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# Why Every Employed Physician Should Form Their Own Corporation



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# Introduction

Welcome to a bold new space in the world of physician employment, a space where you can regain control over your professional and personal world.



Tad  
aka Dr. Inc

Physician Employment is growing with well over 50% of practicing physicians being employed, and over 90% of graduating residents choosing employment.

However, within this space, most physicians are unaware of their options for organizing their employment contracts.

## Employment Lite

The hidden space that employers are reluctant to share, and most doctors are unaware of is called Employment Lite. It's a simple employment contract option that begins by forming your own PC, who in turn creates a professional services agreement with your employer. The end result of this structural change is that it places personal and professional control back in your hands. This arrangement still satisfies your employer's desire for alignment, market share, and downstream revenue as a result of the contractual terms. Then it's really pretty simple, your employer writes the check for your earnings to your PC, rather than to you personally. This structural change to your business relationship provides the proverbial win-win.

# About the Author



*Tod Stillson MD, aka Dr. Inc, is a practicing Family Physician in Indiana who has benefited from a PC-based Employment Lite contract for years and wants to share this secret with his fellow physicians.*

## **Motive**

My motive is simple. I want my fellow tribe of employed physicians to hold onto the security of employment while also preserving their small business powers that lead to personal and professional autonomy.

## **Experience**

I have worked as an employed physician for nearly 25 years, but 10 years ago I converted to an Employment Lite contract. That simple move saved me from burnout, restored my professional autonomy, and increased my retained income by over a million dollars during this past decade.

## **Change**

Starting your own modern version of a professional corporation (PC) is your first step to freedom and the mindset change that is needed for every physician. You have earned the right to use this small business power to your advantage. Although employers would like you to believe that you have to give up this power to enter their harbor, that is a myth. Your own PC can be used within your employer's harbor via an employment lite agreement, or you can use it outside of their harbor for your side hustles, or can you use it for both. That is what I do. By activating this small business power you can help yourself flourish due to the way it improves your financial health, but more importantly by the way it preserves your control over your personal and professional life. Now is the time for this needed change to the broken system of healthcare, and that change is solely within your control.



*If you want something new,  
you have to stop doing something old.*

Peter F. Drucker

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Physicians need a trusted resource to inform and inspire them about their small business powers in medicine and [SimpliMD](https://SimpliMD.com) is one of the leading voices in this space.

Sign up to receive our newsletter, blogs, and podcasts that speak to issues important to employed physicians and the business of medicine

at SimpliMD or Dr. Incorporated

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CHAPTER 1

# Options for Weary Employed Physicians

A Summary of Practice Options





## Employed Physicians Are Tired of Being Controlled and Want Options

### Employed Physician Benefits

I fully understand why choosing to be an employed physician is the preferred model for the majority of doctors, including [over 90% of recent residency graduates](#).

Employment is turn-key, guaranteed income, predictable paychecks, and often laced with financial incentives.

### Employed Physician Pain

I have been an employed physician for nearly all of my career. Sooner or later most employed physicians come to the realization that the ease and security of the position has a painful backside that includes losing professional and personal control over their life.

This pain can leave physicians in a position to [consider making a change](#) in order to escape from the burdens of the system. That Y in the road occurred for me 10 years ago, as I teetered on the edge of burnout. There were eight doctors in our highly successful group at that time, and we all went in different directions as a result of employed physician burnout issues that all stemmed from the crushing pressures of corporate employment.



## Summary of Options

The following is a summary of the options that each of us considered at that time, and they are the same options available to you today:

### **1. Leave medicine altogether**

Your identity does not have to be defined by your education. Choose something that gives you meaning and purpose. If medicine is unfulfilling, you don't have to stay in it.

If you are unsure, take a sabbatical from medicine. Step away for a season, and do some personal inventory to reflect on what you are passionate about, and what your ideal world would look like.

With your education and degree as a physician, you have many options.

Don't let income and lifestyle preferences force you to live miserably. Nor let the guilt of "not using your degree" impair you from pursuing your passions.

### **2. Migrate to Private Practice or Direct Patient Care Models like DPC**

You will maximize control of your professional life the most with this transition, especially if you open your own practice.

One of my close friends and fellow physicians in our practice chose to leave the group, during the same Y in the road. He landed in industrial medicine, but has now transitioned to his own Direct Primary Care private practice. He loves it.

But one must be mindful that this transition requires the most time, energy, and resources of any of the 5 options.

### **3. Change Jobs**

Find a greener pasture that promises to offer you a more benevolent employer who will promise to support your need for professional autonomy. When our group broke up, a few of the doctors chose this route. Ultimately my peers felt that trust was broken with management, and typically when this bedrock element is fractured, it's hard to recover with the same employer.

Moving on is best for both physician and employer when there is distrust.

Depending on where you live, this could require a stress-filled household move as on top of the stressful professional changes. Don't minimize or monetize the price of this change in your household. The change may be best for you professionally, but it may come at a significant personal cost to the members of your home due to its disruptive nature.

#### 4. Become A Medical Contractor-Locums

You can box in your work life, and create space for personal interests by moving to shift work for contracted services. There are a host of short and long-term options for this type of work depending on your specialty, but the most well-known option is specialty-specific locum tenens positions.

Many acute care hospitals offer a wide range of contracted service positions for the myriad of medical services provided at their facility. Transitioning from an employee to a contractor can provide a needed infusion of autonomy.

