Shadforth Financial Group

# Medical whitepaper

# Contents

# Executive summary

**David knew from a very young age that the medical profession was where he was headed and his schooling was focused in that direction from the start with many years of study heavy in maths and science.**

Upon graduating from Monash University, David found a position in a local clinic and continued learning under the mentorship of some highly regarded medical practitioners. It was at this time also that David met and then married Sue.

Although comfortable in his position at the clinic, David was not after 'comfortable'. He had always wanted to establish his own business, and with Sue's help and encouragement, a small office space became the venue where David established his first clinic.

As a result of many years of hard toil just to meet bill repayments, David found himself at a point where the number of consultations being charged was providing a good level of cash flow, affording David and Sue the lifestyle that they had always desired, including the funding of educating two children through private school.

David's practice grew and he ultimately bought the freehold as well as the property next door opening up the opportunity to invite a second doctor to share costs and infrastructure.

David again found himself in a 'comfortable' scenario where, due to demand, consultations were needing to be booked well in advance, providing a deal of financial security. But David could see, or at least feel, that a time was approaching where the desire to work long hours would reduce, and lifestyle would take over as a major priority in his and his family's life.

This prompted David and Sue to take a hard look at their financial goals, since if David should cease work, the lifestyle to which they had become accustomed would soon evaporate.

As neither David nor Sue felt comfortable in dealing with their finances to this degree, they wisely sought assistance.

**Through many years of study and personal sacrifice, those in the medical profession are often affected by the misleading notion that as they generate an enviable level of income, financial concerns are few.**

In fact, medical practitioners confront the same financial and personal stresses as anyone else, including some unique to their chosen field:

Medical practitioners acknowledge that they are frequently under time pressure to both see patients and deal with interruptions during consultations, contributing to a general feeling of having "too much work to do in a limited time". Often, a series of minor frustrations can lead to a pervasive level of significant stress.

The intrusion of work on family life is a key concern. It is felt that more time with family would ease work stresses, but less time at work results in a reduced income and therefore, lifestyle can suffer.

The threat of litigation and the costs involved in mitigating this threat is an issue of increasing concern to most medical practitioners, despite the fact that actual legal proceedings are relatively infrequent.

With peak earning potential often not gained for many years following significant time and financial costs as an undergraduate, wealth accumulation is often lower than may be expected.

For those running their own practice, ongoing administration issues such as the cost of practice overheads, and the ever-present 'tax man', cause significant stress, especially as there is a general feeling that dealing with these issues is not taught to undergraduates.

Once a business has been established, what is the potential to exit that business or even sell it nearing retirement?

Other concerns included dealing with the constant changes in the medical profession, and 'external' pressures such as dealing with professional associations, as well as any Government interventions.

Medical practitioners often experience anxiety in balancing the conflicting objectives to provide exceptional medical treatment to all with the ideal to be generous and fair. This can lead to increased time at work and less time for family, friends, lifestyle, and also time required to ensure their financial future.

# “My family relies on my ability to earn”

**It takes many years of study and training to gain the abilities and confidence required to build a niche in the working world and then, hopefully, to attain an income that provides for a desired lifestyle.**

“What would happen to me and my family should something stop me working? Simply, my family relies on my ability to earn an income – things would be very different.”

To maintain quality of life after employment income reduces or even ceases altogether, an alternative source of income is essential to support you and your lifestyle well into the future.

The lack of an investment ‘nest egg’ to generate this income is often the crux of much financial and personal stress.

As detailed in the graph opposite, the ‘present value of future earnings’ diminishes over time as employment income is used to sustain a desired lifestyle – more lifestyle means less income. The result is a reduction in the real value of future earnings.

If a secondary stream of income can be sourced (or built) that can replace future earnings which may decrease over time, your chosen lifestyle can be maintained, even despite a reduction in working hours.

## WHERE TO FROM HERE?

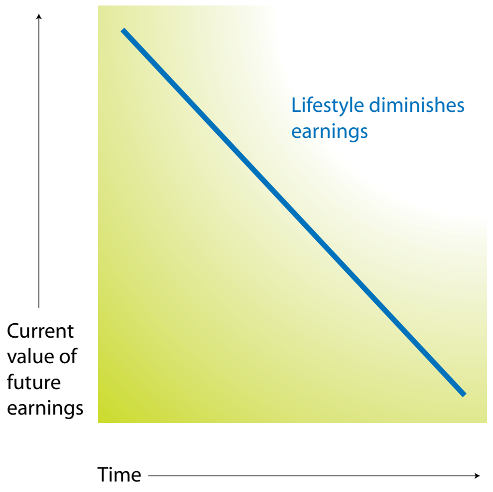
As for most people, medical practitioners can often manage part of their finances well but may neglect to ensure coverage across all segments including their need for income versus capital growth, tolerance to risk, insurance and superannuation arrangements, their investment portfolio, estate planning strategy together with other matters such as their family commitments.

