





Call your financial adviser--asap

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You'll need help in a hurry when you hit these milestones.

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You'd know enough to contact a financial adviser after inheriting a large windfall. After all, deciding what to do with \$500,000 or \$1 million can be a daunting task, even if you're savvy about investing. Plus, you'll want to limit your present and future tax liability, something a planner can help you with.

There are, however, less obvious reasons to call your adviser—reasons that could affect your tolerance for risk and alter how you invest or withdraw your money. Without a doubt, one or more of the following situations will apply to you, or to your spouse, during your lifetime.

You've sold your home or moved your practice

Even a move across town can wreak havoc with your investments and insurance coverage if you forget to notify your adviser. "I've had situations where the client left no forwarding address or phone number, so I couldn't inform him of an important tax law revision or a change to one of his financial products," says Lawrence B. Keller, a financial planner with Physician Financial Services in New York.

If you're moving, tell your adviser well in advance, and let him or her contact the investment and insurance companies you do business with. Some investors try to do this piecemeal, but inevitably they forget to contact someone.

Omit an insurer and you may risk having a policy lapse for nonpayment. "If it's a life insurance or disability policy, the issuer may ask you to undergo another medical exam as a condition of resuming coverage," Keller warns. "It may then decide it doesn't want to reinstate the policy, based on changes in your health."

Also, the sale of property will likely trigger some tax issues that you should discuss with your adviser.

For instance, if you're married and filing jointly, do you know that up to \$500,000 of profit from the sale of your primary residence is tax-free if you both lived in the home for two of the previous five years? The limit is \$250,000 for singles.

Those limits may sound huge, but in affluent areas of the country, some physicians have exceeded them. A good financial adviser has a relationship with an accountant or accounting firm; together, they can suggest strategies for protecting more of your profit from taxes.

You've been laid off or are changing jobs

If you've left a practice and have received severance or other compensation, you'll want to discuss with your adviser how to handle it. Perhaps you'll need most of it to cover current living expenses. In that case, your adviser might recommend that you park it in a money-market fund. If you don't need the cash to live on, though, he may suggest other investments to boost your return without taking on undue risk.

Discuss, too, strategies for dealing with money you have in qualified retirement plans. A popular option is to roll those assets into a personal IRA. "By doing this, you get many more choices than you would with the typical corporate retirement plan," says Robert M. Doran, a Wantage, NJ-based financial planner with Caderet, Grant & Co. For example, you'd be free to select growth mutual funds from Alger, small-cap funds from Oppenheimer, and specialty funds from Fidelity. You wouldn't be limited to, say, half a dozen funds included in the corporate plan, all of which could be from the same fund family.

With a personally directed IRA—or with any IRA, for that matter—you may also be able to take out money before age 59½ without owing a penalty for early withdrawal. An "equal and substantial distribution," as it's sometimes called, allows you to take regular payments on an annuity-type schedule, for five years or until you reach 59½, whichever is longer. "Few plan administrators will let you do this within a 401(k) plan," Doran says. "They don't want to be bothered with the paperwork. However, it's an important advantage if you need the money in case of hardship or want to retire early."

Also talk with your adviser about how you'll extend or replace your benefits when you leave jobs. Will you need to find health and dental coverage, or will your spouse's plan cover you? How will you replace disability and life insurance benefits that your former employer may have provided?

You're expecting a new addition to the family

If the mother-to-be doesn't expect to return to her job after the child is born, a visit to a financial planner can help with any adjustments that may be necessary. For instance, you may find you need to free up more cash, perhaps by refinancing your home, reducing your spending, or selling some assets.

After you welcome your little one, don't forget to add the child as a beneficiary on your investment documents, insurance policies, and will. "It seems obvious, but a lot of people forget to do this," Keller says. "Each time I meet with my clients, I ask about newborns and legally adopted kids." He also re-evaluates his clients' life and disability insurance coverage, to see if they meet the needs of the growing family.

Now, too, is the time to ask your adviser about setting up a Section 529 college savings plan for your child. Earnings in the account are free from federal taxes as long as they're used for higher education. The biggest advantage 529 plans have over Coverdell Education Savings Accounts (formerly called Education IRAs) is that you can sock away a lot more money in them. Coverdells limit your annual contribution to \$2,000; with a 529, married couples can invest as much as \$22,000 a year (\$11,000 for singles) until the account balance reaches six figures—typically around \$250,000, although maximums vary by state.