Two members of my group chose to go this route. They took jobs in industrial medicine that allowed them to work Monday through Friday 9 am-4 pm, no call, no weekends or holidays, slow pace, and no messing with insurance.

Most contracted doctors are self-employed, but some work as members of a group organized to provide long-term or short-term contracted medical services.

#### 5. Employment Lite

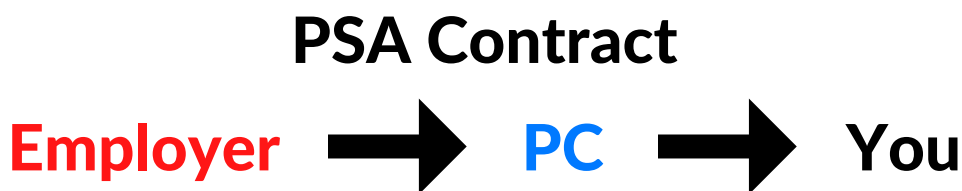
This transition requires no move and no change in your employer. You remain an employee of your preferred organization, but it opens the door for greater professional and personal autonomy over your life.

This is a version of contracted professional services. It is technically a PC-PSA contract. Visually a standard employment contract looks like this:



In this model you receive a W-2 from your employer who controls almost everything except the dollars that land in your household after they filter through your benefit plans and taxes.

An employment lite contract looks like this:



In this model, your employer pays your PC (1099) and your PC pays your salary (W2) and provides your benefits. Through this exchange, you regain a significant amount of control over your professional life, benefit plans (retirement) and tax strategies.

CHAPTER 2

# Control

Tired of Being Controlled by 3rd Parties



## Physician Employment after the Honeymoon

Choosing to be employed as a physician is a great option, however, over the past nearly 15 years of the Triple Aim movement, physician employees have experienced significant changes in their freedom to provide professional services to their patients.

The aggressive interjection of 3rd parties into medicine has led to the erosion of control over our personal and professional worlds. There is a mesmerizing process that unfolds as the goalposts are gradually moved imperceptibly by management over time. Most of us acquiesce for the good of the team, convincing ourselves that each step is a better new normal because the Triple Aim must not be wrong. Your professional growth and development seem to demand this adaptability and resiliency. Our natural response is to put our heads down and simply work harder and then look to escape from the pressures during our time off.

### The Slow Fade

We are conditioned to this mindset in our training. Adapt, work harder, and trust the process of professional development, all while trying to maintain your well-being.

Sadly, for many physicians, there is a slow fade associated with this process. We experience and accept an increasing loss of clinical autonomy, the fatigue of working hard every day, and the disempowering awareness that others control us.

We conform dutifully, collect our paychecks, and focus our attention on personal pleasures outside of medicine. Areas that we can control and which often provide meaning. This allows us to escape the pressures of medicine. But over time, even our personal life can become victims of the time thief of medicine. Working at home after finishing patients at the clinic has become normative to too many physicians (thank you EHR).

We dream of regaining our freedom from this form of indentured servanthood.

## Loss of Control

For me, the last straw came when I was unilaterally asked to take a pay cut through a corporate contract restructuring process that did not take into account my fair market value as a physician. I was asked to sign the new contract or find a new job because they had a mandate to reduce corporate expenses and this was one of their necessary changes.

I believe many of you can identify with reaching some crisis point where you feel the loss of professional and personal autonomy cannot be accepted any longer. That critical point where you know where a big change is needed. Whether it is due to feeling undervalued or overworked or some combination of the two, many of you know exactly what I am talking about.

## Misery and Conversations

Many physicians and their loved ones are commiserating regularly over these thoughts and then have deeper conversations about the solutions that are needed for their well-being and balance to be restored.

Changing jobs is the default eject button for most of you because it provides the promise of a fresh start, and you reason perhaps a better employer.

But the thought of job change just seems too massive to undertake, so most of us shrink back into employed physician zombie-land believing that there are no good options. This mindset is further intensified by the revved-up lifestyle that you have created around your predictable paycheck, and this lifestyle will make it difficult to make a big change.

Instead many of you will choose to focus on the weekends, vacations, and time out of the clinic. You might even dream about retirement, rationalizing that your current high income is worth the misery. It seems to be a fair exchange for when you walk away from medicine and are set free to do what YOU want when YOU want.

I believe physicians are meant for more than this sad compromise.

# PC-Employment Lite

This systemic solution to your misery and the currently broken status quo of traditional employment is PC-Employment lite. In essence, you stay in your current job but switch out contractual terms to a professional services agreement with your PC that is situated within your employer's harbor.

Although it is lesser known, I believe it to be a great fit for many physicians who still prefer the numerous benefits of employment.

## Reasons Employment Lite Is A Great Change Option:

### 1. No job change

- You did not have to move or change jobs.

### 2. Invisible Transition

- Your patients, staff, hospital, and peers will be unaware of the transition, as it is invisible to all except the administration.

### 3. Restoration of Autonomy

- Your PC small business will restore autonomy to your professional and personal life.

### 4. More Dollars

- Without having to work harder or work more hours, the new structure will increase your retained income by as much as 10-15% of your earnings and increase your retirement funding.

### 5. Professional Support

- You can outsource all the setup and maintenance of your PC-Employment lite structure to a comprehensive legal, accounting, and business agency that does this exclusively with doctors all over the country. [SimpliMD](#) can make this all turnkey for you, just like the same team did for me.

