



THE OVERFLOWING
BUCKETS GUIDE TO

End Losses to Unnecessary Taxes and Unnecessary Risk

Based on the 50-year Doctors
Economic Research Project



Jeffrey Taxman, MBA
Physicians Financial Services

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ABOUT

Physicians Financial Services

We are an independent financial services firm specializing in the unique financial planning needs of doctors and their families. We also work with other productive individuals who have similar financial management and financial planning needs.

Jeffrey Taxman, MBA is the principal of the firm. Mr. Taxman has educational experiences and professional accomplishments that uniquely qualify him to guide doctors through unique financial services for doctors involving the capital accumulation, capital distribution, and permanent endowment phases of their economic lives.

Mr. Taxman has presented Doctors Financial Education Seminars at Medical and Dental Society Meetings in Atlanta, Charleston, Chicago, Dallas, Las Vegas, New Orleans, New York, Orlando, Philadelphia, San Antonio, San Diego, Sarasota, Tampa, and Washington D.C. He has been presenting Doctors Financial Education Seminars Nationally for 20 years.

PFS has administrative offices in Omaha, Nebraska and services clients nationwide virtually and in-person.



If you are going to have doctors, you had better have doctors well off; just as if you are going to have a landlord you had better have a rich land lord. Taking all the round of professions and occupations, you will find that every man is the worse for being poor; and the doctor is a specially dangerous man when poor.

- George Bernard Shaw



The Doctors Economic Research Project

Our philosophy is based on findings from the Doctors Economic Research Project, a specialized area of inquiry that evolved from a privately funded research project initiated in 1971 to study the economics of productive individuals' lives.

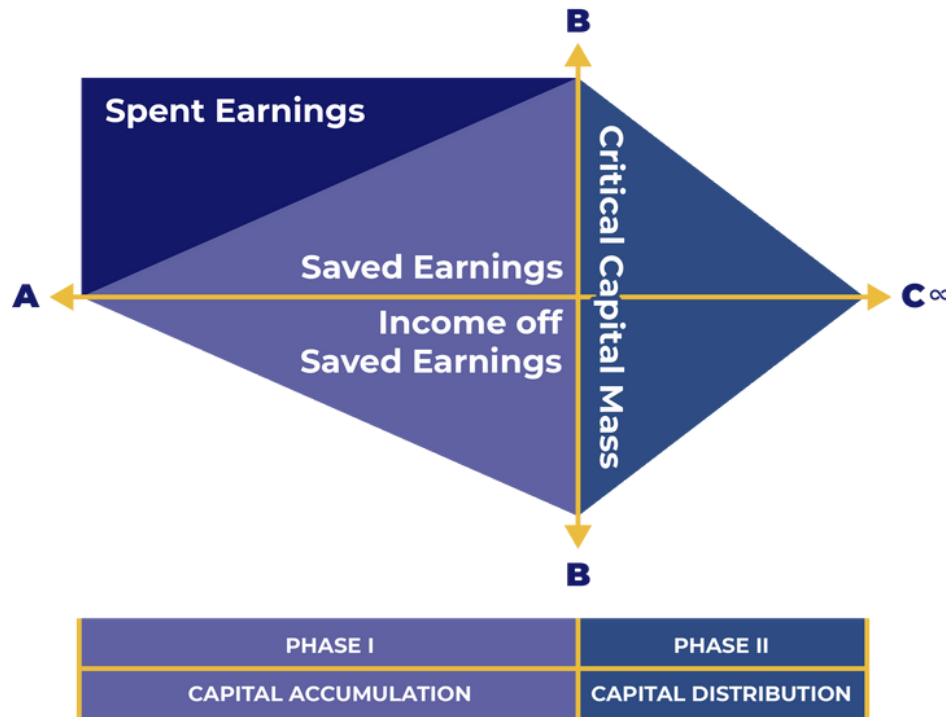
Early findings indicated a lack of attention in medical and dental school to financial matters, preventing effective understanding of fundamental principles of business and personal financial management. These deficiencies prevented doctors from controlling their practices and their personal financial structures. This lack of control, in turn, contributed to stress related to uncertainties regarding basic business practices, personnel management, business cash flow, and allocations of capital and time. In addition, a lack of understanding of catastrophic loss and asset protection

plans, qualified and non-qualified retirement plans, leverage, investment selection, and investment objectives contributed to significant inefficiencies in the conversion of doctors' surplus earnings to savings.

