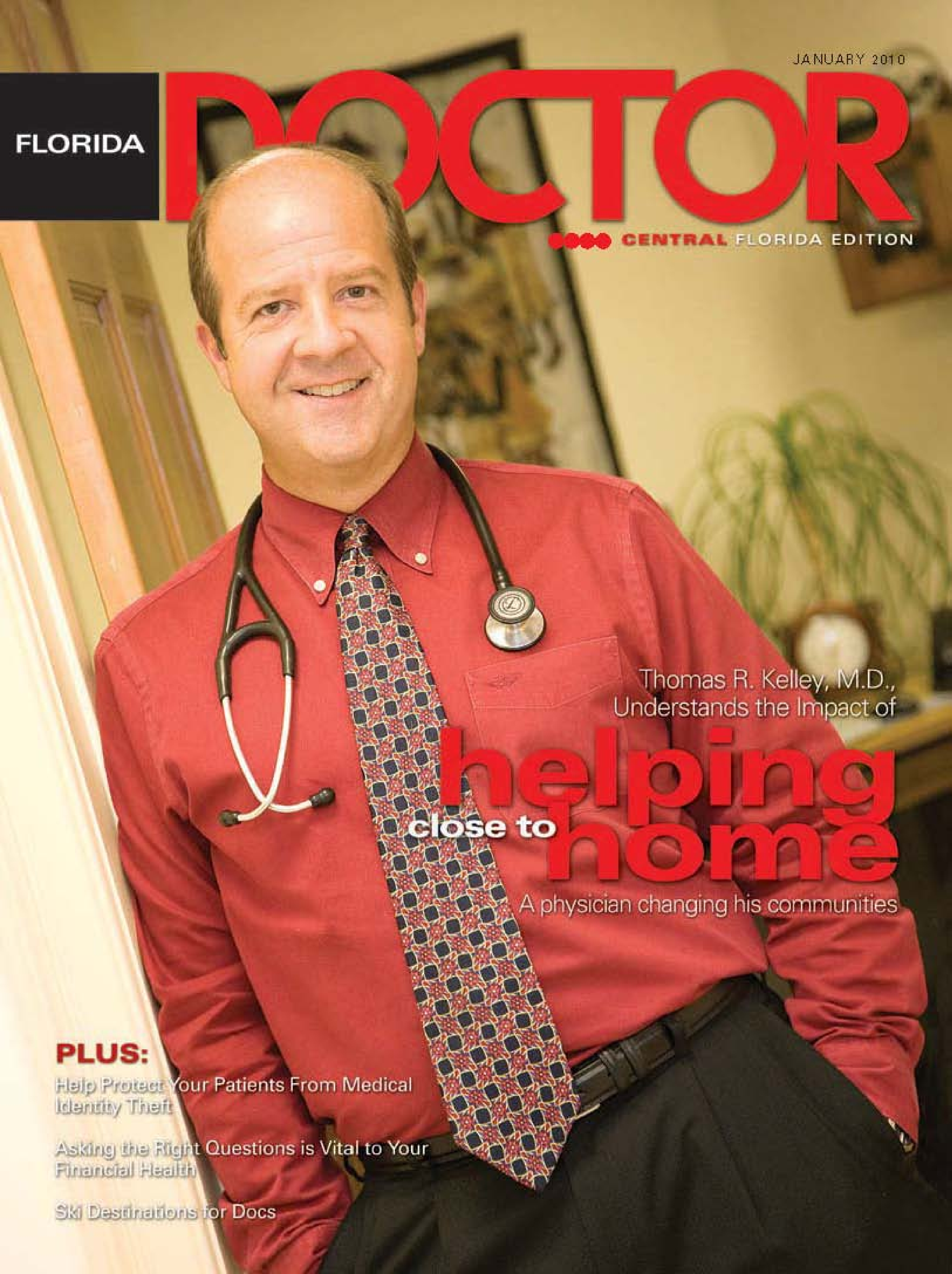

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FLORIDA DOCTOR

CENTRAL FLORIDA EDITION

Thomas R. Kelley, M.D., Understands the Impact of

helping close to home

A physician changing his communities

PLUS:

Help Protect Your Patients From Medical Identity Theft

Asking the Right Questions is Vital to Your Financial Health

Ski Destinations for Docs

questions to help you avoid

financial spin

Selecting the Right Financial Advisor Can Help Keep You Financially Healthy

In my 20-plus years as a fee-only financial adviser, I have found that doctors are targeted for investment schemes more than any other profession. Why? First, scammers seek high-income earners. Second, doctors are predisposed to making timely, often "on-the-spot" decisions. And, while thinking and acting quickly can literally be a life-saving skill in the medical profession, it can be hazardous to your financial health.

