Mary: On today's episode. My guest is Stacie Neussendorfer. Stacie is a senior lead advisor with the Foster Group. Stacie has significant experience as both an estate planning attorney and in wealth management, the initials behind her name and I love, I couldn't resist listing these Stacie because I just think it's so much fun, but she has JD CFP CAP and CKA, so I really appreciate that. We both share the JD and the CAP, and our conversations are always interesting. Right? So, it was partly one of our conversations about beneficiary designations and so I've got to have you on this podcast and talk on this topic. So, I've been promising our audience that we were going to talk a little bit on one of these episodes about some of the issues that are specific to physicians in estate planning and while we're calling this a physician estate planning and some of the issues are very specific. A lot of the principles we plan on talking about are general and will apply more broadly than that, but particularly to other professionals. So, we represent like a lot of engineers and accountants and various other types of professionals that these principles will apply. Well, welcome today, Stacie.

Stacie: Thanks Mary. I'm really excited to be here.

Mary: I really appreciate you joining us and so we're going to start with just talking about the financial aspects of particularly physician under professional estate planning and let's start with a general explanation. One of the things you of I have talked about and one of the conversations I recall was just how frustrating it is to come into somebody who's accumulated some wealth and then their estate planning, isn't coordinated with their financial planning and they really deserve to have that integrated plan. So, can you explain what you mean when you say that what is an integrated plan?

Stacie: So, an integrated plan is one that looks at all financial aspects of a person's life and that is not, I guess just your investments, anything that pertains to your ability to achieve success in where you want to go and anything that might potentially blow that up. So, when we do planning for clients, we look at things like insurance, do you have proper insurance coverage? We look at retirement planning. What is it going to take to get from where you are today to where you want to be along with that goes some tax planning while I'm not a CPA, I do have a general understanding of how taxes work and, and the things that could potentially cause you more tax when there are better ways to plan around that for me, estate planning is a huge part of what I do because I had a varied career before joining Foster Group. I have, I would say my specialty lies a lot in estate planning, having, having spent 12 years as a trust officer prior, I've read a lot of trust documents, interpreted a lot of those and administered a lot of those and so knowing how a person's assets relate in regard to whether going to have a state tax issue down the road is really integral to the planning so we try to bring a person's other advisors to the table so that everyone can collaborate and create the best possible outcome for a client.

Mary: It's one of the things that's always been frustrating for me as an attorney is I'll come in and I know that sometimes what we're talking about is complex, right? So, I'll explain it and then they talk to the accountant. It's like the old game of telephone and the telephone guy goes, well, why did Vandenack tell you that? Then they talk to their insurance advisor and then their financial advisor. So, I really went a while back to say, look, what our clients really deserve is to have us all on the same page. So, we came up with the model that says, you know, pretty much, I really want my clients to have everybody in the same room, at least one point in the year and so you have a different perspective, see different things. Each of the advisors has a different relationship with the client. So, we'll have a different perspective on what they do and that's what I've always liked working, you know, with the Foster Group and you particularly have that kind of collaborative approach, but let's talk for a minute on, you know, what does estate planning mean in that? A lot of times, if I tell people what I do estate planning and you kind of summarize this and I just want to go back and bring that together, when you talk about all the different pieces. So, as you noted, you know, a little bit about tax, I'd say you actually probably know a lot about tax and that's another thing that I think's a really important skill. Sometimes when you say, hey, I do estate planning people think that means I just draft trusts and wills, and maybe you understand the estate tax, but over the last years, we now have an estate tax exemption. That's at 12, you know, over 12 million this year. So, if you're married and you have two exemptions, you have 24 plus million that doesn't affect as many people. So, the income tax planning becomes important and so part of the estate planning I do a lot of income tax planning doing a deal to figure out how to take the benefits of bonus depreciation on the purchase of a jet today, right? That's income tax planning, or state income tax issues. It costs, we have a lot of states that have no state income tax and we're looking at those issues when somebody's thinking about residency or status of trust and the other piece is asset protection planning has become very important and I like the fact, you mentioned insurance, because that's a piece of asset protection. There's nothing worse than accumulating that well, saving, putting things away and then not having the insurance. Is there any other piece of that you would bring in the financial planning obviously?

Stacie: Mary, you really hit the important parts and I was just going to say you're so correct when we went to that larger estate tax exemption amount of the 12 million, it really did shift the focus to planning for income taxes because there is a strategy as there is with many things in life on the best way to pass on your assets and there's a hierarchy of if you're going to inherit something, what you might want to inherit say versus an IRA or an after tax account So, that's really a big part of the, the conversation.

