



How to Save for Retirement

Presented to:
**Louisiana Chapter of the American
College of Cardiology**

Given By:

Physicians Resource Group
A Wealth Management Company

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6 Things You Will Need to Address:

1. Student Loan Debt
2. Buying a Home
3. Retirement Savings
4. Children's Education
5. Insurance – Life & Disability
6. Investments
7. Taking Care of Parents - ?



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Retirement Analysis

Secure Your Retirement - Pay Yourself First

- Save 20% of gross income:

| | Doctor A | Doctor B |
|----------------------------|--------------------|--------------------|
| Gross Income | \$450,000 | \$700,000 |
| Taxes - 25% / 30% | <u>(\$114,000)</u> | <u>(\$213,000)</u> |
| Net Income | \$336,000 | \$487,000 |
| Savings - 20% of Gross | <u>(\$90,000)</u> | <u>(\$140,000)</u> |
| Net Annual | \$246,000 | \$347,000 |
| | <u>12 / mos.</u> | <u>12 / mos.</u> |
| Net Monthly After Savings: | \$20,500 | \$28,917 |

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Budget Analysis

| | Doctor A | Doctor B |
|--------------------------------|-------------------|--------------------|
| Income: | | |
| Gross Income | \$450,000 | \$700,000 |
| Taxes | (\$114,000) | (\$225,000) |
| Savings – 20% | <u>(\$90,000)</u> | <u>(\$140,000)</u> |
| Net-Annual | \$246,000 | \$347,000 |
| | <u>÷12</u> | <u>÷12</u> |
| Net Monthly | \$20,500 | \$29,000 |
| Expenses: | | |
| House Note | \$4,500 | \$6,000 |
| Child Care / Tuition | \$2,000 | \$2,000 |
| Child 1 – 529/UTMA | \$770 | \$770 |
| Child 2 – 529/UTMA | \$900 | \$900 |
| Child 3 – 529/UTMA | \$1,000 | \$1,000 |
| Student Loans | \$1,500 | \$1,500 |
| Auto I | \$500 | \$500 |
| Auto II | \$750 | \$750 |
| Auto Insurance | \$500 | \$500 |
| Life Insurance | \$200 | \$200 |
| Disability Insurance | \$400 | \$400 |
| Utilities / Cable / Water | \$800 | \$900 |
| Credit Cards | \$4,000 | \$7,000 |
| Charity | \$500 | \$500 |
| Vacations | \$1,200 | \$1,200 |
| Medical Licenses, CME, Etc. | \$250 | \$250 |
| Misc. | \$1,000 | \$2,000 |
| Total Excess (Deficit): | (\$270) | \$2,630 |



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Retirement Analysis

| | Doctor A | Doctor B |
|------------------------|---------------------|---------------------|
| Current Age | 34 | 34 |
| Annual Earnings | \$450,000 | \$700,000 |
| Retirement Age | 65 | 65 |
| Retirement Goal | \$250,000 | \$350,000 |
| Needed at Retirement | <u>\$11,810,000</u> | <u>\$16,534,000</u> |
| Annual Savings Needed | \$87,000 | \$122,000 |
| Monthly Savings Needed | \$7,277 | \$10,187 |
| % of Gross Income | 19.3% | 17.5% |



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Retirement Analysis

| | Doctor A | Doctor B |
|------------------------|--------------------|---------------------|
| Current Age | 42 | 42 |
| Annual Earnings | \$500,000 | \$700,000 |
| Retirement Age | 65 | 65 |
| Retirement Goal | \$250,000 | \$350,000 |
| Current Investments | \$275,000 | \$450,000 |
| Needed at Retirement | <u>\$9,325,000</u> | <u>\$13,050,000</u> |
| Annual Savings Needed | \$9,800 | \$13,200 |
| Monthly Savings Needed | \$118,000 | \$158,000 |
| % of Gross Income | 23.6% | 22.62% |



Compounding Interest

- This analysis assumes an annual contribution of \$20,500 and an 8% rate of return:

| Age Savings Begins | Value at age 65 |
|---------------------------|------------------------|
| 23 | \$6,237,000 |
| 34 | \$2,529,000 |



Compounding Interest

- This analysis assumes an annual contribution of \$20,500 and an 8% rate of return:

| Age Savings Begins | Value at age 65 |
|---------------------------|------------------------|
|---------------------------|------------------------|

| | |
|---------|-------------|
| 23 - 34 | \$3,693,203 |
|---------|-------------|

| | |
|----|-------------|
| 34 | \$2,529,000 |
|----|-------------|

- Assumes \$20,500 per year from age 23 to 34 (11 years) – Total Contributions of \$225,000
- Age 34 to 65 – Total Contributions of \$635,000

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College Cost

| | <u>Tuition</u> | <u>Room/ Board</u> | <u>Total</u> |
|----------------------------|----------------|------------------------|--------------|
| Stanford | \$58,000 | \$19,000 | \$77,000 |
| University of Florida | \$29,000 | \$11,500 | \$40,500 |
| L.S.U. (resident) | \$12,000 | \$15,000 | \$27,000 |
| L.S.U (non-resident) | \$29,000 | \$15,000 | \$44,000 |
| Tulane | \$61,000 | \$18,000 | \$79,000 |
| Vanderbilt | \$58,000 | \$19,500 | \$77,500 |
| University of Virginia | \$52,000 | \$14,000 | \$66,000 |
| Dartmouth | \$61,000 | \$18,500 | \$79,500 |
| University of Alabama | \$31,000 | \$15,000 | \$46,000 |
| University of Georgia | \$31,200 | \$11,500 | \$42,700 |
| University of Colorado | \$39,000 | \$17,200 | \$56,200 |
| Baylor | \$50,500 | \$15,000 | \$65,500 |
| University of Tennessee | \$31,700 | \$14,000 | \$45,700 |
| Rice | \$53,500 | \$16,500 | \$70,000 |
| University of Pennsylvania | \$62,000 | \$18,500 | \$80,500 |
| Emory | \$55,500 | \$17,500 | \$73,000 |
| Washington and Lee | \$59,500 | \$18,500 | \$78,000 |



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College Analysis

Goal: Provide 4 years of college at a public university with an annual cost of \$30,000.

Start saving age 1 --- \$770 / month

Start saving age 4 --- \$900 / month

Start saving age 7 --- \$1,100 / month

Goal: Provide 4 years of college at a private university with an annual cost of \$70,000.

Start saving age 1 --- \$1,800 / month

Start saving age 4 --- \$2,100 / month

Start saving age 7 --- \$2,500 / month



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Education Accounts

There are two types of education savings accounts:

1. **UGMA-** An UGMA is an unqualified savings account funded with after-tax dollars. The first \$1,150 of earnings are exempt from tax, the next \$1,150 of earnings are taxed at the child's rate and the remaining earnings are taxed at the parents' rate until the child reaches age 24. The funds are not restricted and can be used for any purpose. UGMA accounts become the property of the beneficiary at age 18.
2. **529 Plan-** A 529 plan is a qualified savings account funded with after-tax dollars. Earnings grow tax-free. Funds must be used for qualified education expenses or be subject to income tax plus a 10% penalty. Accounts remain the property of account holder (parent) regardless of the beneficiary's age. The beneficiary can be changed at any time to another member of the family.