### 6. Diversification

- Forming your own PC will allow you to diversify your professional income channels beyond a single employer. This multiplication of income channels will both increase your household resources and psychologically it will make you feel like you are in control of your professional life.

If you are an employed physician who is tired of being controlled, I encourage you to consider employment lite as a space to explore.

CHAPTER 3

# Blind Spots

Employed Physicians Are Often Unaware  
of Their Options





## Physicians Have Blind Spots When It Comes to the Business of Medicine

### Blind Spot

We all have blind spots. Physicians included.

Most physicians are blind to their employment contract options.

I am on an awareness campaign, in regards to this important physician blind spot, and how [Employment Lite \(PSA\)](#) is an important option for you to consider even if your recruiter and employer don't tell you about it.

Most doctors depend on our employer's legal department to create and organize your contract for you. Remember as they do this, they work for the employer, and not for you. They are typically benevolent to you and offer fair compensation plans, but their job is not to creatively give you a menu of options that will make your life better.

This is your job.

### You Need to be Represented

This is why it is critical for you to hire an agency to represent you, or at least pay a flat fee for someone to review your contract with you. Please do this, it is worth every penny.

I made the mistake of not doing this, and later came to learn what I didn't know.

# My Growing Awareness of What I Didn't Know

## 1. Contractual Unknowns.

Like most doctors, I looked at the compensation (salary plus benefits) structure and made sure it was fair market. I was pleased with myself by including a signing bonus, moving expenses, loan payback program, etc.... I looked over a bunch of legal blah-blah-blah's and made sure nothing stuck out as odd. Then I just signed and showed up at work. So many assumptions, so much naivety, so much optimism, so much desire to get started in real practice with a real doctor's paycheck.

## 2. Retained Income Unknowns.

I admit as an attending physician, I was happily unaware of the income that I was giving away every year. Turns out it was [over a million dollars!](#) Back in the day, I actually got a physical paycheck that demonstrated a pecking order of where my income was distributed, and my take-home pay was always the last one on the list. I received the leftovers. It always seemed a little less than I expected, but the control of it all seemed beyond my reach. Everyone was getting their fair share, and I was earning a lot of money. Figuring out what to do with the bottom box in my paycheck seemed complex enough, let alone thinking about what was happening with the money that flowed into the top box.

## 3. Tax Strategies Unknowns.

Today with e-pay and direct deposit, we are even more blind to what happens to our income. We simply get a magic deposit in our bank account and then get an annual W-2 document that shows what our employer did with our "pre-tax" income, and whom they paid on our behalf. The IRS loves having the freedom to access our high income this way.

For physicians, this translates to a simple equation of working hard professionally for an employer and receiving a fair market deposit in our bank account regularly. From here, personal finances kick in as we determine what happens with our "post-tax" dollars. As high-income earners, short of making some very bad financial decisions, the good life is ours for the taking.

It is a pretty sweet deal, that feels great when you get there. Most people view it with envy, but our physician tribe knows the heavy cost associated with the journey.

## A Sweet Deal That Sours

In time, the simplicity of our employment contract becomes overshadowed by the opportunity cost associated with the arrangement. Employed physicians become increasingly aware of those costs as they experience the erosion of their autonomy personally and professionally.

1. **Professionally.** We lose control over our lives. Patients become less of our focus and managing 3rd parties start to consume us, and frustrate us. Our well-being and professional satisfaction trend downward.
2. **Personally.** We start to become more aware of the business of medicine, and our personal finances. Knowing what we gave up for the predictable paycheck, we begin to consider if it's worth it?

Suddenly, what was sweet becomes sour.

So we get out that employment contract, and really look at it. This time with different eyes.

And we realize that [we have blind spots](#) in regard to the business of medicine.

That's the purpose of this book, to expose those blind spots to unassuming physicians.

Don't get me wrong, I think employment is the optimal structure for most modern physicians to practice their trade.

But, standard cookie-cutter traditional employment contracts that favor the employer, and erode our professional autonomy should not be signed without full consideration of all your contractual options.

It is possible to choose to be employed, yet also choose a model different than the traditional model. Instead, you can opt for one that provides you greater control over your professional life, your income, your benefits, and your tax strategies. That option is PC-Employment lite.

Unfortunately, most physicians just don't know what they don't know when they sign their contract to start their attending physician career.

A PC-employment lite contract offers a better option for employment and provides tax and income benefits that far supercede traditional employment.

CHAPTER 4

# Tax Strategies

Your Options are Much Larger When You Form  
Your Own Professional Corporation



## PC-Employment Lite Arrangement Enlarges Your Tax Strategy Options

Each year, every American joins the annual ritual called “doing your taxes”. The ultimate goal for most is to score a positive return because it's like “finding” money. Many Americans use this “found money” to make various large purchases, depending on the size of the return.

For high-income earners like physicians, the more robust strategy involves not just “finding money” while you complete your taxes, rather it's about smartly organizing your household income flow in a manner that allows you to retain more of your hard-earned income.

If you are a traditional employee as a physician and simply collect a W-2 annually from our corporate employer, you are likely paying more taxes than necessary.

You won't have to read very far in this chapter to find out what your best tax-advantaged option is to mitigate your high taxes.

**You must form your own [Professional Corporation \(PC\)](#).**

## Employed Physicians as PCs

The modern PC is a virtual container for your professional services and is NOT equivalent to going into private practice.

