AHWATUKEE FOOTHILLS NEWS

HEALTH PROFESSIONALS CAN FACE RETIREMENT CHALLENGES

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On May 4, 2019, I gave a talk to the AZ Academy of General Dentistry Annual Convention on the topic "Dentists: Learn How to Retire 5-15+ Years Earlier!" Unfortunately, ¼ to 1/3 of all dentists are forced to retire early due to physical disability. Their normal work week is only Monday through Thursdays because they are continually leaning over the patient in an awkward position. However, the bulk of most medical professionals' (whether dentist or physician) retirement savings occurs in the last 20 years of their working life. If they lose 10-15 years of income by not working until 70, their retirement future can be fairly bleak.

The typical retirement age for dentists, physicians, and other professionals is 70. The typical dentist or physician may have $250,000 - $300,000 of student debt when graduating and I met a dentist with over $600,000. In my talks to medical groups, I assume that if they are lucky, they have paid off all student debt by age 40-45, but don't have any substantial financial assets saved.

Case Study #1: After giving 2 major talks to the April, 2017 Western Regional Dental Conference, I met a 44-year-old orthodontist. He had averaged $430,000/year of income the last 2 years. Yet, he and his wife only had $50,000 of financial assets. During the real estate crash, they had bought their house in Mesa, AZ in 2010 when prices were low; fixed it up; and had just sold it for a $270,000 net cash gain, which was enough to finally pay off his student loans.

Conclusion: Medical and other professionals, even if earning high-incomes, have tremendous challenges in retiring with dignity, let alone 5-15+ years earlier as many would like to.

The simplest solution is to save half or more of the taxes you pay. If one could save $50,000/year taxes for 20 years and earn an average 8%, one would have $2,471,146 more retirement savings. Whatever your profession, you have spent years in college and work experience, often at a cost of $100,000+ in student loans, to earn whatever you earn. Let's just stop the loss of taxes and instead increase your retirement fund. Future articles will detail powerful strategies to do this.

The 2nd solution is to simply increase your rate of return or rate of cash flow from your investments. For the first 19 years of this century (January 1, 2000 through December 31, 2018) the average compounded growth rate in the S&P 500 stock market index was only 2.85%; and the average dividend yield was only 1.98%. If one retires with $1 million, that's an average $20,000/year from either dividends or interest from a 10-year Treasury bond. There are alternative strategies, particularly if one can wait 5-10 years, to get an 8-10% rate of cash flow. That would be an $80-100,000/year retirement income. One can earn 8-10% by doing hard-money lending to professional house fix and flippers. One can also own furnished apartment units or well-managed hotels. One can also use equipment leasing and private pension fund concepts.

Case Study #2: a nurse was 62 and deposited $250,000 in a private pension fund. By waiting 8 years until 70, she will be able to receive $25,000/year of income, every year that she lives, without risking the principal in the stock market. None of these alternative tax or investment strategies are Wall Street stocks, bonds, or mutual funds.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/radio programs.

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For 7 years he wrote the only column on money for The AZ Republic Community Section and now has a new financial column with The Ahwatukee Foothills News and the San Tan Sun News.