LA START 529 Plan - Married couples can deduct up to \$4,800 per child on their LA state income taxes. Louisiana will also match your contributions up to 2%. Any unused portion may be rolled forward to be used in future tax years. The account owner or his designated beneficiary must be a Louisiana Resident at the time the account is opened.



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Retirement Summary

- Start Early!
- Know your retirement number - \$8MM, \$9MM, etc.
- Take advantage of all company retirement options.
- Open an additional investment account that is dedicated for retirement (T.D. Ameritrade, Schwab, Etc.).

Note - One can rarely reach retirement goals by only investing in company retirement plans

- Develop a proper asset allocation strategy (investment strategy) to reach your goals.
- Review your plan annually to check progress and address changes.
- Always refer to your financial plan before making any major purchases or investment decisions.

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2022 Tax Highlights

Annual Limits

- 1) **401(k)** --- \$20,500 plus \$6,500 if 50+
- 2) **403(b)** --- \$20,500 plus \$6,500 if 50+
- 3) **457** --- \$20,500 plus \$6,500 if 50+
- 4) **IRA** --- \$6,500 plus \$500 if 50+
- 5) **Roth** --- \$6,500 plus \$500 if 50+
- 6) **Profit Sharing** --- \$61,000 plus \$6,500 if 50+
- 7) **Roth Conversions / Back Door Roth** – still available

