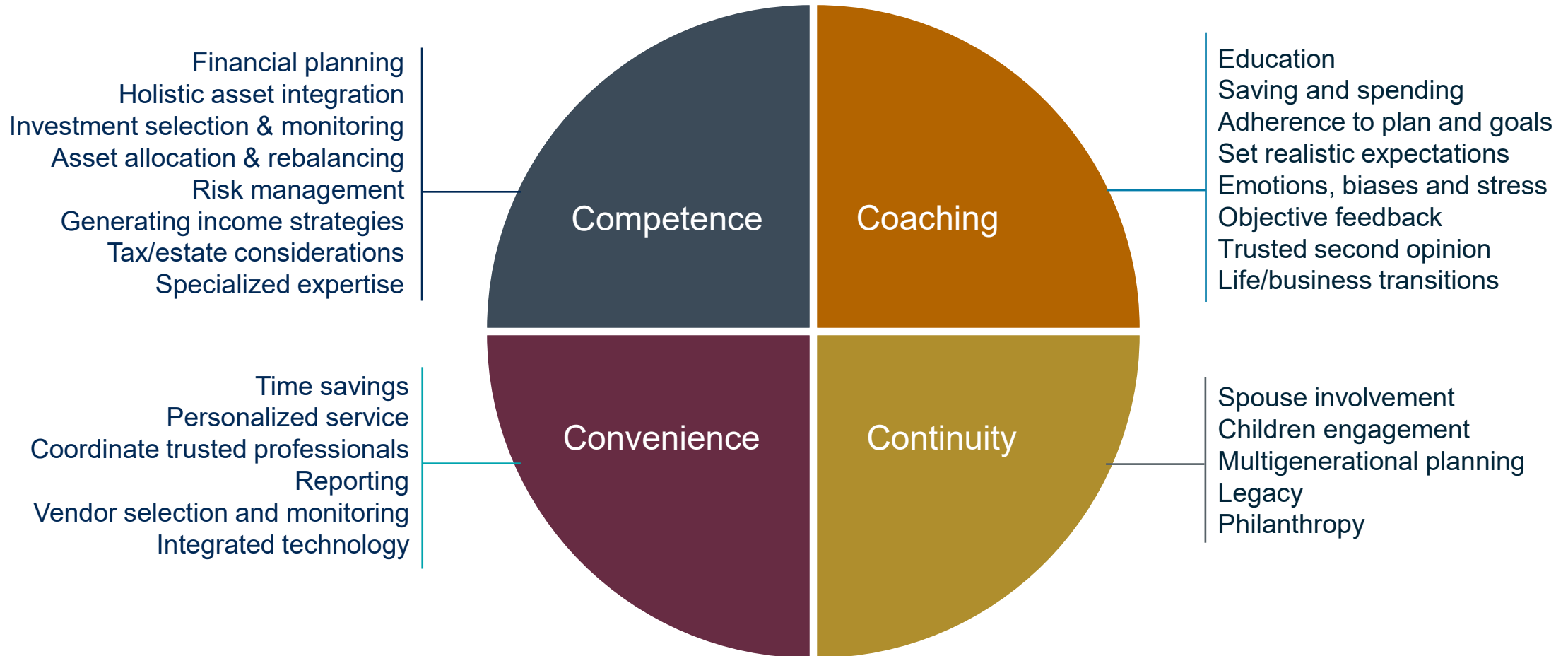
Low/no income years

- Taxable income may drop significantly in years after retirement, or when changing jobs
- Don't let a low/no income year go to waste
- Consider following strategies
 - Accelerate income into current year
 - Pre-tax withdrawals
 - Roth conversions
 - 0% capital gain bracket

Financial Planning Across a Lifetime



The Evolution of Financial Advice



For Illustrative Purposes Only. From Dimensional Fund Advisors

Resources



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