Just because you choose to be an employee, this does not preclude you from forming your own [Professional Corporation \(PC\)](#).

The idea that corporate employees can't have a PC is one of the greatest myths within the employed physician community. This is primarily due to the belief that forming a PC is akin to choosing to compete with their corporate employer. That is because most have the traditional private practice PC in mind when you consider this. This old model of a PC is not what I am talking about.

The reality is that you can form a modern PC directly within your employer's harbor and then use it to cooperate with them, rather than compete with them.

If you get nothing else out of this book, the truth that you can form your own PC and still be employed is a truly empowering concept. It has the power to set you free as it restores your professional autonomy.

Taking it one step further, forming your own PC uncovers a hidden employment contract option, called employment lite contract.

In fact, forming an employment lite contract between your employer and your personal PC is the wisest move you could make as an employed physician.

Your employer will fear that allowing you to do this, will lead to a loss of their control over you, but the truth is that it will keep you fully aligned just like a traditional employee.

Although your employer may not be familiar with it, employment lite contracts are used by scores of physicians around the country. They were originally designed to help bridge private practice-PC-based doctors to becoming employees. In essence, employers developed this as a method for doctors to be employed and own a PC.

This same bridge can now be used in reverse order. You can form a PC and operate it either within or outside of your employer's safe harbor. What is old has now become new, for your benefit.

## PC Option

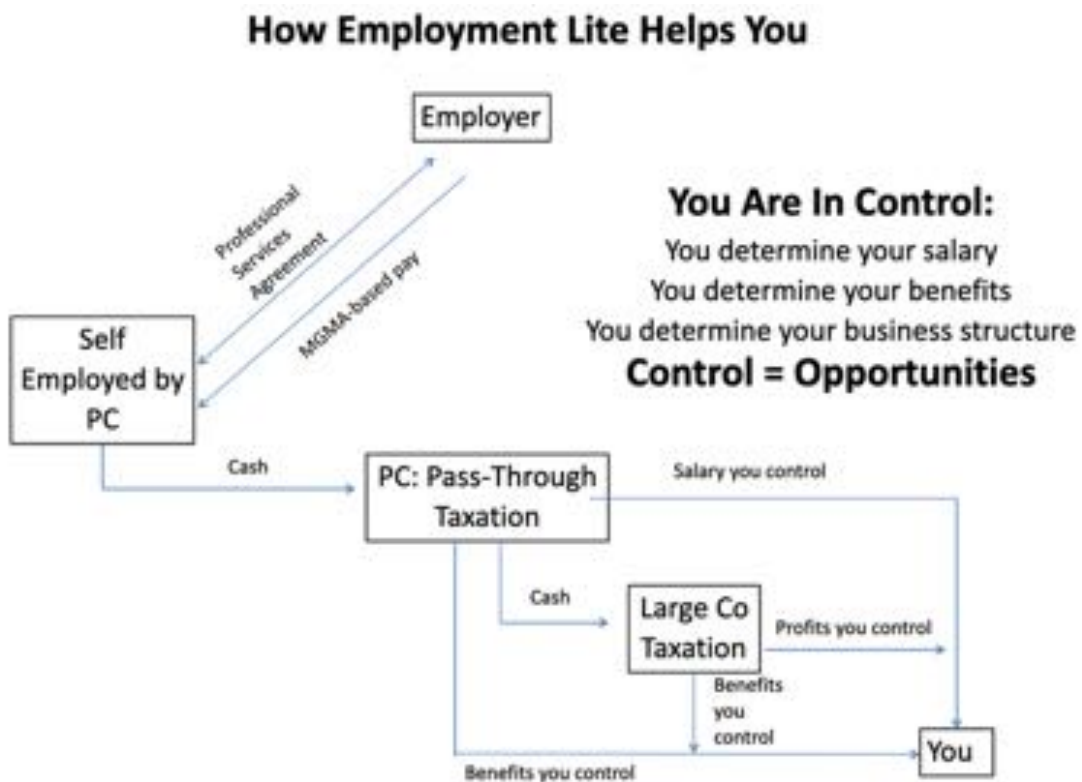
This same small business PC structure is used by professionals like lawyers, accountants, and architects all over the country because it significantly enlarges your strategies for taxes, income retention, benefits, and retirement.



A PC is an option in two primary scenarios:

