Northwestern Mutual Study Finds Medical Professionals' Top Financial Planning Priorities Are Retirement, Managing Personal Risk and Debt Reduction

Almost six in ten doctors and dentists currently have more than $200,000 of student debt

MILWAUKEE, July 29, 2020 /PRNewswire/ -- Doctors and dentists are trying to balance significant short-term and long-term priorities when it comes to their financial situations according to findings from the 2020 Medical Professionals: Financial Planning Priorities Study by Northwestern Mutual. The study surveyed Northwestern Mutual advisors working with medical professionals about their clients' perspectives on wealth and risk management. Data shows that retirement planning (67%) is the top financial concern among their clients, but this longer-term goal must be addressed alongside immediate financial concerns including personal risk management (life and disability insurance, 63%), debt reduction (51%), and tax management (40%).

"Faced with the dual health and financial crisis, the first half of 2020 has been uniquely challenging for medical professionals, both personally and professionally," said Brian Henning, vice president, Northwestern Mutual. "However, our advisors have noted that their clients have been resilient when it comes to riding out market volatility and triaging immediate financial needs regarding ongoing debt reduction commitments in the face of income disruption."

Overcoming debt and building long-term financial security
One of the key financial challenges faced by medical professionals is paying down substantial student loan debt while also trying to build towards long term goals such as retirement. More than half of advisors (51%) cite managing debt as a factor that is impacting their clients' ability to reach their financial goals. Of note, a majority (58%) of advisors' medical clients have student debt totaling more than $200,000. Only 14% of clients are student-debt free.

Planning behaviors are also potentially impacting long term success. Advisors recognize that more than three-quarters of their medical clients (77%) don't have enough time to focus on a financial plan and that the majority (58%) of these clients are informal planners, having a general sense of their financial goals and how to meet them, but experiencing challenges when it comes to sticking to a plan.

Investing strategy
When it comes to investing, the data underscores that medical professionals demonstrate patience and resolve in times of market uncertainty. Almost half (48%) do not make changes to their investment portfolios in times of market volatility, and 36% are no more or less likely to make changes.

Doctors and dentists are reportedly focused primarily on asset appreciation versus capital preservation (83% versus 17%) when it comes to their investment portfolios. Over three quarters of advisors believe that their medical clients prefer to take calculated risks for the opportunity for higher returns in their portfolio.

Among the most popular investment vehicles are mutual funds (71%), followed by ETFs (49%), stocks (44%) and real estate (44%). Only 5% of clients are currently invested in private equity. Most advisors (78%) also report that their clients hold cash in their portfolios.

Attitudes towards career risk
Medical professionals are risk-averse when it comes to their careers. Less than half of the advisors surveyed believe their clients will make career changes (e.g., employer, starting a practice, etc.) in return for higher potential success (44%). Most (56%), prefer the consistency and stability of staying on their current career track.

Doctors and dentists are also concerned about managing their personal and professional risk. They are three times as concerned about personal risk, such as incurring a disability and being unable to work, as they are about professional risk, such as malpractice (74% versus 26% respectively). However, when it comes to taking action to protect themselves, they are almost equally likely to put insurance in place to protect against their personal risks as they are to address their professional risks, despite the personal risks being a significantly larger cause for their concern.

"Protecting their income in the event they become disabled and unable to work is especially important for medical professionals given the significant debt they carry," says Henning. "But insurance does more than provide short-term protection. The combination of disability insurance and life insurance provides a foundation for long-term financial security that, as part of an overall plan that also includes investments, can deliver risk diversification and growth potential throughout a career and into retirement."

About The 2020 Medical Professionals: Financial Planning Priorities Study

The 2020 Medical Professionals: Financial Planning Priorities Study is a research poll conducted by Northwestern Mutual. The study included responses from 43 Northwestern Mutual advisors serving clients in the medical profession (doctors and dentists). The advisors participated in an online survey between March 3 – 9, 2020. Respondents were surveyed on their clients' perspectives on wealth and risk management. Additional qualitative commentary was collected in June 2020 to provide context for the results through the lens of the ongoing health and medical crisis caused by the COVID-19 pandemic and its impact on the financial security of medical professionals.

About Northwestern Mutual

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