As a result of this demonstrated need, the research project initially asked one fundamental question of doctors: **What do you need to KNOW to succeed financially?** A planning program was developed that quantified the economic education program's planning models, planning principles, and planning rules. A high percentage of the doctors who implemented the planning recommendations ultimately achieved financial independence. The success of the accumulation planning program led to the development of personalized capital distribution plans and endowment creation plans.

The Doctors Economic Research Project

MODEL OF A DOCTORS ECONOMIC LIFE



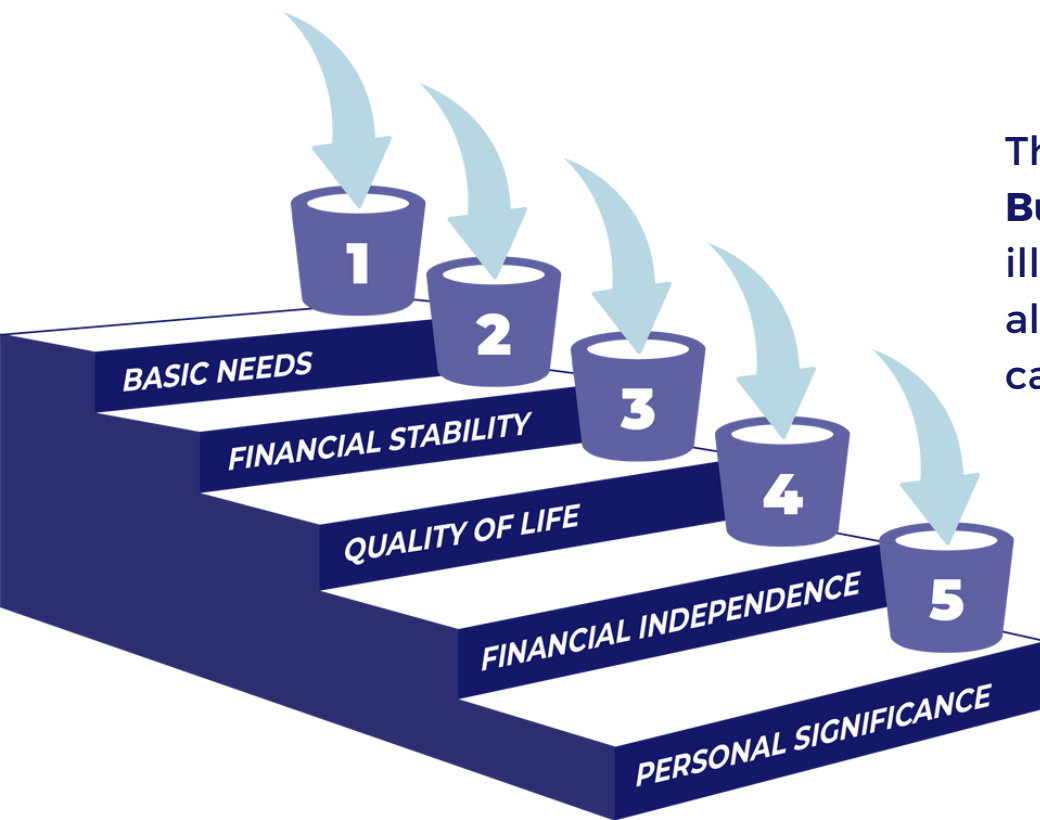
Developed from the project's research, the Model of a Doctors Economic Life begins at Point A, when the Doctor earns more than he/she spends on lifestyle. Point B is the achievement of Critical Capital Mass (sufficient guaranteed lifetime income to fund the Lifestyle of the Doctor and his/her Spouse). Point C is when the Doctor is dead.