HSA Family Limits --- \$7,300 plus \$1,000 if 55+

HSA Single Limits --- \$3,650 plus \$1,000 if 55+

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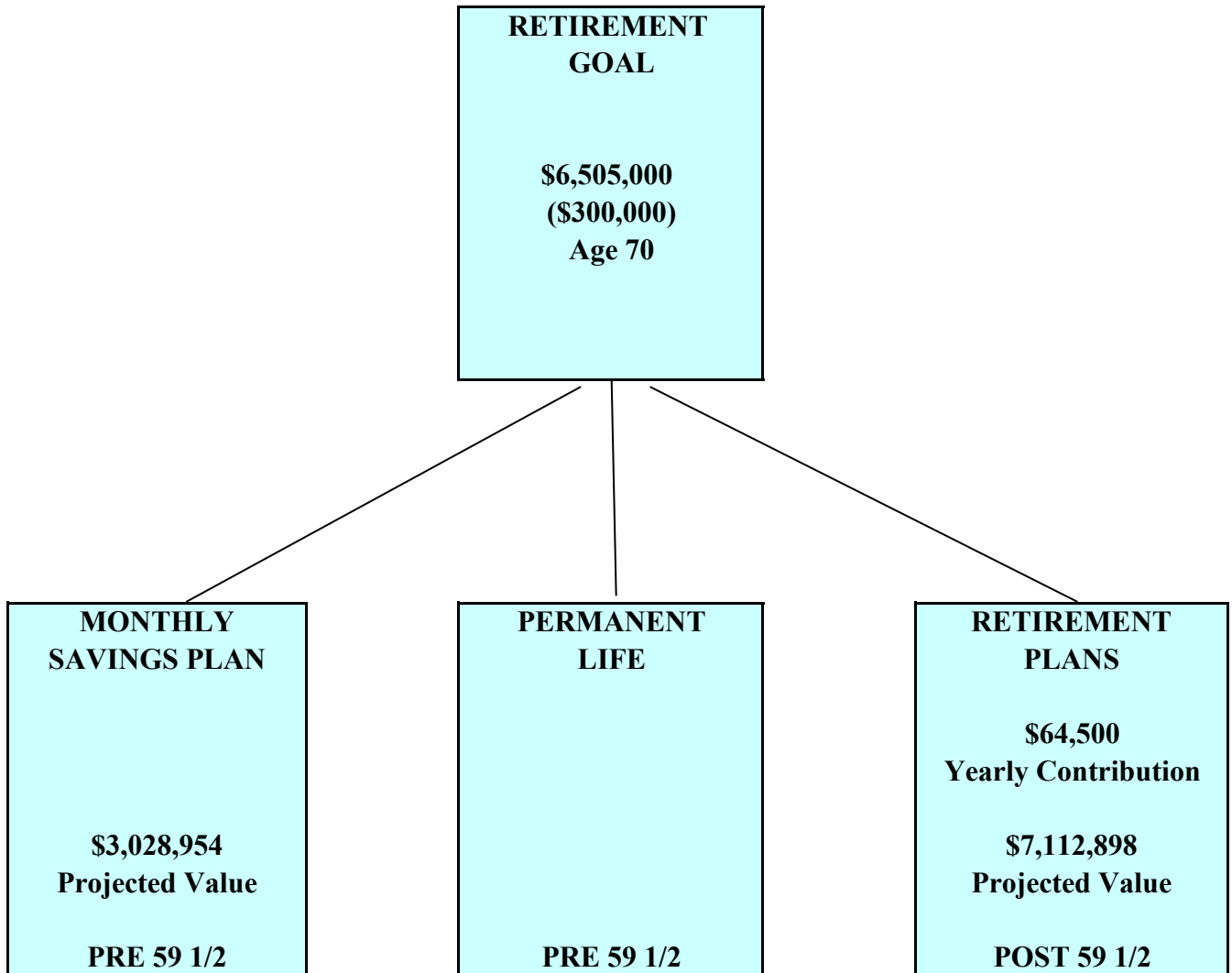
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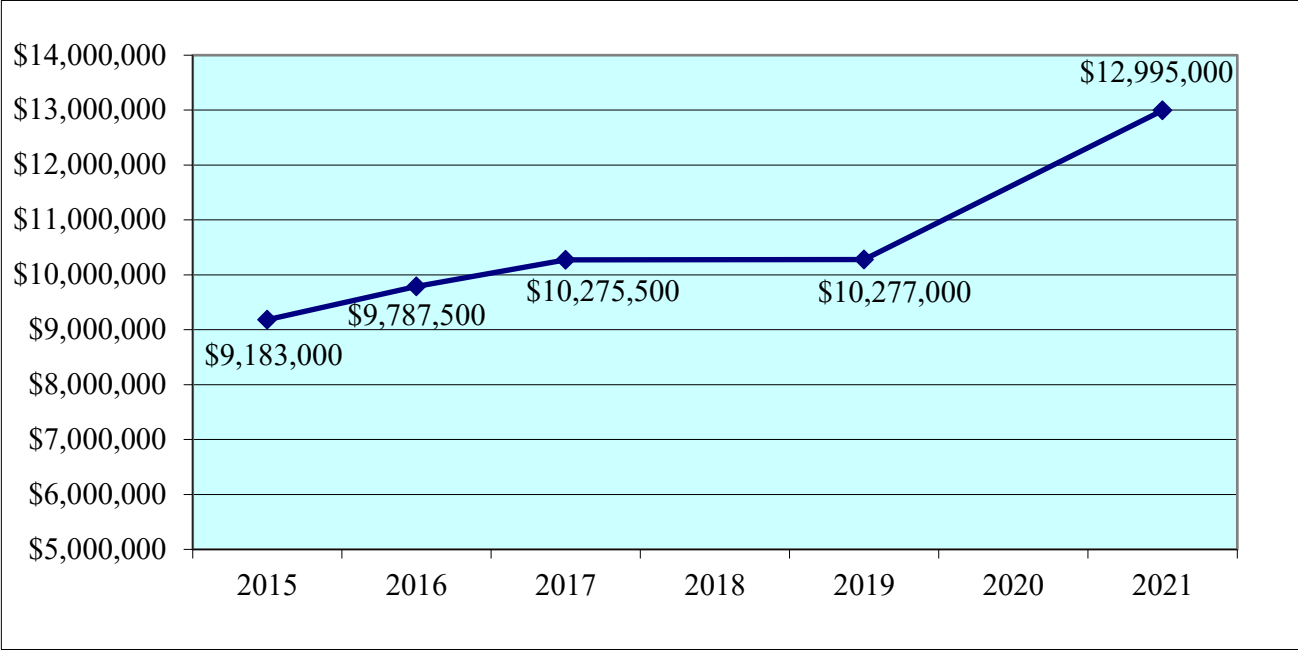
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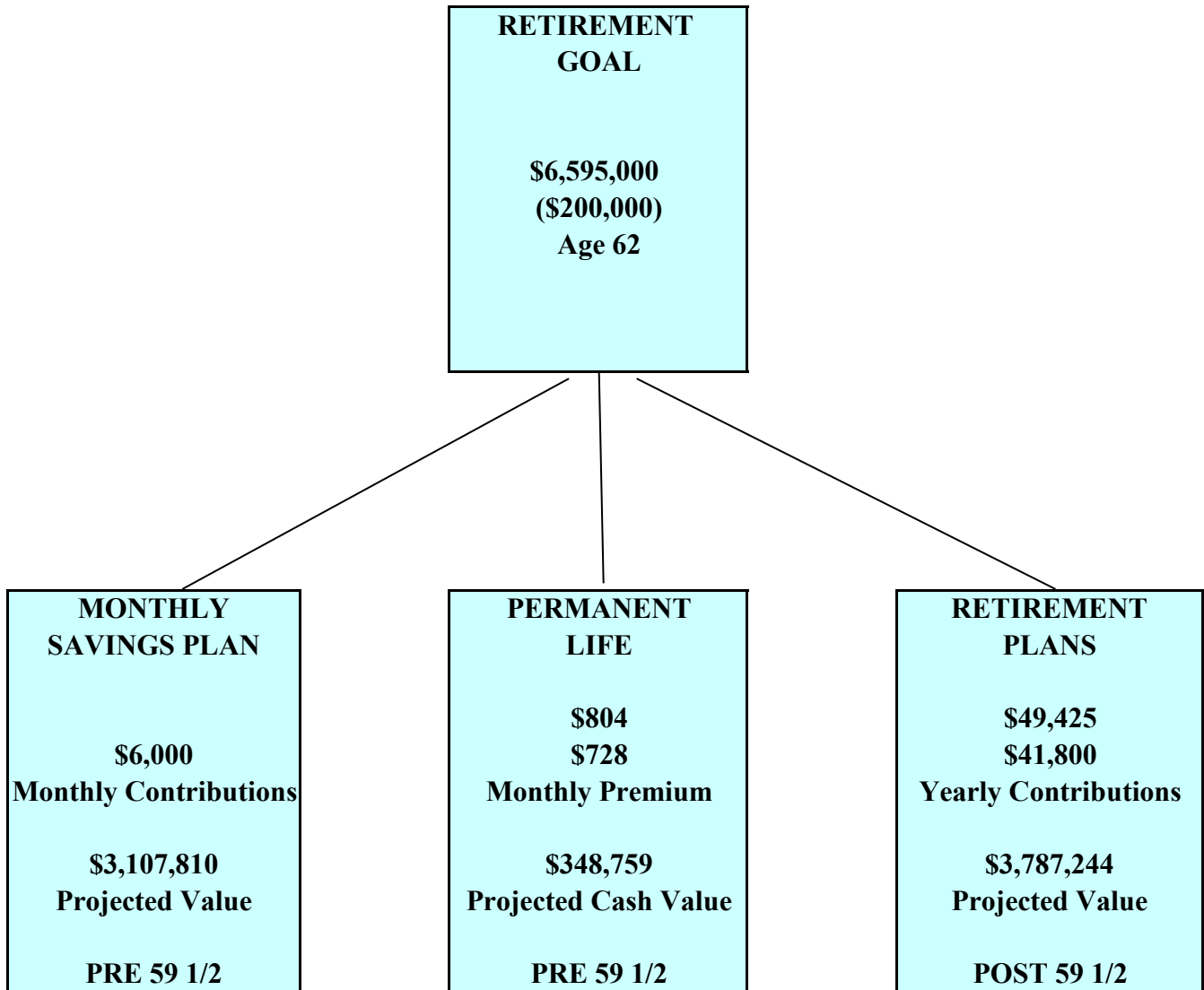
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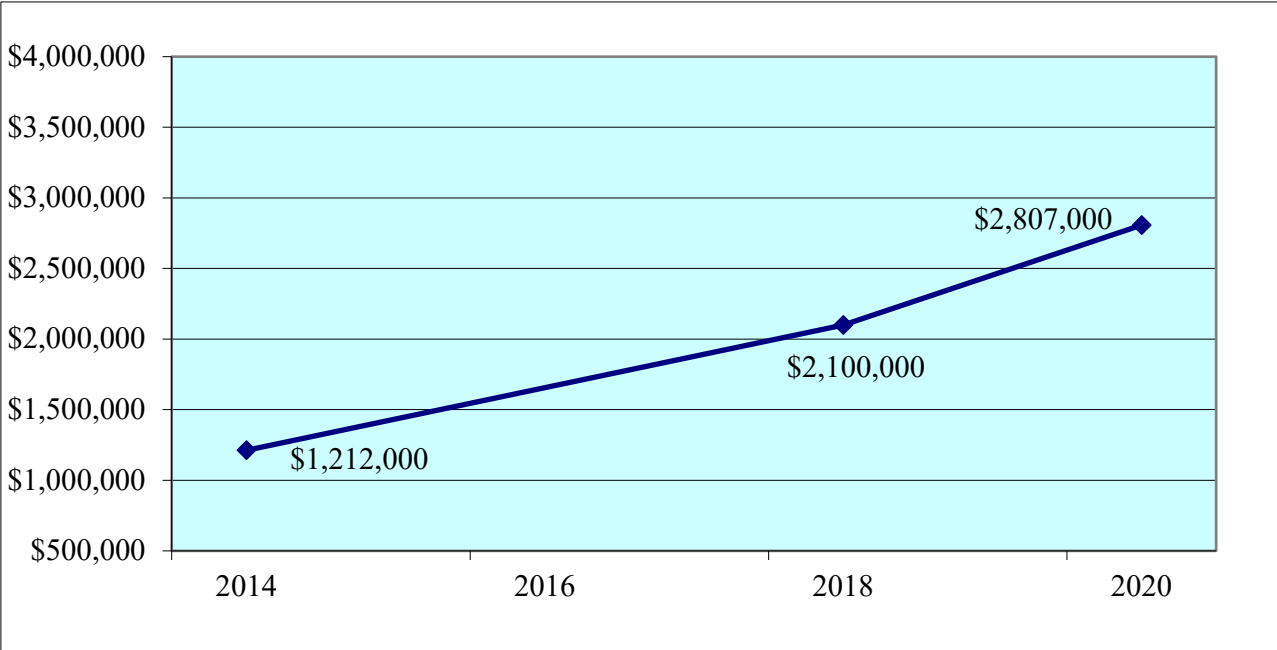
NET WORTH BY YEAR



