My Financial I’s and O’s

Now let’s look at how money flows in and out of your practice and your household.

In order to build wealth you want to

• Optimize inflow
• Plug money leaks
• Save aggressively
• Invest wisely

Let’s collect the numbers now.

My Household I’s and O’s

Let’s begin with your household cash flow.

Money inflow

1. On average, how much money do you bring home each month from your practice?
2. On average, how much money does your partner bring home each month?
3. On average, how much passive revenue do you generate each month?
4. On average, how much portfolio revenue do you bring in each month?
5. Do you have other sources of revenue?

Money outflow

1. What are your fixed expenses each month?
   • Mortgage or rent
   • Property taxes
   • Homeowner’s insurance
   • Utilities
   • Phone/Internet

2. What do you spend each month for transportation?
   • Car payments
   • Auto insurance
   • Maintenance

3. What do you spend each month to maintain your home?
   • Housecleaning
   • Yard maintenance
   • Home repairs

4. What do you spend in the average month on medical and dental expenses?
   • Medical insurance
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• Medical and dental care
• Medications
• Long-term care insurance

5. What do you spend in the average month for food and entertainment?

6. What do you spend each month for vacations?

7. What do you spend each month on clothing, health, and beauty?

8. What do you spend each month on gifts?

9. What do you spend each month on professional services?

10. How much do you spend each month on luxury services?

11. How much do you spend each month on your kids’ tuition, sports, band, and other expenses?

12. How much do you spend each month for charitable donations?

13. How much do you spend each month in membership dues?

14. How much do you spend each month in taxes?

15. How much do you save each month for your retirement?

16. How much do you save each month for your kids’ college education?

17. How much do you spend each month for the care of your parents or other relatives?

Lessons from a Dripping Faucet

You see a little drip from your kitchen faucet. No big deal, right? Wrong!

A slow leak of thirty drips per minute wastes

4.32 gallons daily
129.6 gallons monthly
1576 gallons yearly

A family of four consumes 12,000 gallons of water annually washing their clothes.

So, too, the slow dripping of little expenditures adds up!
My Financial I’s and O’s

What Are Your Assets and Liabilities?

**Assets**
- What is the value of your home?
- What is the value of other real estate holdings?
- What is the value of your cars, art, furnishings, and jewelry?
- How much do you have in savings and checking accounts?
- How much do you have in your stock/bond portfolio?
- What is the cash value of your insurance policies?
- What is the value of other assets you own?
- What is the value of any IP you own or ownership stakes in businesses?
- What is the value of your medical practice?

Tip: Take a video to document the items in your home. In the event of fire or theft, it will make your life much easier! And load the video into the cloud.

**Liabilities**
- How much do you owe on your mortgage?
- How much credit card debt are you carrying?
- How much do you owe on personal debts?
- How much do you owe on medical school debts?
- How much do you owe for your cars?
- How much do you owe for investments you have made in your practice?

**What is my net worth?**

Add up your assets, subtract your liabilities, and you have your net worth.

My Practice I’s and O’s

Now, let’s take a look at your practice.

**Money inflow**

1. How much do you bill insurance companies for your clinical services in an average month?
2. How much do you collect from insurance companies in the average month?
3. What percentage of your revenue is generated by Medicare patients? Medicaid?
4. How much do you bill patients in your average month?
My Financial I’s and O’s

5. How much do you collect from patients in your average month?
6. What are your three most profitable clinical activities?
7. What are the three insurance carriers from whom you collect the most generous fees?
8. What is your average total accounts receivables?
9. What percentage of your practice revenue comes from insurance payments? Patient payments?
10. How many days, on average, elapse between the time you bill and the time you collect?
11. What percentage of your insurance claims are rejected? What do you do with rejected claims?
12. What percentage of your patients’ co-pays do you collect?
13. What percentage of your practice revenue comes from procedures for which patients pay cash?
14. If you sell products in your practice or offer ancillary services like in-house formularies, how much revenue does it generate in your average month?
15. How much revenue do you collect in the average month for activities outside of your main clinical practice?
   • Consulting
   • Speaking
   • Expert in med mal cases
   • Writing
   • Locums work/shifts in nursing homes
   • Leadership positions
16. If you sold your practice today, what would the sale price be?
17. Will any junior physicians buy into your practice in the next one to five years? If so, what revenue would that generate for you?
18. Does your employer or corporation contribute to a retirement account? How much?
19. If you own your building, how much rent do you collect each month?

Money Outflow

1. What are your fixed expenses each month __________
   • Rent __________
   • Payroll __________
   • Phone/Internet/Answering service __________
   • Vendors (medical billing, bookkeeping, EMR) __________
   • Insurance
     - Med mal
     - Disability
     - Health
2. How much bad debt do you write off each month?
3. How much do you pay in taxes each month?
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4. What is your monthly marketing and advertising budget?
5. How much do you spend on CME, subscriptions, books, and access to educational content?
6. How much do you pay in dues, licenses, and fees?
7. How much do you spend each month on professional fees? (CPA, lawyers)
8. How much do you spend to maintain your office and its furnishings?
9. How much do you spend in office supplies, mailing, and other expenses?
10. How much do you spend for leases or payments of medical equipment?
11. What is your total practice debt?
12. How much do you spend each month to maintain a professional image (clothing, hair and makeup, manicures)?
13. Are you incorporated?
14. What percentage of your expenses do you run through your corporation?