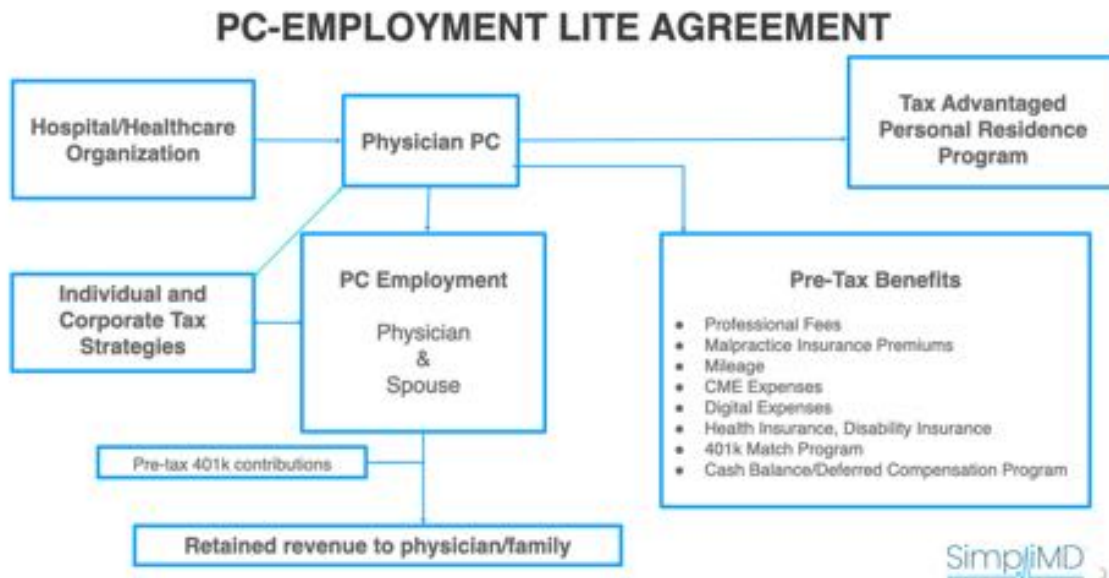
- **Your Primary Employment Contract.** Your own PC can sign the same employment contract you are currently in, through what is called a PSA. Then your own PC employs you to do the exact same work with the same professional arrangements, absent the benefits program (your new PC will pick this up for you).
- **Your Side Hustles.** Or you can keep your current employment arrangement in place, but use your new PC to organize all of your side hustles that you want to funnel through it. These side hustles incomes are increasingly common and can include a lot of things ranging from medical directorships, call coverage, legal services, insurance services, moonlighting, or even a part-time job. If you earn \$40,000 or more in side hustles per year, opening a PC will be cost-effective in terms of its return on investment.

By forming your PC, you are massively expanding how the money you earn flows through your business and household. This, in turn, unlocks the number of tax channels available to you for your dollars. Small businesses in particular have many more tax-advantaged channels that they can use to retain more income. Enclosed is an example of how the cash can flow through a PC-Employment lite business and how it helps you including the tax structure.

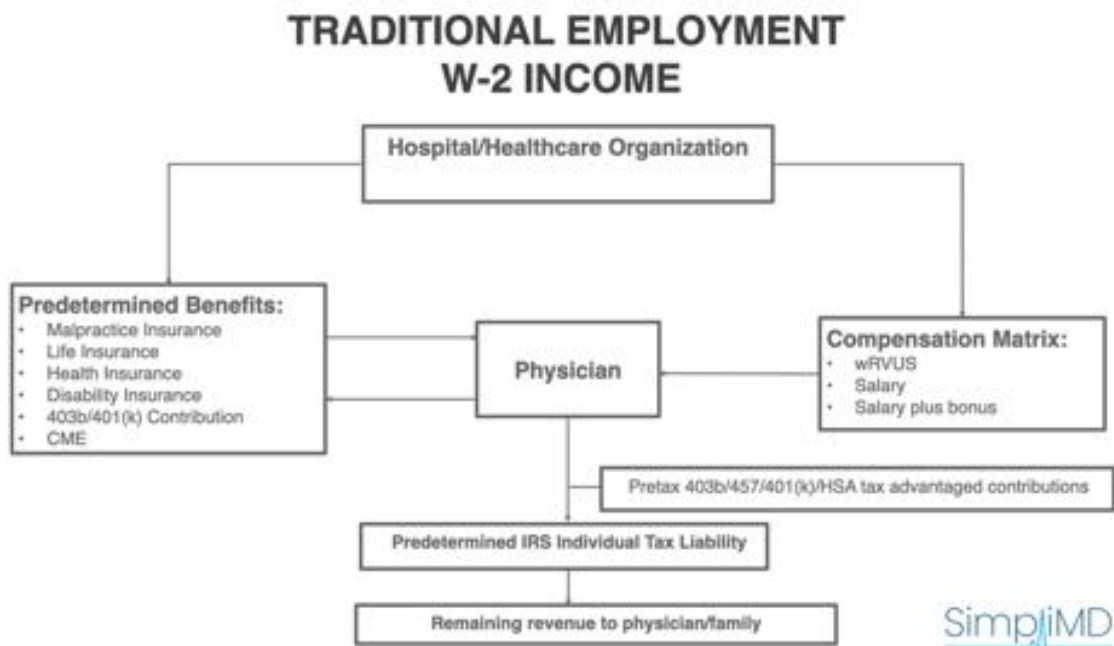




Physicians are afforded several unique tax and small business benefits as a PC as you can see listed in the flow chart below that demonstrates the flow of your money in a PC-Employment lite agreement.



You miss out on these small business tax benefits when you simply take a W-2 check from your employer in a traditional employment contract. This is how your cash flow appears in that model and note the fewer tax options available to you as an individual tax payer:



CHAPTER 5

# Want a Million Dollars?

How Forming Your Own PC Could Help You Retain  
a Million Dollars or More as a Employed Physician



## A Million Dollars Is a Lot of Money to Leave on the Table

Although I was content with my professional life and income, I was not aware that I was giving away money with every paycheck.

And no, I did not lose it in a ponzi scheme, a bad investment, a malpractice suit, or any of the other myriad of bad choices that that financially illiterate physicians make.

I lost it the honest and old fashioned way, due to my own ignorance.

### Ignorance

As an employed attending physician, I was happily unaware of the income that I was giving away every year by simply taking a W-2 from my employer, and allowing them to control all of my benefits.