"Because there's no income limit barring high earners from contributing to a 529 plan as there is for Coverdells, this is a tremendous tool for physicians," says Bob Doran.

Your child is approaching college age

If you've been saving for your kids' tuition on your own or within custodial accounts, you and your adviser should begin shifting a percentage of the assets into fixed-income vehicles, so that the money will be there when your child needs it. In an "age based" or "years to enrollment" program within a 529 plan, this shift occurs automatically.

Either way, you should meet with your planner no later than two years before your child starts college, to begin investigating whether your family might be eligible for any sort of need-based financial aid. If the prospects for aid or merit scholarships look bleak and you haven't saved enough for college costs, you and your adviser should come up with a plan to make up the shortfall.

You change your investment goals

Granted, you ought to tweak your portfolio at different stages of your life to ensure that your money will be there when you need it. But many people rush to sell investments to calm their nerves during a rocky market. "They were aggressive when they were earning a 20 percent annual return, but now that they're losing money, they've become skittish," says Larry Keller.

If this describes you, exhale deeply and pick up the phone. You pay your adviser to keep close watch over what's driving the stock market. So ask if you have a good reason to be jittery. About the worst thing you can do is panic and shift, say, three-quarters of your assets from aggressive-growth mutual funds to money-market accounts.

"If you do that, you lock in your losses and virtually guarantee that you'll miss any rebound," Doran says. "That's why it's important to establish a comfort level with your adviser and your investments early on. Then if you feel you need to make a subtle shift—for instance, from large-cap growth to large-cap value—that's fine. A change like that isn't extreme enough to throw your portfolio out of whack. It's like going from fourth gear to third, instead of from fourth to first."

You're completing or revising your will

If you have children, you need a will. In it, you should designate both a guardian for your children and a trustee for your estate. You can name the same person for both roles, but it's better to tap two people, to avoid a conflict of interest. For example, you don't want a situation where the guardian raids a college fund to pay for a new SUV. Another person could be a wonderful guardian—responsible, trustworthy, and great with kids—but know zilch about investments.

It's important to consider other assets your will doesn't control. For instance, when you invest in a qualified retirement plan, you enter into a legal contract with the investment company, and your will can't supersede that contract. So update retirement plan documents regularly, to make sure they reflect the people you want to be your beneficiary and contingent beneficiary. If you want your oldest son to be your beneficiary and your 401(k) documents list an ex-spouse, guess who's going to come out ahead? "The only way your ex won't get the money is if he or she is kind enough to legally disclaim it," Doran says. "You don't want to pin your hopes on that."

Check who you've listed as beneficiaries on your nonqualified, taxable accounts, too. To make changes, you may need to fill out a "transfer on death" form. If it's a joint account, both of you will have to sign the form to make it legal.

"Updating your will and listing the correct primary and contingent beneficiaries on your investment documents and insurance policies can help you minimize estate taxes, avoid probate, and reduce

attorneys' fees," Doran explains.

You've decided to retire in a few years

Just because you plan to retire doesn't mean you can afford to. Your adviser can—and should—run some financial projections based on your anticipated sources of retirement income. Moreover, he or she should ask you questions concerning your *goals* for retirement. For example, do you plan to sell your home and move into something less expensive? Would you like to travel a lot, or are you looking forward to reading and gardening? Is it important to leave as much money as possible to your children and grandkids?

The sooner you make these decisions, the sooner you and your adviser can tailor a plan to meet your needs. If you'll be selling your practice, your adviser should help you address the many tax, legal, and investment issues you'll have to contend with. In the meantime, while you're still working, contribute the maximum allowable amounts to your retirement plans. If you've reached the contribution limits but can afford to set aside more cash, do so in a tax-deferred annuity.

Because you won't be earning income in retirement, your adviser should begin shifting a portion of your aggressive investments into more conservative vehicles, including bonds and Treasury bills. How large that portion ultimately becomes depends on your age, tolerance for risk, and how soon you expect to tap into the money.

In addition to your investments, review your insurance coverage. If Medicare will be your primary health insurer when you retire, look into securing a Medigap policy to pick up whatever Medicare doesn't cover. Consider, too, whether you need a long-term-care policy. If you have a large estate worth several million dollars, you can afford to self-insure; however, you might want the coverage anyway, to protect as much of your estate as possible for your heirs.

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