In order to avoid financial pitfalls that can decimate your bottom line, it's important to ask the right questions of potential financial planning and investment advisers before forming any professional relationships. Here are some key questions to ask potential advisors.

1. DO YOU SERVE CLIENTS IN A FIDUCIARY CAPACITY?

In the financial industry, true fiduciaries are difficult to identify – unlike other professions (like law or accounting) where there is a required fiduciary relationship.

Most financial advisers adhere to the "suitability" standard – meaning that they only have to document an explanation

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By Mike Davis

doctors

of why their investment advice was reasonably justified for you. With such a low burden of proof, a financial adviser operating under this standard could still win an incentive prize to Maui or a flat-screen TV for selling you a particular "suitable" investment.

The line is blurred between functioning as a fiduciary and almost functioning in a fiduciary capacity. Lesson learned? Don't expect financial gurus or salespeople to act in your best interest. Because they don't function in a fiduciary capacity, by definition, they don't act solely in your best financial interest. Ask your financial adviser to put in writing whether he or she upholds the fiduciary standard.

2. HOW ARE YOU COMPENSATED?

Insist that the financial adviser disclose all sources of compensation. Along these lines, it's important that you don't become confused by the intentionally tricky terminology used in the industry. Case in point: The difference between financial advisers who are "fee-only" and "fee-based."

"Fee-only" means an adviser is paid a flat fee – a percentage of the value of a client's assets or an hourly fee. The compensation structure eliminates conflicts of interest because there's no commission. "Fee-based" means an adviser takes fees and commissions. As you can see, these two terms sound alike, but have vastly different meanings.

When reviewing compensation sources, also ask the adviser if he or she accepts "soft dollar" payments – i.e., do they receive some benefit for referring products or services? The SEC requires that every registered investment adviser disclose these types of payments.

3. DO YOU HAVE EXPERIENCE WITH PRACTICE TRANSITIONS?

At some point in the life of their practice, it is quite common for doctors to either bring on another partner or buy one out. For that reason, it's important that your financial adviser has experience in practice transitions.

4. DO YOU HAVE EXPERIENCE WORKING WITH SPECIFIC TYPES OF RETIREMENT PLANS FOR DOCTORS?

When first establishing their practices, many doctors are forced to play financial catch-up because they are burdened with huge student loans. Often, they don't begin retirement savings until their early 30s. That's why it's important that your financial adviser has experience in retirement plans that are best-suited to physicians. For example, doctors typically need more aggressive retirement savings plans in their 30s and early 40s to make up for lost time.

5. DO YOU HAVE AN INDEPENDENT CUSTODIAN FOR CLIENT ASSETS?

In the post- Bernie Madoff era, it's important to ask if your assets are held by an independent custodian. In the case of Madoff's clients, the money they invested was accounted for solely by his firm – and it was generating false statements. Hence, it's imperative to have an independent custodian so that you can compare those statements to the ones generated by your adviser.

6. WHAT ASSET PROTECTION STRATEGIES DO YOU RECOMMEND?

For liability reasons, doctors must pay particular attention to asset protection strategies. For example, in the state of Florida, a good financial adviser would recommend that doctors pay off their primary residence – because if they are involved in a malpractice suit, that asset cannot be taken away from them. Also, certain types of annuities can be a good fit for doctors because the state protects them from creditors. Even though there are certain drawbacks to these investments, annuities are sometimes justified depending on perceived liability threats. A good financial adviser will walk you through the pros and cons.

7. WHAT IS YOUR RATIO OF CLIENTS TO INVESTMENT ADVISERS?

Ideally, financial planning and investment advisory firms should have, at most, a ratio of 50 clients per investment adviser. Since financial advising is an ongoing, comprehensive process, the ratio should be low, so that you receive both individualized attention and financial peace of mind.

8. CAN YOU PROVIDE PROFESSIONAL REFERENCES?

The SEC forbids registered investment advisers from providing client "testimonials" and even giving the name of a client is considered a testimonial. Therefore, ask for professional references – preferably from attorneys and/or CPAs, as they have a basis for comparison in working with various financial advisers.

9. WHAT IS THE TOTAL COST OF SERVICES?

Ask the adviser for an estimate of total annual costs as a percentage of the portfolio. This should include a breakdown of both visible costs (commissions and adviser fees) and less visible costs (expense ratios and mutual funds, transaction fees and referral incentive perks, such as vacation trips).

In addition to asking these questions, verify the financial adviser's education, inquire about any possible disciplinary action, and check other credentials (e.g., whether or not he/she earned a Certified Financial Planner® designation). Keep in mind, too, that financial planning and investment advising involves divulging personal information, so make sure the adviser is someone you like and trust. FD