In fact, I didn't even know there was any other option.

Having worked since I was 12 years of age, I was very comfortable with the standard employment model. One in which I was paid a wage where pre-determined benefits are included. I then received a regular paycheck with the taxes and benefit payments removed, and later receive a W-2 for filing my personal taxes each winter-spring. It's the American way.

## Conditioned to Employment

This employment paycheck model is a ubiquitous experience for an overwhelming majority of Americans who don't own and operate their own company.

A good portion of physicians are very familiar with this because they have worked many jobs through the process of paying for their 8 years of training, and then automatically become employees of healthcare corporations as part of their residency training.

There is no choice for contracts in the match process, and there are no other training employment options. We receive a traditional employment contract that is unilaterally organized by the employer. This is the beginning of our employment conditioning process.

Physicians have been stripped of the option for unionizing and collective bargaining due to federal regulations. But physician employers have somehow retained the illusion of a unified front and collective bargaining.

This tension forces the physician to individually represent themselves with their employer who is able to offer them a self-proclaimed "standard contract" for the masses. Physicians rarely hire an agent to represent them, which is a huge mistake.

It's no surprise then when most physicians finally launch their professional careers after residency, they choose to remain employees, and blindly accept the traditional employment contract.

## Forces Toward Employment

This is modeled by their faculty influencers, and with traditional PCs (private practices) disappearing from the landscape, residents rarely visualize any other options.

On top of that, typically physicians find themselves squeezed by two massive issues. Enlarging and burdensome student loans that now average a mind-boggling over [\\$250,000 per student](#). And business-financial illiteracy is the natural outcome of a singular focus on our medical education.

In addition to business illiteracy, the huge expenses associated with starting a private practice or a direct patient care model, make them nearly an impossibility to consider.

Physicians intelligently react to these pressure points by targeting employed positions that offer safe harbors from these onerous forces. Physician employers provide the needed recipe of loan paybacks and signing bonuses, coupled with fair market value compensation and benefit structures. This is especially appealing when compared to opening up your own direct patient care business with management of it, or an expensive buy-in processes with partnerships or group practices.

It's no surprise that this is all [driving 90%](#) or more of graduating residents to become employees.

The business of medicine just seems too complex, and too risky to jump into as a small healthcare corporation that competes with the big guys who have deep pockets. So opting for employment is nearly impossible to pass up for most of you.

## The Unknown Option

But the lack of exposure to various employment models, along with the intensive conditioning to passively accept their employer's contract, leads most physicians to blindly accept the terms of a traditional employment contract.

Physicians falsely assume that choosing employment automatically negates the need for a PC.

Nothing could be further from the truth.

## Dr. You Inc.

What most of you are unaware of is that you are uniquely shaped to be a business entity. In essence, you are "Dr. You, Inc." It's that business power that makes healthcare employers extremely interested in you. Your clinical productivity through face-to-face patient care, along with the downstream revenue, and your mineable data in the EHR all make your employer's ROI on your employment an easy win for them. Not surprisingly, they prefer contract structures that favor them and allow them to maximize their control over their valued employee's market share.

[Information asymmetry](#) is at play here. They know about the PC-Employment lite option but are going to voluntarily offer it to you.

The hidden option that most physicians don't know exists, and that most employers don't want you to know exists, is known as an Employment Lite contract which is a type of PSA (Professional Services Agreement). This arrangement requires a physician to have their own business entity, or PC, as part of the PSA.

Now your company "Dr. You, PC" has now become your small business employer and pays you a paycheck and issues your benefits.

## Retaining Income

After converting my employment contract to a PSA and organizing my income flow through the right business structure as a PC, I realized it led to over a million dollars of retained income in the next 10 years of practice. Wow, that's huge!

Then it dawned on me, in my prior 10 years of practice, my ignorance about this option, cost me a million dollars. Ouch! That is a massive opportunity cost associated with a traditional employment contract.

Would you like to keep a million or more dollars of your hard-earned income?

I understand why you want to be employed, but my simple awareness campaign is that you should consider a PC-PSA architecture, otherwise known as "employment-lite" as a contractual option that will allow you to keep more of your hard-earned money, typically around 10-15% per year.

Choosing to not act on this knowledge could cost more than a million dollars during your career as an employed physician.

## CHAPTER 6

# Enhanced Benefit Options

By Forming Your Own PC, You Unlock a Large Number of Personalized Benefit Options that are not Available to the Average Employed Physician





## PC's Provide Individualized Benefit Plans

A traditional physician employment contract is part of our conditioning during training.

Through medical school and residency, physicians align themselves with healthcare corporations (yes medical schools are BIG business) and sign up for the associated corporate benefit packages. Doctors tend to trust in the collective wisdom and the beneficence of the corporate packages given to them.

### Conditioning

This all sets in motion a similar pattern that is continued when doctors graduate from a residency:

1. Align our professional life with a trusted healthcare corporation, and sign up to work for them under a fair market value arrangement.
2. Let that same trusted corporation resource the benefit plan, as part of our compensation package, and trust that it is built to maximally benefit us.

This is the pattern that we are conditioned to follow in our training, and is reinforced by the same employed medical educators that influence us. We are trained to do what they do. What they do is sign employment contracts with big business healthcare and blindly accept their benefit package. The blind then lead the blind.