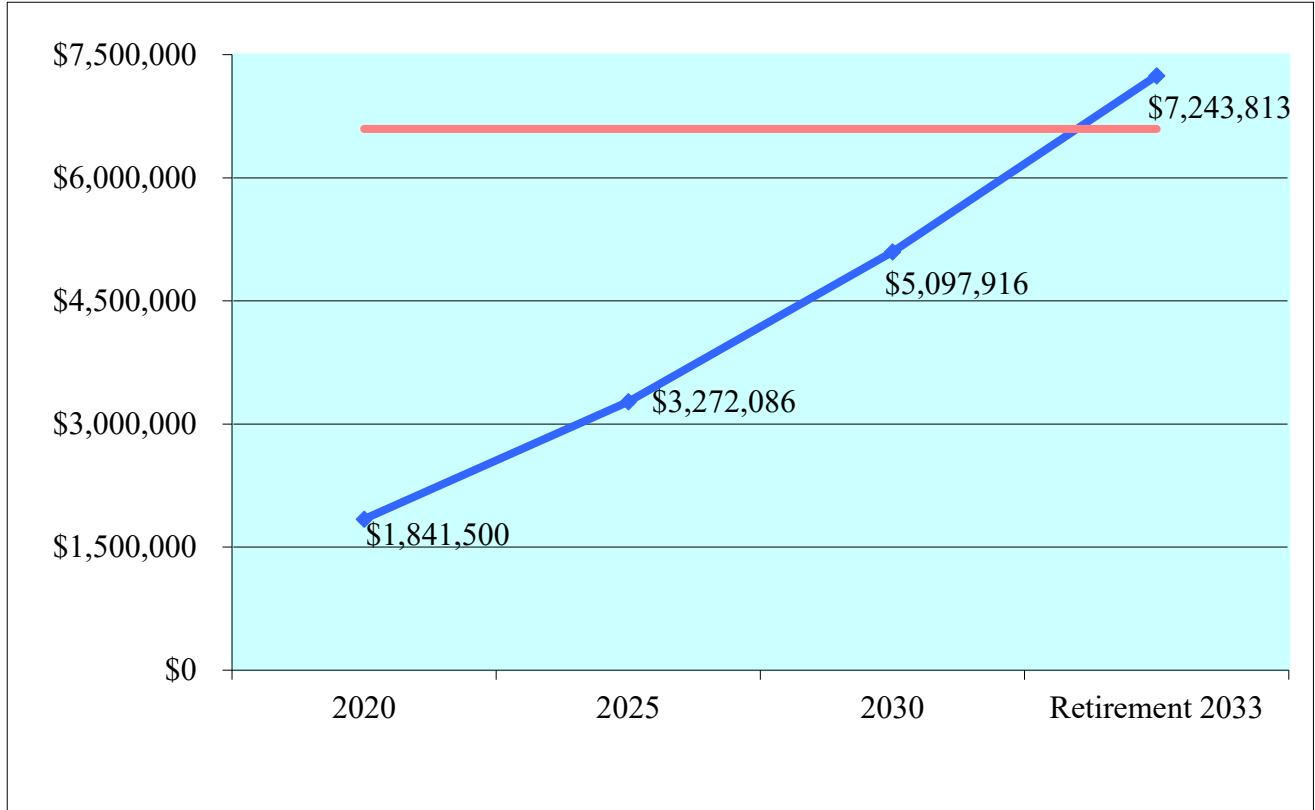
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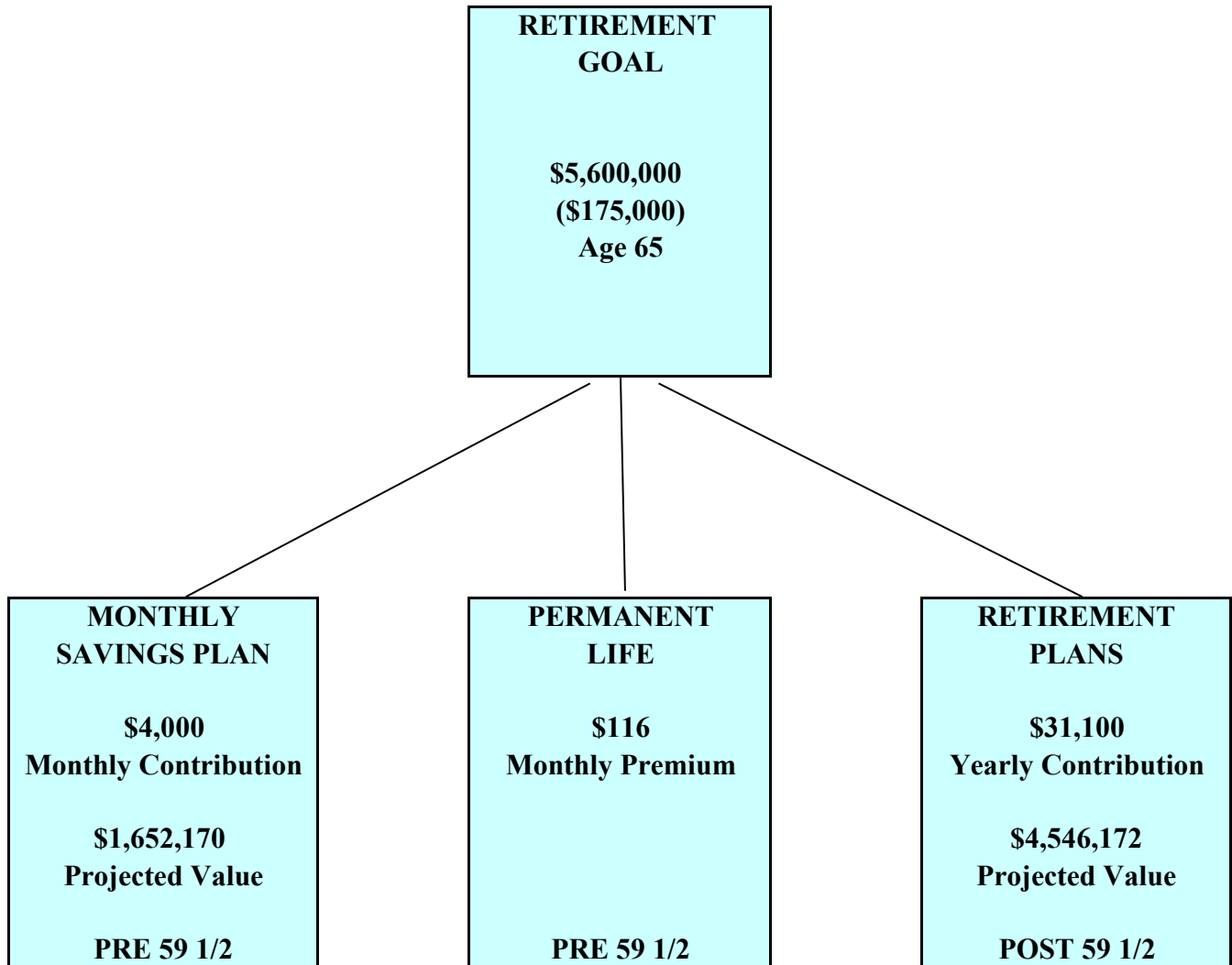
NET WORTH BY YEAR