Just for a moment, think of your ability to generate income as a business, it is natural to want to invest everything into that business to make it work. But just because you have a substantial investment, it does not mean you should ignore the importance of diversification – i.e. not putting all of your eggs in one basket.

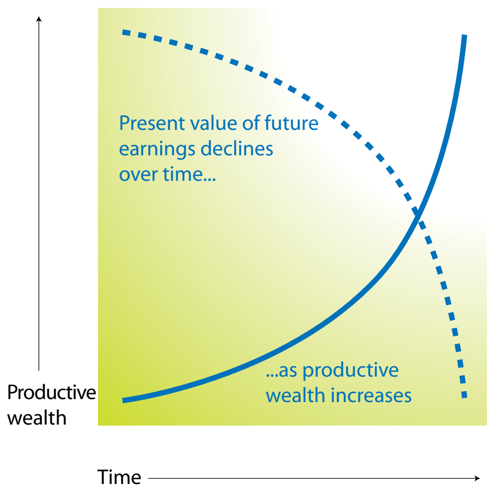
This should not be seen as a lack of self-confidence to invest in a business, but sound financial practice to separate your personal financial independence from that of your business.

This goes a long way to understanding the key to real financial independence, which is converting a very good income derived from your business into a capital lump sum, which can then generate a separate income stream independent from your business. From this point, it becomes simpler for individuals to marry lifestyle and income needs without conflict.

***Current Value of Future Earnings over time***




***Wealth Accumulation over time***



# So how much will I need?

**The table below details the level of capital required to generate various income levels and rates of return during retirement.**

Our calculations are based on the following assumptions:

- You are a 40 year old male.
- During retirement, you require $100,000 per annum.
- Your superannuation benefits currently total $100,000.
- Inflation averages 3% per annum.
- Your capital lasts until your Statutory Life Expectancy age.

## THE CONUNDRUM

Despite knowing otherwise, ensuring your long term financial future is essential but often takes a 'back seat' due to time pressures both at the office and with a busy family life.

This can lead to a vicious cycle where reducing time managing your financial position requires more work to generate the finances to live a desired lifestyle.

Managing time is difficult, but making time is near on impossible. So the gift of 'time' becomes exceptionally valuable, which many now obtain by 'out-sourcing'.

| Retirement Age | Life Expectancy | Real Rate of Return (%) | Capital Required ($) | Annual Contribution Required ($) |
|---|---|---|---|---|
| 55 | 24.22 | 2 | 1,904,906 | 102,370 |
| | | 4 | 1,533,076 | 67,569 |
| | | 6 | 1,260,279 | 43,849 |
| 57 | 22.52 | 2 | 1,798,938 | 82,896 |
| | | 4 | 1,466,408 | 53,660 |
| | | 6 | 1,217,962 | 33,626 |
| 59 | 20.86 | 2 | 1,691,963 | 67,699 |
| | | 4 | 1,396,875 | 42,867 |
| | | 6 | 1,172,392 | 25,765 |
| 61 | 19.25 | 2 | 1,584,796 | 55,587 |
| | | 4 | 1,324,972 | 34,317 |
| | | 6 | 1,123,778 | 19,599 |
| 63 | 17.70 | 2 | 1,478,344 | 45,785 |
| | | 4 | 1,251,324 | 27,442 |
| | | 6 | 1,072,464 | 14,693 |
| 65 | 16.21 | 2 | 1,372,886 | 37,740 |
| | | 4 | 1,176,178 | 21,841 |
| | | 6 | 1,018,569 | 10,743 |