Mary: Another piece of that is actually charitable planning. So, you and I are both chartered advisors of philanthropy and work a lot with the charitable techniques and one of the changes I've seen, and I met with some gift planning groups of some of the charities, they have the people who are focused on

Stacie: With the plan giving advisor

Mary: So I met with some and they were presenting me all the long term strategies and I shared with them, isn't a part of looking at this now, thinking about if they don't have, if it's a couple and they don't have 24, 25 million that we look at, instead of looking for that bequest at death, let's look at those income tax strategies and that can be really important. Say with the physicians who may have a high income and high accumulations in retirement accounts, and there's some really great strategies you can do with charitable giving. Well, let's go back to the physicians a little bit more specifically. So, a lot of people look at physicians as being high income and assume that they're wealthy, but the fact is, I think it's a minimum of 11 years of post-high school education to become a physician. So, a lot of time their income is deferred. They have a long tenure in medical school, residency fellowship, and then they might have a significant amount of student loan debt along the way as well when they're, somebody's starting out or even a little bit further down the road, how does that affect the considerations for the physicians in estate planning?

Stacie: You know, Mary, while doctors can have a high-income potential, not all areas of medicine pay the same salaries. A family physician is not likely going to earn the same amount of income as say a transplant surgeon earns and so unfortunately it is not unusual in these times to see a doctor coming out of medical school with over half a million in student loan debt, regardless of which area they actually intend to practice in and that is a, a lot to overcome really working with young physicians. It takes considerable discipline to focus on getting out from underneath that debt and instead of maybe going out and buying that brand new shiny Maserati or the other creature comforts that you now can really afford versus when you were in medical school and so we focus a lot on trying to tackle that debt, but at the same time, not feeling deprived they've worked hard and it's been a long arduous process and so many of them just feel like they want to, you know, reward themselves and there's nothing wrong with that, but really because of the interest rates and compounding that debt can be a monkey on your back for a long time and so for us, I think it speaks volumes when we can show on the big screen to a client, their progress towards their goal of accumulating the debt or whatever goals they have identified and what the finish line looks like. It, I think it makes it easier than just talking about it big picture wise, you know, and with that mountain of debt, insurance is huge consideration. Most people purchase life insurance to take care of their loved ones and pay off any outstanding debts and for the average person, maybe half a million dollar to a million dollar term policy is going to check the box and take care of that if something should happen but for a physician who has hundreds of thousands of dollars in student debt, in addition to a mortgage, that million dollar policy is not gonna suffice in addition, if they are married oftentimes you'll see that one spouse stays home to care for the children because of the arduous demands of practicing medicine and so if the physician were to die, you want to make sure that they have enough life insurance coverage to allow the surviving spouse time to re -enter the workforce, if that is necessary or to remain out of the workforce to care for those minor children and not have their standard of living negatively impacted in addition to life insurance. One of the things that I think is often overlooked and equally as important if maybe not more important is disability insurance and not all disability policies are created equally most employers will offer some sort of disability coverage, but what's really important is to purchase what is called an own occupation policy. Now I am not an insurance professional, and I don't sell insurance, but really an own occupation or owner occupation policy is one that is focused specifically to your area of practice and the type of medicine that a physician, practices. So, since I'm an attorney and, you know, everybody likes to pick on attorneys, I'm going to use a legal example to illustrate this a successful trial attorney, can garner some of the highest legal fees and earnings out there they can earn well into seven figures annually and trial attorneys are successful because they can paint a picture for a jury or a judge they can tell descriptive stories to their audience and bring them in and be persuasive. But if that attorney were to be injured in an accident and perhaps become disfigured or lose the ability to speak, it would impact their ability to connect with their audience and capture, that jury's attention. If there were, that were to happen, it doesn't mean that they can no longer practice law, but clearly they're probably going to survive as a trial attorney they may have to change the focus of their legal practice to, a general practice attorney or something more behind the scenes, or even maybe teaching at a law college, but they are not going to enjoy the level of income that they did as a trial attorney. So, if they had just a general disability policy, which would really sort of be the average of what an attorney may earn in their practice, not that seven-figure income. So that is why it's important to have a policy that is geared to what you do specifically, because a disability can be often more financially crippling to a family than a death, with a death, that person is gone, but you have a pool of money to utilize and kind of move on with a disability there may need to be accommodations to a home accommodations to a vehicle so that person may require more care and maybe cannot work at all. So that's why it is really important as you move along in your medical career. One to make sure that you have a disability policy that is focused on what you do, and to review that periodically some residents get disability policies, but when they get out of their residency, they need to review that again.

