FIRST FIVE YEARS ESSENTIALS

THE COLLEGE OF FAMILY PHYSICIANS OF CANADA

LE COLLÈGE DES MÉDECINS DE FAMILLE DU CANADA

FIRST FIVE YEARS IN FAMILY PRACTICE COMMITTEE

Financial Management Tips

Basic principles of sound financials in early career

Assemble your team of consultants and advisers

- Ask colleagues for recommendations about professionals who have experience working with doctors (e.g., accountants, lawyers, and financial advisers/planners).

Protect your assets with insurance

- Obtain disability insurance, critical illness insurance, life insurance, property insurance, and automobile insurance.
- Check on offers available through your provincial and national associations since insurance is often available at preferred rates or bundled discounts.
- Apply early in your career, as premiums tend to be less expensive when you're younger and you can often be approved without a medical exam.
- Shop around for different quotes and advice, as there isn't a one-size-fits-all insurance plan for everyone.

Budget and try to keep expenses low

- Aim to pay down debt in your first few years in practice.
- Continue to live like a resident for the first year or two, if possible. While it is tempting to spend more with your higher income, patience pays off (and especially pays off your debt).

Plan for income tax installments

- This is especially important in your second year of practice because you will have to retroactively pay tax on the previous year (your first full year of practice).
- Be prepared to start paying quarterly tax installments (in advance) in your second year of practice.

Establish priorities

- Balance paying down debt with other financial priorities such as buying a car or house and investing/growing your wealth.
- Look at your levels of debt, debt tolerance, and interest rates versus your potential return rates on investments.
- Calculate different scenarios for debt and investment amounts to decide how to approach your personal situation.
- Consider maximizing contributions to and investing with your "vehicles": RRSPs, TFSAs, and RESPs (if you have kids); physicians should consider maximizing RRSPs before TFSAs because the former provides tax deductions.
- Establish time horizons for large decisions such as purchasing property or starting a family.

Practise good record keeping

- Hold on to all receipts and maintain both physical files and a secure virtual filing system.
- Use spreadsheets or an app to track your various income sources and professional expenses, especially if you work in more than one place, and update this information regularly.
- If you work in more than one place, you may be able to claim vehicle costs as a deduction. Keep track of car use including mileage between various workplaces, fuel, maintenance, and financing/leasing costs.

Consider whether incorporation is right for you

- **Incorporation may not be suitable for everyone. Consult your financial planner and accountant before incorporating.**
- Incorporation provides a tax deferral mechanism for wealth growth.
- Your corporation receives payment for the work you do as a contracted employee, and then you can either pay yourself in dividends or with a salary.
- If you pay yourself a salary, then the corporation pays tax on that salary (payroll and Canada Pension Plan contributions) and allows for corporate deductions for things such as a work phone, office space if working from home, travel for work if specifically tracked, RRSP contributions, and health insurance plans.
- Your corporation pays tax on its corporate income at a much lower rate than if you were to pay the personal income tax rate on the same amount.
- Note that you can no longer split income through a corporation.
- Keep in mind that corporations pay higher accounting fees. You will have to pay a lawyer (privately or through your medical association) to set up your corporation, and you need to register the corporation annually with your provincial or territorial corporate registry and with your provincial or territorial medical regulatory authority.
- Consider incorporating after you have topped up your investments (TFSA, RRSP), addressed your debt, and taken care of other significant cash flow needs (e.g., a down payment on a house). If you and your accountant think you can leave enough money in the corporation after accounting for your lifestyle, budget, debt repayment, and financial goals to benefit from the lower marginal tax rate, it may be worth considering incorporating; however, this may be many years into practice or not at all.

For more information and resources, please visit **https://firstfiveyears.ca/**.

The College of Family Physicians of Canada™ (CFPC)'s First Five Years in Family Practice (FFYFP) Committee developed this guide based on CFPC members' frequently asked questions. The suggestions provided are those that members of the FFYFP cohort commonly use and are meant to offer helpful tips. Please note that the CFPC does not specifically endorse any one resource or service.

firstfive@cfpc.ca **https://firstfiveyears.ca/**

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