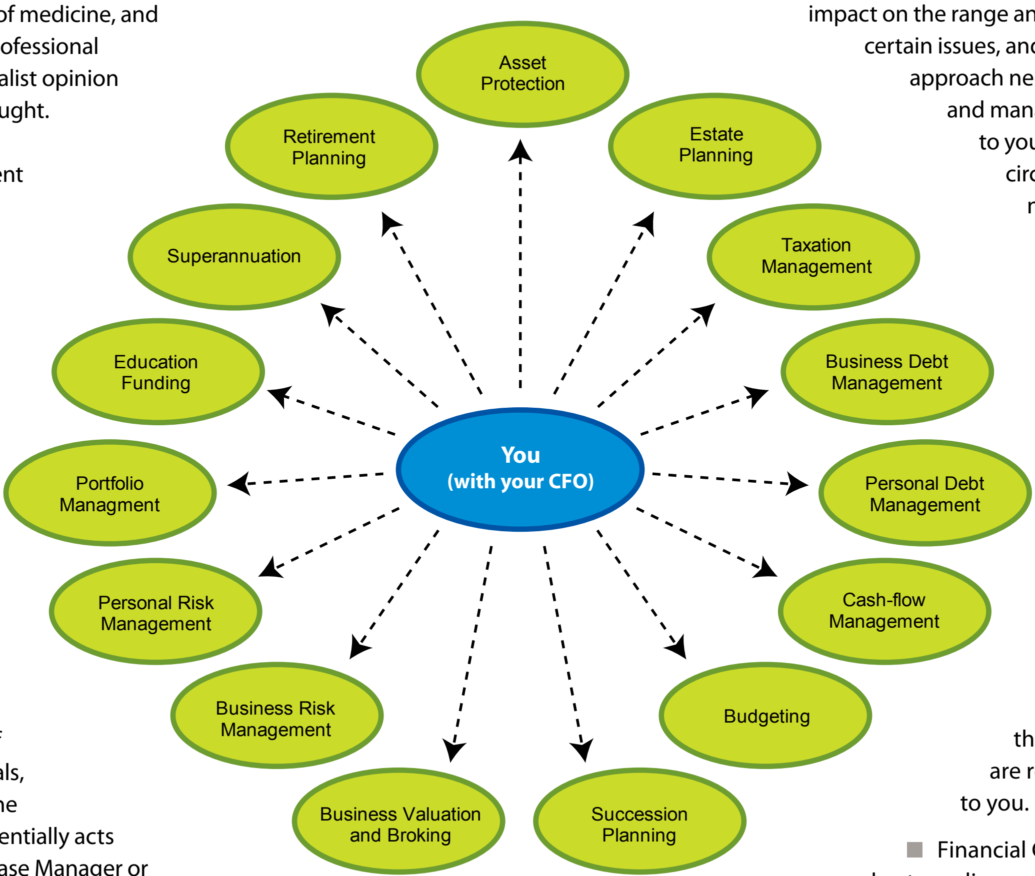
**Warning** – The figures detailed above are intended as a guide only.

# The Wealth Management Solution

**The Wealth Management process relies on delegation.** Quite simply, one of the best ways to ensure your financial objectives are established and outcomes are achieved is to entrust the task to someone else.

Just as in the field of medicine, and indeed, in many professional occupations, specialist opinion and expertise is sought. So, too, with your Wealth Management Solution.

It is not possible for just one professional to be an expert in every aspect of the entire Wealth Management process. Rather, a comprehensive wealth management program draws on the expertise of several professionals, co-ordinated by one individual who essentially acts as your Financial Case Manager or Chief Financial Office (CFO).




The role of the CFO is to clarify your needs, to devise strategies to achieve them, and to call in expert help to execute those strategies. That is, to 'diagnose' and 'treat' financial issues.

Using this approach, taxation and business structure issues can be managed by an accountant, estate-planning issues by solicitors, and business management issues by expert consultants and business coaches. It is your CFO who sets the overall strategy, chooses the appropriate investments, and co-ordinates a range of experts in the pursuit of your long term financial goals.

A CFO Wealth Management process will see each aspect addressed and coordinated under a priority ranking, from 'critical' to those of lesser immediate importance, and revised when required.

Your proximity to retirement will, of course, impact on the range and importance of certain issues, and a customised approach needs to be set out and managed according to your particular circumstances and needs.

As all financial, business and lifestyle decisions are fully integrated, you can expect the following positive outcomes:

- More Time – You are free to spend time on those things that are really important to you.
- Financial Certainty – With short, medium and long term objectives plotted, strategies will be maintained to ensure that you are kept on track. The things most important to you will be central to the whole program.
- Peace of Mind – With an established network of professionals available and coordinated by your CFO, you can rest assured, knowing that everything is in good hands.
- Synergies – An integrated approach may reduce costs and complexities and typically will achieve far greater results sooner.

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We are united in our commitment to act with the highest standards of ethics and integrity for the benefit of our clients, providing quality financial advice and best of breed solutions and services. This includes low cost and highly diversified core investment options.

Being privately-owned, we are free of ownership or control by the large banks and insurance companies that dominate Australian wealth management. We provide transparent, fee-based advice.

Today, our experienced, highly qualified and dedicated Private Client Advisers offer clients uniquely personalised financial advice, and develop financial solutions and services that are tailored to each client's unique set of circumstances and objectives.

When you become one of our clients, we put you, and those important to you, in control of your finances so you can enjoy the really important things in life.

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