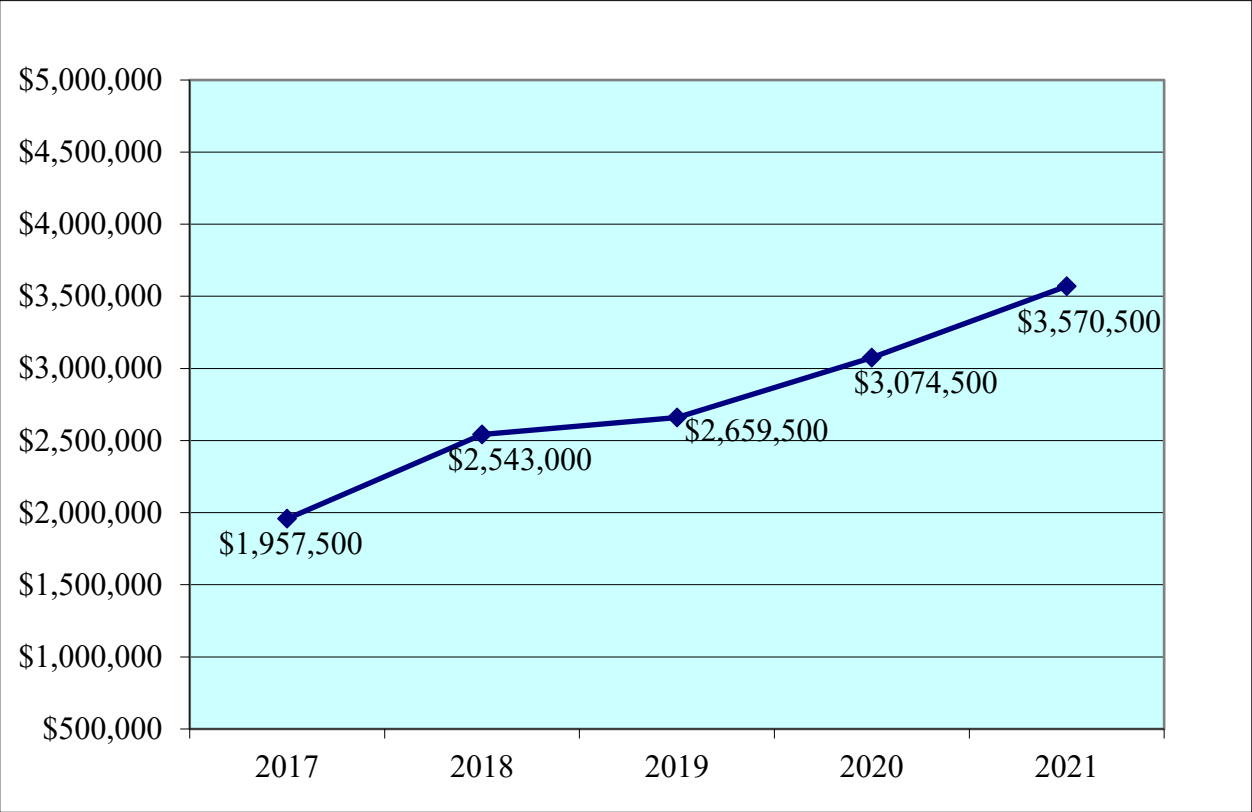
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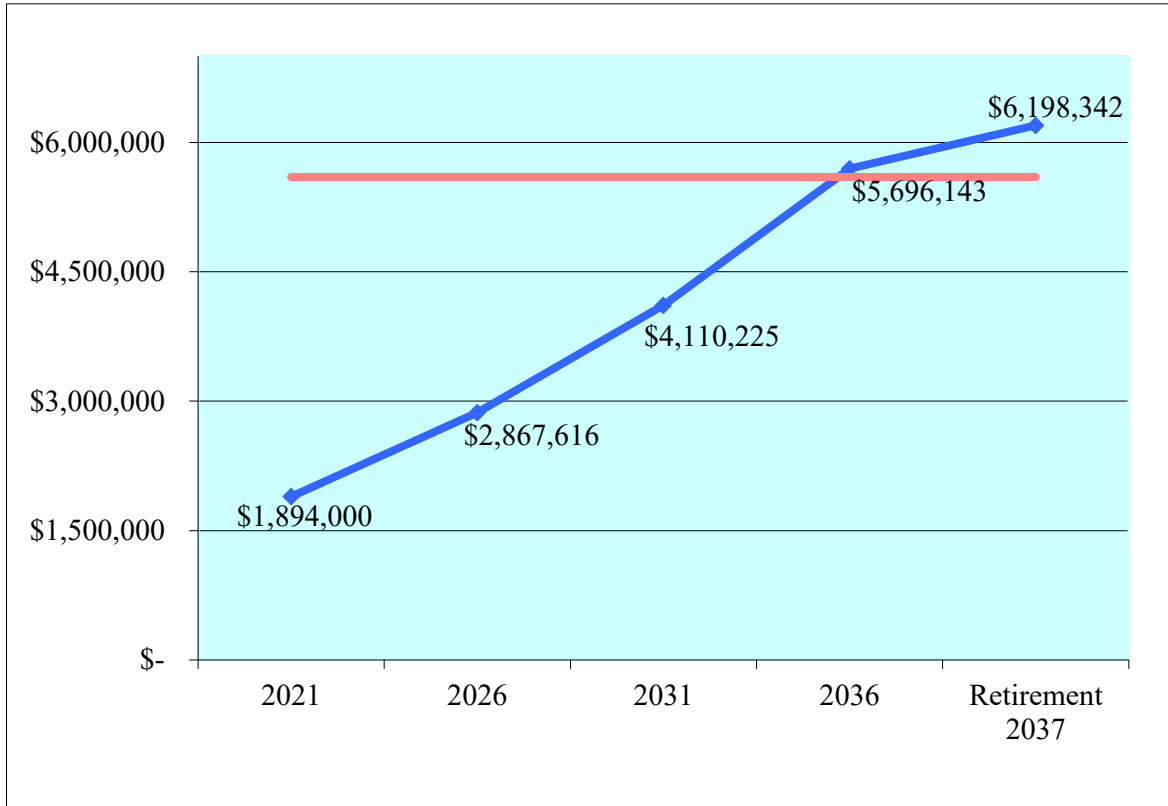
RETIREMENT ANALYSIS ILLUSTRATION