There was a day an time when big company retirement-pension plans and healthcare plans were truly a benefit. They were robust and excellent. I can recall my first hospital employee contract that basically included free medical care at the hospital including labs, x-rays, ER, outpatient visits, etc. I paid nothing for it out of my paycheck. It was truly a benefit.

Those days are gone. A relic of the past. Now a good portion of costs for most benefit programs are shared by you and your employer, and it seems more and more of it is paid by the individual.

## Benefits For The Masses

Most don't realize that the benefit package offered by their employer, lacks individuality. By definition, as a large corporation, the benefits can't be individualized due to federal laws. [ERISA](#) sets boundaries in place for all corporate employees in regard to retirement and health plans.

[ERISA](#) is important, but what the unassuming employed physician doesn't realize is that it restricts any individuality in their benefit structure.

It's for this reason that most of the high-income earning administrators in your healthcare organization has creative contracts that allow for individualized benefit programs that skirt around ERISA.

If individualized benefits are made available contractually for the highly valued administrators with your employer, they should be made available to you as well.

## Retirement Deficit For Physicians

Before I started my own PC, I was pleased as punch that I had maxed out my retirement benefits with my employer. I had no idea what I was shooting for, or if it would be "enough", but it just made sense to max it all out assuming this would all add up to be enough. But after I formed my own PC and began to leverage all of my retirement options, I realized how the caps placed on those prior employer accounts, due to ERISA, would have never got me to the totals needed to support my desired retirement lifestyle. This is an emerging problem in the employed physician world where it is estimated that most employer programs will [only meet 25-50% of a physician's retirement needs](#). But through my PC's Cash Balance plan, I will easily [hit my needed Net Worth mark](#) a full 10 years ahead of schedule. Financial Independence in my 50's feels good!

## Controlling Your Individual Benefits

When you own your Professional Corporation (PC), you have regained total control over your benefits which can be individualized in a package for your benefit. As a small business "S Corp", your PC can unlock a number of benefits well known by those in the business world.

Physicians fear having to resource their own benefit plans due to time and knowledge constraints. No worries, there are plenty of companies that help small businesses do this. Hire one and outsource this.

When you sign a traditional employment contract, you also lose control over the flow of your income and therefore give away a lot of your hard-earned income to taxes and benefit plans that are organized for the masses, and not for you individually.

In this arrangement, you have lost another piece of autonomy in your life. Control over your benefits. By taking over control of your own benefits through your PC, you have cut another tie with those who try to control you.

Traditional employment contracts result in [giving away millions of dollars](#) during your career, in part due to the restricted benefit programs offered.

The fact is that you are a business.

Physicians are afforded unique treatment in the US tax code as simultaneously being an individual and a small business corporation through your Professional Corporation (PC).

By forming a PC, you have two entities to flow your hard-earned income through, and now your benefit and tax strategies have increased dramatically.

So now you can regain control over your benefits and also lower your effective tax rate through this small business structure.

## Personalized Benefits

Your PC will only source and pay for the benefits that you need for your family. Having control over this will allow you to personalize your fringe benefit plan built into your PC. Your small business PC can provide you with special fringe benefit programs that include items like tuition reimbursement programs for your child's private school, automobile leasing programs, international CME adventures, and other more robust traditional benefits like disability, life, and health insurance, just to name a few. Each of these benefits can be built and organized around your personal household needs.

These options are not available to you through your pre-determined benefits for the masses as a traditional employee.

CHAPTER 7

# Net Worth

By Understanding Your Financial End Goal,  
You Can Create a Financial Plan that Helps You  
Reach that Goal



## Monitoring Your Net Worth Is Invaluable to Physicians

Your [net worth](#) as a physician should show up on your personal dashboard somewhere.

It should not be the most important indicator of your well being because quality of life, meaning in work, and work-home integration are more important. But too many physicians ignore net worth calculations until too late in the game.

To most of us, it just seems uncomfortable to track this, because it's not the reason we went into medicine.

I was one of those people. Beyond simply enjoying my role as a rural family doctor, my first goal was to get out of debt. Back in 2005 with all of my debt's paid off, I placed a 2nd mortgage on my paid off home, and invested in a series of "[angel investments](#)" with the hope to create some passive income out of those leveraged funds. The results were mixed, and I wished I had never taken this step. I should have had a my eyes on the Net Worth dashboard.

## The Net Worth View

The Net Worth view would have led me to avoid more debt, and it would have led me to save money by placing it in more secure market-based retirement funds. But since my employer-based retirement funds were maxed out, I thought it would be wise to invest in something that would lead to more future passive income. Angel investments seemed wise because I was not dependent on the income, so slow growth was ok with me.

Passive income-creating projects are good for both income and growth if chosen wisely. But, they should be organized around their impact on your net worth, short and long term, My mistake was that I had no idea what my net worth was at that time. The other mistake was that these investments offered no expected return, just speculated growth. Speculation is not an effective way to grow net worth.

15 years later, I have learned a lot from those mistakes. Had I been organized as a PC then (I was not), I would have simply grew my net worth through diversified income channels and a more robust retirement fund that was possible through my PC. Then I would have used my retained income to create passive income channels that would further grow my net worth. My financial decisions as an employed physician were hampered by the [blind spots](#) that plagued me.

## Financial Independence

The good news is that I have arrived at a state of no debt for the 2nd time and this time it's associated with Financial Independence. Digging out of debt takes behavioral determination. But the secret sauce of Financial Independence for a physician is using your own PC to grow your net worth

## The Normal Physician Playbook

Here is the most common playbook that many of us follow, after becoming an attending physician, and ignoring net worth.