ACCUMULATION PHASE:

The period from Point A to B is the Accumulation Phase. Structures is the Accumulation Phase maximize the efficiency, control, and safety of the conversion of the Doctors earnings to spendable savings.

DISTRIBUTION PHASE:

The period from Point B to C is the Distribution Phase. Planning in the Distribution Phase o maximize the efficiency, control, and safety of the conversion of savings to spending and gifting.



The “**Overflowing Buckets Model**” illustrates the priority allocation of a doctor’s career earnings:

BUCKET ONE

Bucket One is the allocation of earnings to basic needs. The accumulation phase of a Doctors’ Economic Life begins at the point where the doctor has earnings in excess of lifestyle costs. A doctor in Bucket 1 of the Overflowing Buckets Model allocates his/her earnings to debt service, food, shelter clothing, utilities and basic expenses required for lifestyle.

BUCKET TWO

Bucket Two is financial stability. Bucket 2 doctors now have earnings with which to fund their basic expenses plus the taxes on those earnings. They rely on experts to provide guidance year to year on the structure to maximize the efficiency, control and safety of the protection of their earnings. This includes protection of your earnings from catastrophic loss due to disability, early death and critical or terminal illness.

Earnings in Bucket Two are allocated to three to six months of lifestyle costs in a savings account as an emergency fund, life insurance, disability income insurance, long-term care insurance (unique properties and tax treatment also qualifying the latter for Bucket Five).

BUCKET THREE

Bucket Three is quality of life. These earnings fund the lifestyle the doctor and his/her family desire. We want the doctor to be able to go into practice every day ready to face non-compliant patients, surly staff, uncooperative hospitals, insurance companies second-guessing protocols, and all the challenges of running a practice, knowing there is a quality of life in their personal and financial affairs that makes it all worth it.

Many Doctors do not surpass Bucket Three, but still live out wonderful lives.

BUCKET FOUR

Bucket Four is financial independence. This is when earnings fund critical capital mass (CCM). CCM is sufficient guaranteed assets to fund your lifestyle for your lifetime. The strategies implemented at this stage maximize the efficiency, control, and safety of the conversion of earnings to spendable savings based on not losing unnecessary earnings to income tax, or excessive risk.

BUCKET FIVE

Bucket Five is personal significance. Personal significance is achieved by giving something to somebody else. Earnings in Bucket Five are allocated to fund specialty designed long-term care contracts, which allow the doctor to fund up to \$3m with non-taxed compensation, ultimately funding a permanent endowment. One component of Bucket Five planning is the permanent endowment program. It administers funding for 501(c)(3) nonprofit organizations that support values important to the doctor and society.

How do I reach Bucket Four or Five?

Your economic landscape may currently be pulling you in multiple directions, with little collaboration or coordination. Bankers, lawyers, insurance agents, CPAs, and financial advisors may all be prioritizing their area of expertise with little regard for the "big picture" of achieving financial independence and personal significance. In contrast, our clients end up with all of these services executed on a coordinated basis in order to achieve their financial goals.



Structures we use

For our clients who achieve Bucket 4 (Financial Independence), we use the following structures to optimize their wealth accumulation:

- Captive insurance Companies
- Specialized Trusts and LLCs
- Leveraged Tax Free Life Income Program
- Capital Gains Tax Management
- Value system endowment
- Qualified Opportunity Zones
- Estate structure
- Economic Safety Nets
- Permanent Endowments
- § 7702B Endowment Funding
- Income Protection
- Defined benefit pension plans
- Profit sharing plan
- Elective deferral 401(k)
- Combination Qualified Plans
- Tax Reduction
- Donor Advised Funds
- Supporting Organizations
- Community Foundations
- Private Foundations

The precise structures utilized are not determined at the outset. They are the result of an individualized consultation and customized financial planning tailored to the needs of each individual's risk profile, tax-optimization needs, and lifelong objectives.