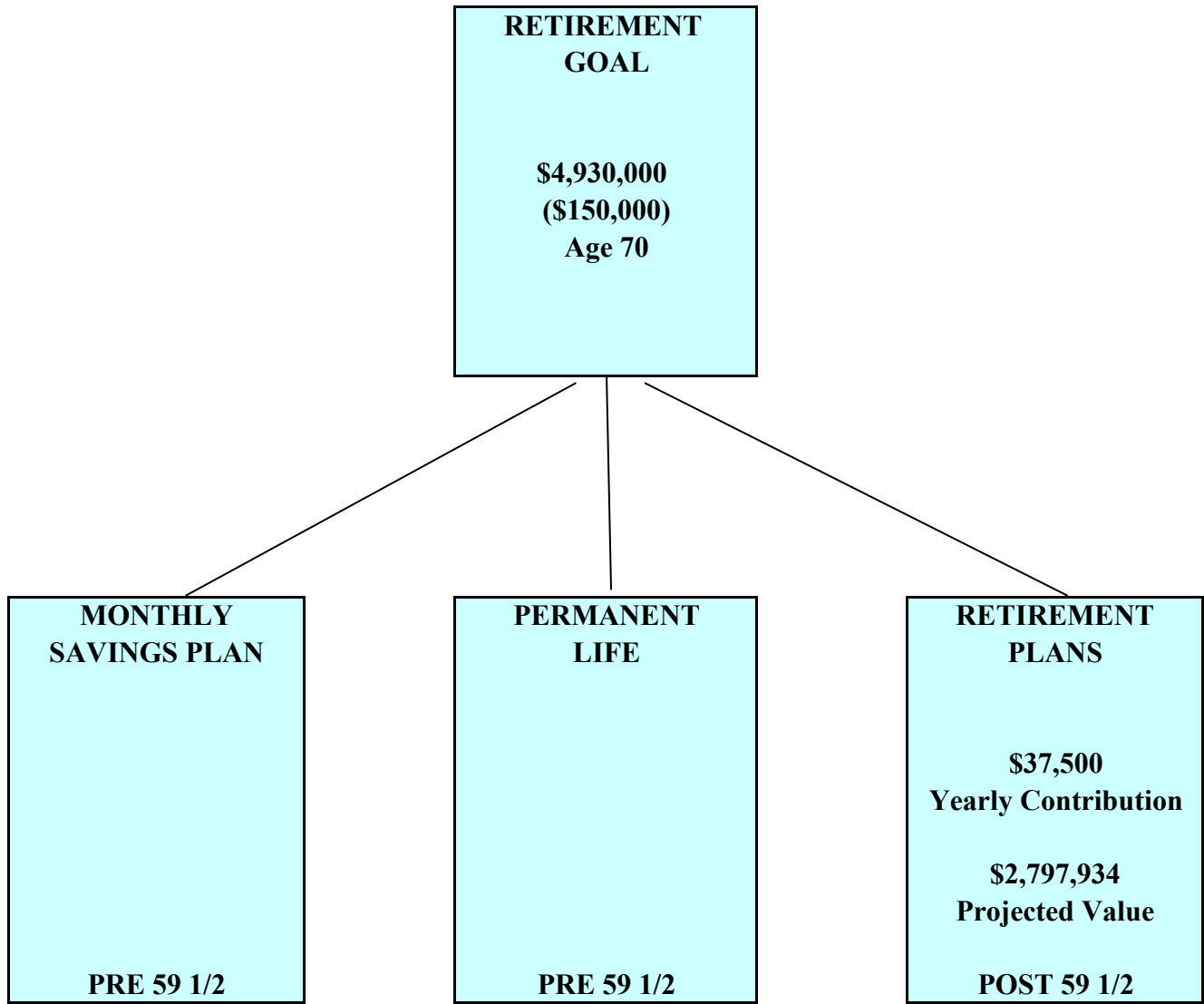
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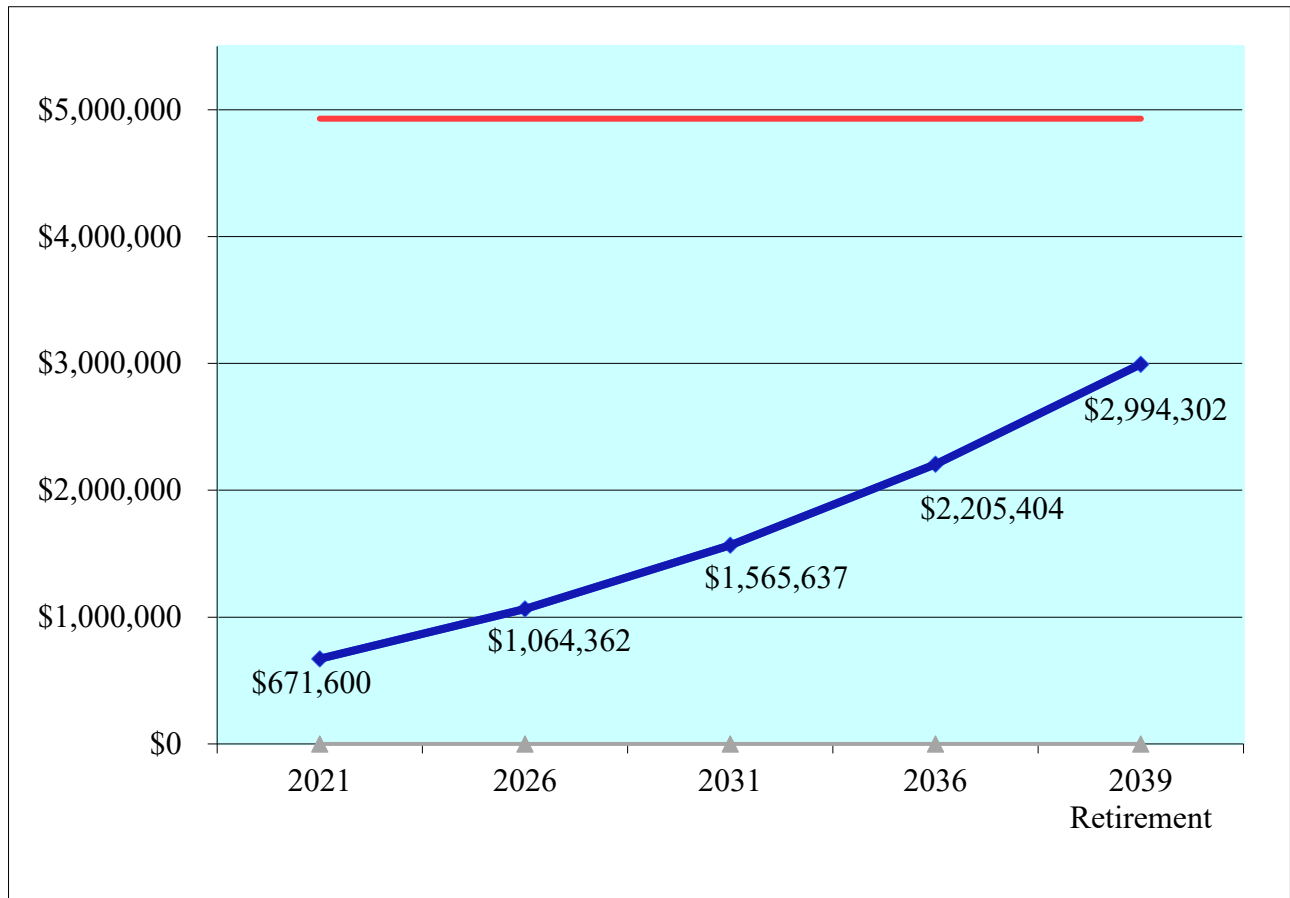
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RETIREMENT ANALYSIS ILLUSTRATION