1. We sign up to be a healthcare employees and start collecting a nice paycheck
2. We reason that we are earning plenty of money so we don't need to think about personal finance and money management any longer. We can enjoy the the resources that flow into our bank account regularly, and focus on being a great doctor.
3. We choose to live the good life, make sure we have maxed out our corporate retirement benefits, and use what is left over to pay down our debts while living the American Doctor Dream. We often become consumers rather savers.
4. From the start, we put our head in the sand, because who wants to be reminded of our negative net worth due to those student loans? We tell our self, tracking net worth will make more sense when the loans are paid off. Of course, by then, we have often acquired more debt, so the same logic is applied. The can is kicked down the road again.

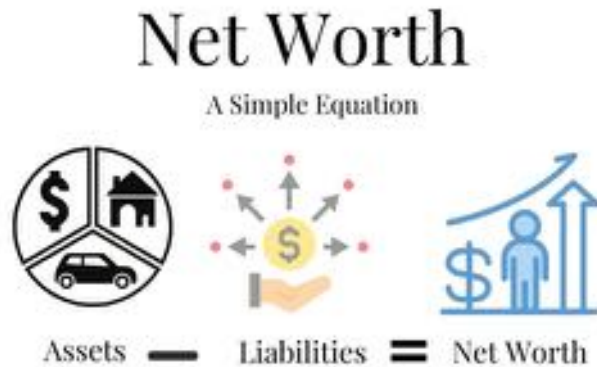
I did this, and many of you are in the same boat.

But what you don't know is what you don't know.

## Your Net Worth

Net worth is something many of you don't know about your household and frankly don't even fully understand. [Personal Capital](#) is a great free website that can help you calculate your net worth.

But it's really not a complicated equation, and it should be one of the most important vital sign for assessing your financial health. See the diagram below for a simple definition.



There are many variables that affect your net worth:

1. Your Debt(s)
2. Your Income
3. Your Taxes
4. Your Benefits
5. Your Savings Rate

You gain control over 5 of the 5 variables by organizing yourself as a PC. You now thoughtfully manage your income, taxes, and benefits through your PC. And with the larger retained income in a PC, you can pay down your debt faster, and save more for retirement. A PC and its associated retained income and enhanced retirement programs is like finding the golden egg.

## Retirement Income

This brings us to another number you need to place on your dashboard, the desired [annual retirement income](#) number. [How much do you need for your desired lifestyle during retirement?](#) You can simply follow the [multiply by 25 and 4% rules](#) for retirement. Until the more recent years, I never even considered any of these numbers, because I had no intention of early retirement. Therefore, they seemed insignificant. I was wrong.

Most physicians have the potential for a net worth of 7-10 million dollars during their careers. Yet sadly, 25% of physicians in their 60s have [a net worth of fewer than 1 million dollars](#), forcing them to work into their 70s in order to catch up, if they ever do. Sadly I have observed doctors who had to do this.

## Gaining Retirement Dollars

Traditional employment contracts result in giving away millions of dollars during your career. Who are you giving it to? The government and your employer primarily.

By forming your own PC, you may not earn more money, but you will retain more of what you have earned, which can then be parlayed into retirement accounts like a cash balance plan.

I am not making a case for working harder or earning more money.

But I am making a case for being smarter with the flow of income you are working hard to earn.

By tracking your net worth, and seeking to actively manage the variables that influence it, you will find that forming our own PC provides you with all of the needed tools.

The fact is that you are a business, and you waive your right to organize yourself as a PC by engaging in a standard contract with your employer. In this arrangement, you are giving up far more than you realize, including multiplying the time it would take for you to reach your desired net worth destination.



# Summary

Decide to start your own PC and then choose Employment Lite to grow your income, enhance your well-being, and prevent burnout.

Whether you are just starting out as a resident/young attending physician, or you are currently mired in a traditional employment arrangement, I urge you to consider taking the following actions for your professional and personal benefit. Take back control of your life by doing this.

1. **Learn more about the PC-Employment Lite space** while being inspired and informed about the business of medicine. Sign up to receive the free [SimpliMD & Dr. Inc. Blog Post & Newsletter](#) and associated social media feeds that will inform you about the nuances of operating your own small business PC. visit [www.simplimd.com](http://www.simplimd.com) or [www.doctorincorporated.com](http://www.doctorincorporated.com).
2. **Form your own Professional Corporation (PC)**. This inexpensive step will provide you with the critical structure you need to start this journey. Ben Hughes JD, LL.M with [SimpliMD](#) will be glad to help you with this process. Don't be afraid to reach out to get a quote on setting up your PC that has been specially designed to make your life better.
3. **Set up a PC-Employment Lite contract** with your new, or existing employer. You can do this yourself, but I highly suggest you hire an experienced physician agency to help you with this. Visit SimpliMD at [www.simplimd.com](http://www.simplimd.com) to learn more about a comprehensive agency that can come alongside you and help you create your own PC and build the optimal business and personal architecture that is connected to an Employment Lite contract. A comprehensive agency will help you formulate the best PC-employee lite contract, and provide accounting-payroll services, tax strategies and services, benefit plan sourcing, and retirement planning that all support your special small business. Outsourcing to a turnkey agency like this is much better than trying to piece all of this together yourself with inexperienced professionals who work from their own silos.