Economic "Loss Test"

The **Economic Loss Test** is a diagnostic tool to assess your current financial structure. Each question addresses items of economic loss to doctors and highlights planning opportunities to increase the efficiency, control and safety of the conversion of your earnings to savings or conversion of savings to spending and gifting. The questions are derived from 37-years of research on doctors' personal economics and experience in planning for health care professionals. Some of the questions are as follows:

1

Are you currently practicing as an employee of your own "C" Corporation?

2

Are you currently contributing surplus pre-tax earnings to a corporate cash balance plan or defined benefit pension plan?

3

Are you currently allocating surplus pre-tax earnings to other deductible benefit programs?

4

Are you currently funding a Guaranteed Retirement Income Program using Code Section 101(a) gains to increase spendable retirement dollars?

5

Do you have \$500,000 or more of personal assets in addition to your personal residence and qualified retirement plan assets and, if so, have you implemented asset protection planning?

6

Have you established a Captive Insurance Company with Section 831(b) tax treatment to manage risks which are not available or not affordable through traditional commercial insurance?

7

Do you have \$1 million or more of total pension accumulations in your IRA, SEP IRA, Roth IRA and/or qualified retirement plans?

8

Do you have non-cancelable and guaranteed renewable, premium refund, individually underwritten, disability income insurance covering 60% of your annual earnings of premiums paid on a pre-tax basis from your "C" Corporation?

9

Are you funding potential long term care expenses using pre-tax dollars with benefits paid on a tax favored basis?

10

Is the Nobel Prize winning Modern Portfolio Theory method of diversification being used to structure and manage your pension and personal securities portfolios to maximize return for risk assumed?

11

Are you within 5 years of retirement and, if so, have you initiated a plan to convert illiquid equity (business equity, investment real estate equity, etc.) in to liquid, spendable assets?

12

Are you multiplying non-taxed funds to endow economic safety nets for your children or to perpetuate institutions that support your value systems?

5 or more questions answered “NO” suggest that you are currently in a structure which will cause you to lose \$1,000,000, or more, of your career earnings and savings to unnecessary losses.

Thoughts on Legitimate Tax Avoidance

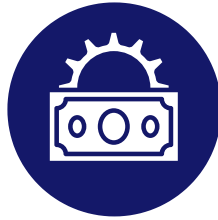
By Supreme Court Justice Louis D. Brandeis

I live in Alexandria, Virginia. Near the Supreme Court chambers is a toll bridge across the Potomac. When in a rush, I pay the dollar toll and get home early. However, I usually drive a free bridge outside the downtown section of the city, and cross the Potomac on a free bridge.

This bridge was placed outside the downtown Washington, D.C. area to serve a useful social service: getting drivers to drive the extra mile to help alleviate congestion during the rush hour.

If I went over the toll bridge and through the barrier without paying the toll, I would be committing tax evasion. If, however, I drive the extra mile and drive outside the city of Washington, I am using a legitimate, logical and suitable method of tax avoidance, and I am performing a useful social service by doing so.

For my tax evasion, I should be punished. For my avoidance, I should be commended. The tragedy of life today is that so few people know that the free bridge even exists.



Reach out and start your journey from less to more.

Physicians Financial Services is an Independent Financial Services Firm specializing in the unique financial planning needs of successful doctors, productive individuals and their families. A national practice, PFS has administrative offices in Omaha, Nebraska.

We put Doctors and other productive individuals into structures to eliminate losses to unnecessary taxes and unnecessary risk.

Use this link to schedule a complimentary appointment:

<https://calendly.com/pfsfa/consultation>

Take the “loss test” at www.pfsfa.com

Or email us at: info@pfsfa.com



Jeffrey J. Taxman, MBA
Physicians Financial Services

402.399.8820 (o) | 402.397.9510 (f)
info@pfsfa.com | www.pfsfa.com



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DOCTORS' FINANCIAL EDUCATION. Financial Education Series.

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Jeffrey L. Taxman, MBA, PFS Consulting LLC
1810 South 108th St., Omaha, NE 68144
jtaxman@pfsfa.com | 402.399.8820 (o) | 402.397.9510 (f)