Mary: Okay, let's continue our episode. So, life insurance super important. When you have that debt early on in your career, disability insurance, hugely important. I'm still trying to figure out how an attorney actually gets disabled. I'm, you know, a little bit deceased. I was like, when I pay my disability insurance policy, I'm going well with what I do and I actually employ two disabled attorneys, one in a wheelchair and we hire owner assistant. So, it it's a little bit tough in my particular area to actually be able to collect. So, you'd use a really good example of the own occupation type example. I didn't pick that practice area obviously, but another type of insurance is just your standard property and casually and making sure you're covering all your risks and also including to, to make sure that you have an umbrella policy and that if you have an umbrella policy, you want to make sure that when you add things in your life, that you make sure that you identify them, send an email to your insurance agent immediately. So, if you go buy a new motorcycle, send an email to your insurance agent, I just bought a new motorcycle because otherwise it might not be covered, right? That's and we're, we're particularly located in the, a circle. There's some really interesting things going on in the insurance world and insurable interest that we also won't cover today, but that's a super important topic. So, what I gonna do is just jump to, maybe since we brought up insurance in that context is talk about the malpractice rules and insurance and how those affect the strategies for physicians.

Stacie: You know, I'm told that that's medical malpractice is why doctors hate lawyers unfortunately we live in an overly litigious society and because of that, all physicians, you know, carry med medical malpractice insurance, but they're constantly seeing their premiums increasing and some so much that it's, you know, chasing them out of practicing but it is sort of just like attorneys we have malpractice insurance. It is a necessary for physicians to have and you know, Mary, you just touched upon kind of like the need for that, property and casualty insurance to have the highest limits under your policy and also purchase, you know, maybe a two to 5 million umbrella policy. The cost of that policy is going to be relatively small in relation to what could happen to you if you are personally sued and this is a little bit outside of the mal practice arena, but this could be anything someone slips and falls on your steps then there's, of course those, you know, things like pools or trampolines that just you know, present a bigger possibility of injury and liability and so having that type of coverage can really protect you and your family from being wiped out financially, if you're sued personally, other things, you know, for physicians to consider is where you live different states have different limits on plaintiff awards and so you know, if you are open to where you practiced after your, after your residency, you may want to consider the state in which you live you may be doing everything right as a physician, but sometimes something goes wrong and so thinking sort of ahead big picture wise, if it's living in, you know, state a or state B, well, if state B is more attractive as far as lower plaintiff awards, maybe that's where you might want to consider to live, especially if it's an income tax state free tax free state.

Mary: So, like Florida, but Florida was a high malpractice state at once. They've changed some laws now, but at one point we had some physician clients going bare from insurance in Florida, which really frighten me, but it's got, got some good asset protection features, which is another thing that, you know, we get a lot of calls from physicians on, right, is just how do I protect these assets? And one of the things, when you talk about the insurance, that's one of the basics. So, I say, well, there's different levels of asset protection, and we're gonna have a couple different episodes that specifically on asset protection, strategies, and detail. So, we'll just touch on it now, but it's made, you know, your basics are, make sure your basics are in order. Look at the state you live in because the laws and the way they will protect you if a creditor claims. I think you made a great point that everybody needs to think about who gets sued, will you a target for litigation? If people think you have money, even if you don't have a lot of money in a society right now, that's just become very litigious. There's a lot of targets, but the slip and fall, and you see a lot of clients spying real estate as an investment property, or in the physician realm, you see them potentially buying into surgery centers. You've got to make sure your coverage all connects up so that there's all the I's are dotted and the Ts are crossed in that area and another asset that we do see a lot of physicians will have is the retirement accounts once upon a time, a lot of physicians have their own practices and as a tax strategy and asset protection strategy funding, their retirement accounts to the max was a great strategy. You know, I've talked a little bit about how that's sometimes great, and you think you're gonna defer distributions till a date when you're gonna make, be making less. Sometimes that day never comes, which actually isn't an entirely a bad thing to have a day when your income doesn't drop, if you've accumulated enough to keep your income up. But a lot of times the retirement asset is a significant asset in the, you know, a lot of times we see physicians with retirement assets and home equity. We've talked about the importance of insurance in that picture. What else should be considered?

Stacie: You know, with regard to retirement assets whether you are a high earner or just an average earner, it's really important to constantly be checking those beneficiary designations and making sure that they are up to date and that they align not only with your wishes, but your overall estate plan. A retirement account is essentially a contract that will be paid outside of your say will or your trust. If your beneficiary designations are different than what your estate planning documents, state and so it's something it's one of those things that we always try to circle back with clients on, on an annual basis, but it is something that is often overlooked or forgotten about by people and that would be, you know, kind of the same with your life insurance as well. Another, another contractual asset that has a beneficiary designation,

Mary: Another issue with the retirement assets, if that's a significant asset is really related to the ownership and I see people get confused about, oh, they have five accounts at Foster Group, and don't really distinguish between this is an agency account that I can title and if I do an estate plan with a revocable trust, I can title in my revocable trust and this is a retirement account and as you mentioned, it passes by a contractual designation. You can't retitle it and if let's just say for fun that the one and only asset in somebody's estate plan is a retirement account with one and a half million dollars in it, they get divorced, let's say they, it was 3 million. So, they gave it million and a half away. So now they have a million and a half they're married to a second spouse. They have kids by the first marriage. The best tax deal is to marry to name the second spouse is the beneficiary, but they might want to leave some of that to their children by their first marriage. So, what are some of the strategies in that area? Do you sometimes just forgo the tax benefits and focus on disposition?