RETIREMENT CHART



NET WORTH - 2004

Assets

Cash

| | |
|---------|----------|
| Savings | \$33,000 |
|---------|----------|

Retirement- Post 59 1/2

| | | |
|---------------------|----------|----------|
| LSU Deferred Comp 1 | \$15,000 | |
| LSU Deferred Comp 2 | 15,000 | |
| Profit Sharing Plan | 23,000 | |
| | | \$53,000 |

Property

| | |
|-------|-----------|
| House | \$600,000 |
|-------|-----------|

Total Assets

\$686,000

Liabilities

| | |
|-----------------|-----------|
| Home Mortgage | \$350,000 |
| 2nd Mortgage | 40,000 |
| Student Loans 1 | 95,000 |
| | |

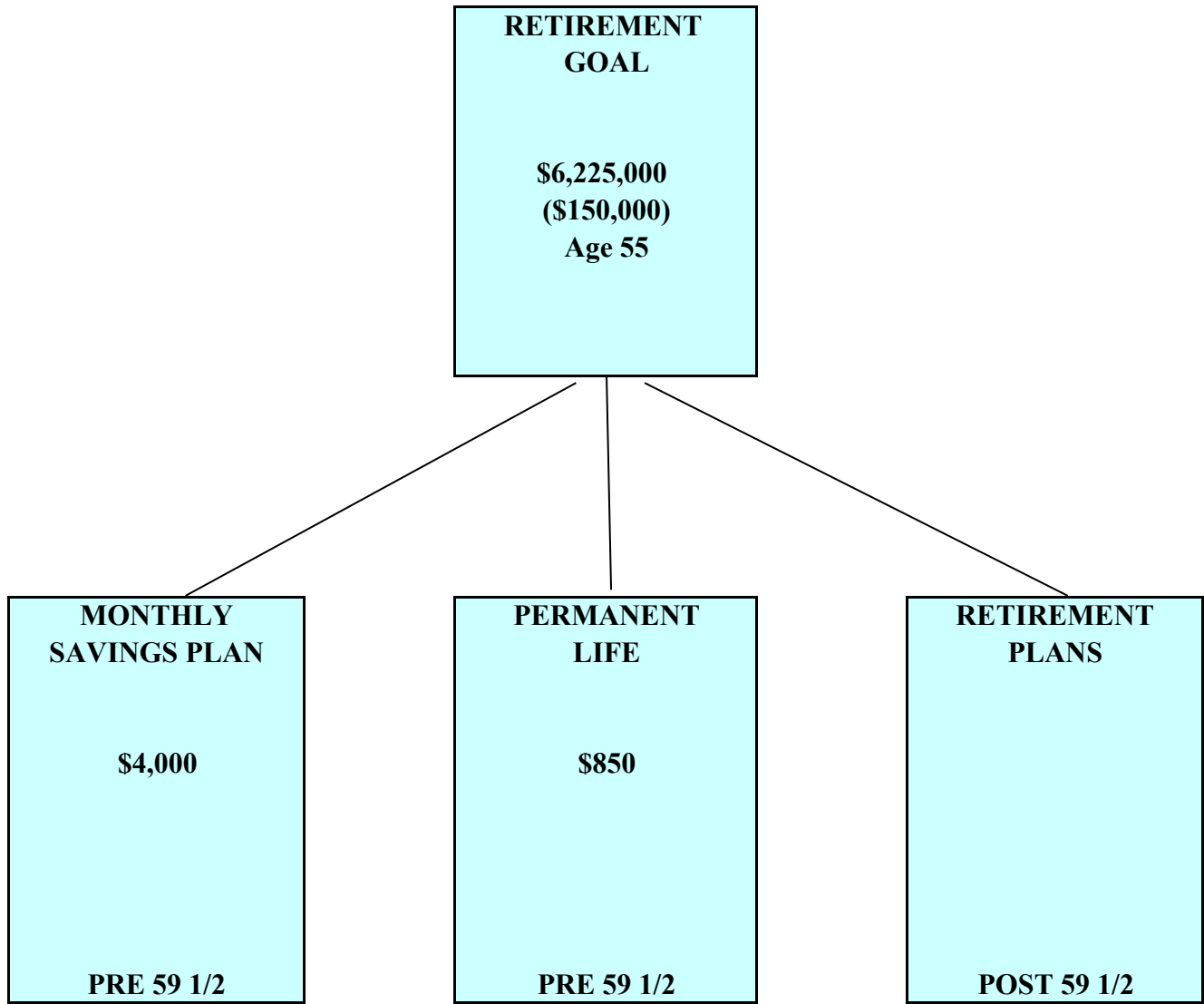
Total Liabilities

(485,000)

