Medical Professionals: Financial Planning Priorities

July 2020

Perspectives on wealth and risk management for medical professionals
Background & methodology

Survey respondents: Northwestern Mutual advisors serving clients in the medical profession

Method: Online survey

Field dates: March 3 – 9, 2020

Number of responses: 43

Overall response rate: 53%

Note: This poll was fielded prior to the widespread shelter-in-place orders took effect in March 2020. Additional qualitative commentary has been included throughout to provide context for the results through the lens of the ongoing health and medical crisis and its impact on the financial security of medical professionals.
Retirement planning, personal risk management and debt reduction are top financial planning concerns for medical professionals

Q1. Which areas of financial planning are your medical market clients typically most concerned about addressing? (Select up to three)

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Retirement planning</td>
<td>67%</td>
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<tr>
<td>Personal risk management (life, disability insurance)</td>
<td>63%</td>
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<tr>
<td>Debt reduction</td>
<td>51%</td>
</tr>
<tr>
<td>Taxes</td>
<td>40%</td>
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<tr>
<td>Business/Practice financial management</td>
<td>16%</td>
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<tr>
<td>Professional risk management (malpractice, etc.)</td>
<td>7%</td>
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<tr>
<td>Day-to-day personal budgeting</td>
<td>7%</td>
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<tr>
<td>Estate planning</td>
<td>7%</td>
</tr>
<tr>
<td>College savings</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

"For frontline medical professionals, there is without doubt a greater focus in this current moment on having adequate life and disability insurance given the higher risks these individuals are facing while working in a hospital environment."
- Andrea Koryn Williams, CLU, CFP, ChFC
Northwestern Mutual financial advisor

"Debt reduction is definitely one of the top priorities for many clients now. Especially for those clients in private practices as they still need to run the practice but have seen revenue drop due to COVID-19 which means they're not seeing their regular patients. This means they may be relying more heavily on additional sources of credit and have other debt that is piling up that they need to pay off."
- Raghunathan (Raghu) Rajagopalan, FLMI, AAPA, ARA, ACS, CLTC
Northwestern Mutual financial advisor
Time to focus on financial planning has the most significant impact on medical professionals’ ability to reach their financial goals

Q2. What factors have the most impact on your medical market clients’ ability to reach their financial goals? (Select up to three)

- Time to focus on financial plan: 77%
- Managing debt: 51%
- Professional factors, e.g., employment, compensation: 49%
- Individual knowledge/expertise: 44%
- Personal motivation: 35%
- Market and economic performance: 9%
- Other: 9%

“Physicians don’t have the time to focus on their financial planning and time is money when it comes to the compounding growth potential of investments.”

- Raghunathan (Raghu) Rajagopalan, FLMI, AAPA, ARA, ACS, CLTC, Northwestern Mutual financial advisor
Q3. When it comes to financial planning, which of the following best describes most of your medical market clients? (Select one)

- Highly Disciplined Planners: 0%
- Disciplined Planners: 40%
- Informal Planners: 58%
- Not Planners: 2%
Nearly 6 in 10 doctors and dentists have student debt of $200,000 or more

Q4. What is the average amount of student debt currently being managed by your medical market clients?

- $250,000 or more: 16%
- $200,000 to less than $250,000: 42%
- $150,000 to less than $200,000: 19%
- $100,000 to less than $150,000: 2%
- $50,000 to less than $100,000: 2%
- $1 to less than $50,000: 5%
- None/Most are student-debt free: 14%
Most medical professionals are pursuing asset appreciation versus capital preservation

Q7. What percentage of your medical market clients have the following as their primary investment strategy?

- Capital Preservation - maintaining portfolio balance (17%)
- Asset Appreciation - increasing portfolio balance (83%)

(Average Percentages)
While most hold cash and mutual funds, approximately half are interested/considering stocks, ETFs, whole life insurance and real estate.

Q5. For each of the following investment vehicles, please select the response that best describes the majority of your medical market clients.

- Mutual Funds (equity or fixed income): 29% Interested/Considering, 71% Already Invested
- Cash: 5% Interested/Considering, 18% Already Invested
- ETFs (equity or fixed income): 7% Interested/Considering, 44% Already Invested
- Stocks: 10% Interested/Considering, 46% Already Invested
- Real Estate: 12% Interested/Considering, 44% Already Invested
- Whole Life Insurance: 29% Interested/Considering, 52% Already Invested, 19% Not Interested
- Bonds: 44% Interested/Considering, 32% Already Invested, 24% Not Interested
- Annuities: 68% Interested/Considering, 27% Already Invested, 5% Not Interested
- Private Equity: 70% Interested/Considering, 25% Already Invested, 5% Not Interested

"Across my clients, the consensus is that now is not the time to wait on the sidelines with respect to the markets, now is the time to participate."

- Andrea Koryn Williams, CLU, CFP, ChFC
  Northwestern Mutual financial advisor

"Clients want to be in the markets, but they are not always sure when the timing is right. So they need advice, and a plan, that helps them put their cash to work sooner."

- Raghunathan (Raghu) Rajagopalan, FLMI, AAPA, ARA, ACS, CLTC
  Northwestern Mutual financial advisor
Advisors report that many medical professionals do not make changes to their investment portfolios in times of market volatility

In times of market volatility, the majority of my medical market clients . . .

- Do not make changes to their portfolio
- Are no more or no less likely to make changes to their portfolio
- Are likely to make changes to their portfolio

“Medical markets clients understand that it is best not to pull your money out of the markets in volatile times and in fact, they are willing to take advantage of a downturn. I didn’t see any clients move to cash. In fact I had more conversations about identifying opportunistic investments in the current environment.”

- Andrea Koryn Williams, CLU, CFP, ChFC
Northwestern Mutual financial advisor

Q8. Which best describes your medical market clients’ typical reaction to market volatility with respect to their investments? (Select one)
While the majority are concerned about personal risk, only about half are likely to take action to address it

Q9. Are your medical market clients more concerned about professional risk or personal risk? (Select one)
Q10. Are your medical market clients more likely to take action to protect themselves against professional risk or personal risk? (Select one)
Advisors believe doctors and dentists are more willing to take on investment risk than career risk

**Investment Risk**
- Prefer reducing risk even if lower potential returns: 24%
- Prefer taking calculated risks for higher returns: 76%

**Career Risk**
- Prefer consistency/stability of staying on track: 56%
- Will make changes for higher potential success: 44%

Q11. Please indicate which statement most closely represents your medical market clients’ receptivity to investment risk. (Select one)
Q12. Please indicate which statement most closely represents your medical market clients’ receptivity to career risk. (Select one)
Over half of advisors report that a majority of medical professionals are concerned about becoming disabled and not being able to practice in their field.

Of Those Concerned, How They Think About Disability

- Partial vs Full: 24%
- Generally/No Delineation: 76%

“Risk management is a higher priority than ever for medical professionals.”
- Andrea Koryn Williams, CLU, CFP, ChFC
  Northwestern Mutual financial advisor

Q13. How many of your medical market clients are concerned about experiencing a disability that could prevent them from practicing in their chosen field?
Q14. Do most of these clients think of their disability risk in terms of partial vs. full disability or just disability in general?
Demographic profile of advisors’ medical market clients

Q15. What percentage of your medical market clients are . . . ?
Q16. Of your medical market clients, what age ranges do you serve?
Q17. Of your medical market clients, what percentage are . . . ?