Stacie: Yes. I mean, it, it really depends on if there's any other asset that could potentially satisfy the, owner's desires, you know, maybe we leave it to the spouse, but maybe there's something else out there that could go to the children it, but you're right. If that's the only asset, then, you know, you look to setting it up so that the owner of that retirement accounts wishes are fulfilled. It's really hard in second marriage planning, no matter what, and that's something that, , really someone should spend some time with legal counsel sorting all of those things out. , but you know, under the secure act has changed the way retirement accounts pay out to a non-spouse beneficiary, and there's a whole bunch of nuances and exceptions under the secure act, which it looks like might change again. But, you know, currently, whereas you used to be able to stretch payments out over a beneficiary's lifetime. So, if it was a child, it could in theory, be stretched out over their lifetime. Now an IRA has to be depleted within 10 years and so, you know, if you have 10 kids and a spouse, a second spouse, and we're talking about a million and a half, well, maybe that's not quite so bad, but if you have an only child and a surviving spouse, and that only child is in their highest earning years and they have to deplete, you know, say they're 750,000 in 10 years. anyway, you, you approach that the money coming out of that IRA could very likely throw them into a higher tax bracket. So that's where other things like perhaps charitable planning trying to plan makes a huge difference.

Mary: The, the IRA asset is one of the best assets to use for charitable assets and I just am gonna emphasize your comment on have somebody who really understands retirement plan rules and one of my favorites I recently was reporting on the Heckerling proceedings and Natalie Choate, who's one of the really well recognized people in the area did this kind of pretend call with the client where she said now, okay, what time that died? Okay. So, the IRA to the uncle is gonna work this way and the IRA that's going to, your nephew's gonna work this way and the IRA, oh, oh, wait a minute, wait a minute. Wait, did he just die before or after midnight? And he turned 72. Oh, so wait, wait, wait, I got to have to start all the way over. So those rules are just really complicated and really require some attention and we can, you know, it takes several podcasts to cover all those issues and the regs have been changing by the minute. So, we may wait until we have some more detail. Well, the last thought and the healthcare worlds changed a lot. So once upon a time, physicians often went into private practice. That's changed where a lot worked for hospitals or institutions, but there's still a nicely represent a fair amount of physicians who have their independent practices. If that happens to be the case are there any issues that should be considered in coordinating their estate plan?

Stacie: Yes, absolutely you know, in those situations, your physician is, is a shareholder in their practice or perhaps if they own a building and so there's agreements, shareholder agreements that cover how they get paid, if they exit the practice, if they have a premature death and so it's really important to understand those agreements and then make plans for what happens when you transition out. So how are you gonna get paid if you if you should prematurely die or even die after retirement, is there a beneficiary designation? Very likely you want to make sure that, you know, as a physician, your spouse will continue to receive the income or the payments that that agreement provides for. So, you want to make sure that you have a beneficiary designation and that, again, it aligns with your overall plan., same thing on those separation agreements you need. When you're exiting, you need to sit down with an attorney and go through that and make sure basically all your ducks are in a row.

Mary: We talked about insurance before, if you're in your own practice, it's very likely you may have some life insurance or disability insurance through that practice or other types of insurance that should be considered as part of that exit as well. So, any last thoughts Stacie, on this topic?

Stacie: You know, the, I think the most important thing I can say is don't try to do this alone get good advisors coming out of medical school and consult with them regularly. I know life is busy and when you are a young physician and perhaps have kids is hard to make time for those things, but the earlier you start your planning, the easier it's going to be and it's really important you know, to get that debt out of the way and start off on the right foot, because once you have that debt, your cash flow potential becomes exponentially greater and you have the ability to invest and get that compounding and that growth and over time you can accumulate a very nice nest egg, which then leads into estate planning and all these other issues we talked about today. So I think about financial planning as sort of like riding a bicycle, all the parts of your bicycle have to work together to get you from point a to point B if a wheel or the handlebars fall off of your bicycle, somewhere along the way you're likely going to crash and that is not going to be a good result and so that's why you want to have good advisors and have them collaborating with each other and all things working together. So, your bicycle makes it down the road to wherever it is you want to go?

Mary: Thanks so much for being with us here today, Stacie, as we reach the end of our episode.