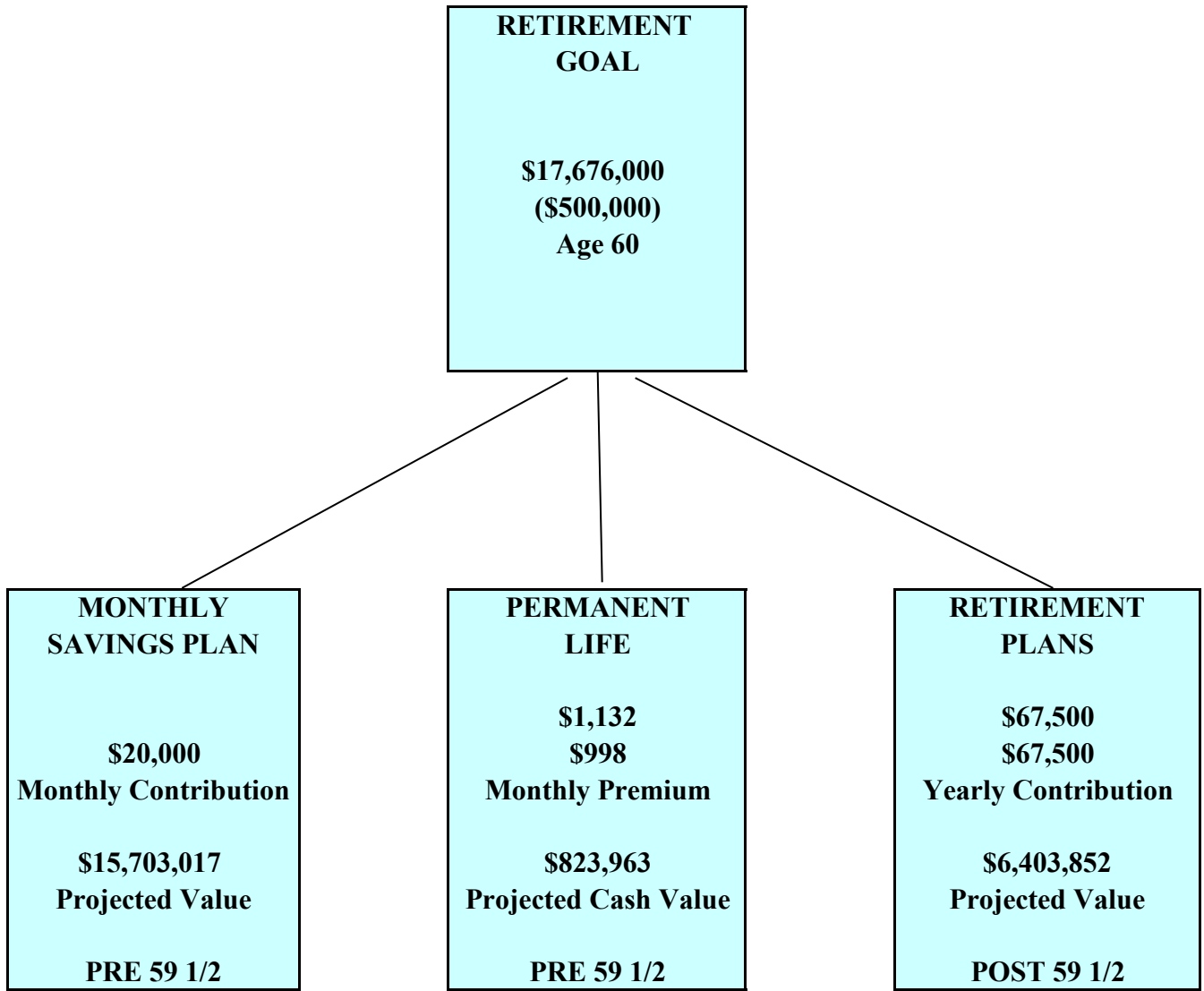
NET WORTH

\$201,000

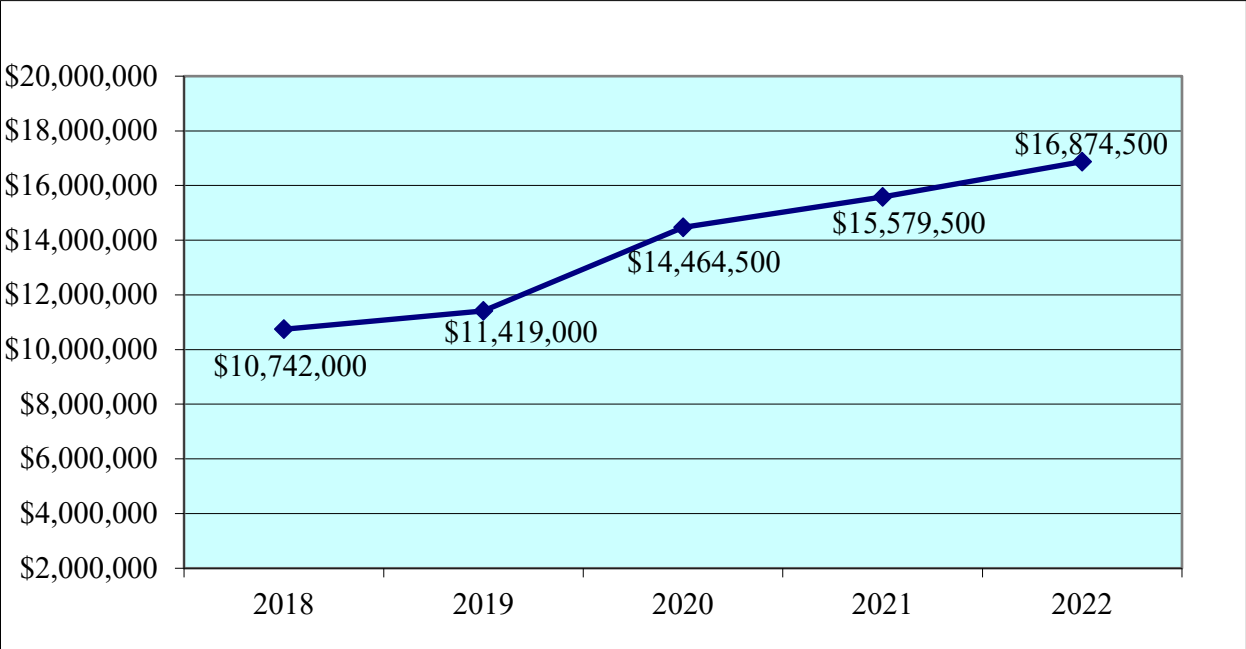
RETIREMENT ANALYSIS ILLUSTRATION



RETIREMENT ANALYSIS ILLUSTRATION



NET WORTH BY YEAR



RETIREMENT CHART

