



Comprehensive. Distinctive. Personal.

Inflation and Retirement – are you doing enough?

Many doctors don't know whether they are saving enough or if they have adequately planned for a lifetime of retirement income and have not considered the effect of inflation on any retirement plan. It is important to diversify any retirement portfolio and a good hedge against the possibility of re-emerging inflation in the economy is real estate.

If you're 40 to 60 years old, the next five to 20 years will be critical. In retirement you'll need 80% of your pre-retirement income — more if you want to travel and live life — but that's just the first year. In each of the following years you'll need even more to compensate for the rate of inflation. Many doctors would like to retire early, but the longer the retirement, the more they risk having insufficient retirement income; and inflation can drastically reduce this further.

The major advantages of real estate are that rental properties offer a stable source of income (which increases in line with inflation), real estate always has residual value (prices will never fall to zero, unlike shares and hedge funds) and real estate is a hybrid asset - it has the capital appreciation of a stock but the income producing capacity of a bond.

This makes real estate the ultimate protection from inflation, because inflation works for you, not against you, pushing the value of your asset upwards as well as your rental income.

However, asking many doctors who do not invest, why not, they all state common issues — insufficient time, knowledge (where to, and how to invest), and most importantly they are trained as doctors not investors! Even those doctors that do invest, may be doing so inefficiently — investing in a single commercial asset rather than maximizing their investment

Appreciation. Carefully analyzed investment real estate, located correctly and priced fairly, will more often than not increase in value over time. By buying property in the right location, the investor can rest assured that the value of his or her investment will always increase over the long run.

Leverage. By applying the concept of leverage, an investor will have a much greater purchasing power, which gives them the ability to acquire a number of investments resulting in larger returns.

Income. Cash flow. The tenants pay the rent, and therefore the mortgage, and literally buy the property for the investor.

Tax Advantages. The investor can deduct, as an expense, all of the interest, property taxes, insurance, repairs, and depreciation. The rules of depreciation bear no relationship to the market value of the real estate; the property can be appreciating in value while the investor is depreciating the real estate asset on his or her tax return. This non-cash expense can reduce current taxable income while not reducing actual income. Real estate is the only investment that the IRS allows you to show a depreciable loss when you have in fact made a profit..

Tax-deferred exchanging. Allows an investor in real estate to sell and purchase other investment property without current tax liability and create for the investor substantial additional wealth.

By applying the above concepts, a doctor can invest in real estate and get the cash flow of bonds, the appreciation they could see in a successful year in stocks, along with the ability to have somebody else pay for the majority of the investment. Additionally, you can declare a loss on your taxes even though the real estate is making money.

This makes real estate the most prudent investment today for doctors