How to not flunk retirement: A blueprint for success in stepping down

1. Psychological and practical determinants of the right time to step down
   a. Can you be intellectually honest: will you quit while you’re still good or keep practicing even though your peers think less of you?
   b. Are you out of date – failure to keep up?
   c. Have you burnt out psychologically with the accumulated pressures of patient care and practice management (EMR, HR, Govt., State and hospital regulations, malpractice, etc.).
   d. Do you have major or minor health issues?
   e. Has your practice has outlived your referral sources?
   f. Is your only identity that of being a surgeon or have you cultivated interests outside the practice of medicine?

2. Financial considerations in preparing for retirement.
   a. What is your annual financial requirement (mortgage, insurance, taxes, home (s) maintenance costs, food, recreation, etc)?
   b. Do you still have debt or a mortgage?
   c. Beware of retirement or financial managers. Most charge a big up front fee or annual management fees, whether your investments go up or down. Have a trusted broker, CPA, and bank.
   d. Have between two - five years’ cash protected for your annual financial requirements. For each year’s cash that you draw down, add or convert another year out of your IRA or 401K or other sources of income. This 2 – 5 year reserve removes the worry from having to sell at a loss an investment, and will allow you to weather a stock market correction. Five years cash on hand will allow you to live within your needs and still recoup your investment.
   e. When you step down, if possible find a low-stress job wherein your income matches that annual financial requirement.
   f. Don’t forget: you will be forced to withdraw from your 401K at age 70.
   g. The standard formula for a retirement portfolio stock/bond ratio used to be: age in bonds, the remainder in stocks. (40 years of age: 40% bonds and 60% stocks, 60 years of age – 60% in bonds, etc.). This formula is obsolete. In today’s world bonds have been beaten down by six years of the Fed’s QE and easy money. Currently a 10 year bond only yields ~2.3%. For the immediate term - only short-term bonds (<2yr) represents a safe haven. If interest rates go up and you have to sell a longer-term bond, the rising interest rates will have destroyed the long-term bond value.
   h. Income-producing real estate with no or minimal debt, T Bills or TIPS (Treasury Inflation Protected Securities) can be the equivalent of a bond.
i. Don’t forget: you and your spouse will receive Social Security monthly – combined up to around $3,500 – about $42,000/year.

j. Equity investments should be diversified, low beta, and income producing with preservation of capital as the number one investment principle. Do not be afraid to take profits. Do not be afraid to sell losers. If you carefully select a stock for investment but it declines 7-10%, you have guessed wrong - time to sell. Let winners run, but take some money off the table – if it goes up 40%, sell 40%. If you have a winning stock that has a small decline or goes down with a declining market, but is sound with a good forward guidance, a good track record, little debt and increasing cash flow, do not be afraid to add to the position.

k. When you reach 70 years of age mandatory withdrawals kick in to your 401K. Set “attritional goals.” Do you want to die rich?

3. Transitioning to life after a career as a busy surgeon
   a. One good idea on the day after retiring is that you take a vacation or trip. Ensure that you do not awaken on the next Monday morning at home with nothing to do, sitting at home feeling useless.
   b. Make a list of things you’ve wanted to do that are achievable (play an instrument, write a book, take up golf, carving or wood work, fishing, learn to surf, etc.). Have the discipline to organize time so that you can achieve those “bucket list” items.
   c. Try to fashion a part-time job wherein you can still use your 30 – 40 years’ worth of judgment and skills. Do not walk away “cold turkey” from all the wisdom you’ve accumulated in your life as a surgeon.
   d. For 30+ years your social life has revolved around your practice, your employees, partners, and the hospital. Now, invest the time necessary to make new friends, friends that are available to do things in your new life away from patients and hospitals.
   e. Respect the life of your spouse, recognizing that they have been living their own life with their own interests while yours have occupied you.
   f. Do not under estimate the amount of time you will want to spend with your children and grandchildren.
   g. The true measure of wealth is not the amount of money you have or the possessions you own. The true measure is whether you have children that now have families and that they want you there with them for the holidays.

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