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Physician Retirement Roadmap

Florida-specific tax strategies and timeline for doctors 5 to 10 years out

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The Florida advantage, quantified

Florida has no state income tax, which makes two retirement moves materially more valuable for physicians here than for colleagues in New York or California. First, Roth conversions during the gap between retirement and Required Minimum Distributions (age 73) are taxed at federal rates only, with zero state drag. Second, the taxation of Social Security benefits during retirement is federal-only, not federal plus state.

> Florida bottom line: A physician who converts $300,000 in traditional balances to Roth during retirement saves roughly $27,000 to $39,000 versus the same move in a 9-13% state-income-tax state. That's the equivalent of one additional year of retirement spending, preserved by geography alone.

Vehicles in order of tax efficiency

- **Cash Balance defined benefit plan** (under-used). For physicians 50+ in independent practice, allows annual deductible contributions of $150,000 to $250,000, far above the $23,000 401(k) limit. Requires an actuary and annual compliance, but the tax savings routinely exceed administrative cost by 10x.
- **Backdoor Roth IRA** (under-used). For physicians whose income exceeds direct Roth limits (≈99% of practicing physicians): contribute $7,000 to a non-deductible traditional IRA, convert immediately. Simple, effective, and materially impactful over a decade.
- **Employer 401(k) plus mega backdoor Roth** (under-configured). Max traditional contribution $23,000 ($30,500 age 50+), plus after-tax contributions converted in-plan to Roth if the plan permits. Many hospital-employed physicians have the option but don't know about it.
- **HSA** (under-funded). If on a high-deductible health plan, max the HSA ($4,150 individual, $8,300 family in 2026) and invest it rather than spending it. Triple tax-advantaged and, after age 65, functions like a traditional IRA for non-medical withdrawals.
- **Taxable brokerage account** (over-relied-on). Tax drag on dividends and gains is the largest avoidable leakage in most physician plans. Use after the above vehicles are maxed, not before.

Three retirement timeline scenarios

Scenario	Age range	Primary tax lever	Key risk
Full stop	60 to 62	Roth conversions in pre-Medicare window	ACA premiums $30-45K/yr
Scale down	62 to 67	Social Security claiming strategy	Over-claiming early
Part-time	67+	1099 consulting + SEP-IRA	85% SS taxability bracket

Each scenario assumes Florida residency. Social Security FRA is 67 for physicians born 1960+.

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Practice sale planning: start 5 years out

The sale of a practice interest is often the largest single taxable event of a physician's career. Planning lead time is 60 months, not 6. Three variables matter most:

- **Entity structure:** C-corp to S-corp conversions require a 5-year holding period to avoid built-in gains tax. If you're in a C-corp and planning to sell in under 5 years, the tax cost could be 20-40% higher than necessary.
- **Buyer type:** PE deals typically involve 20-30% rollover equity (defers part of the taxable event). Hospital acquisitions are simpler but price lower. Individual successor sales can be structured as installment sales over 5-10 years, valuable if you expect to be in a lower bracket later.
- **Allocation of sale price:** Tangible assets, goodwill, and covenants not to compete each carry different tax treatment. The covenant allocation in particular (ordinary income versus capital gains) is negotiable and routinely missed.

Pre-planning checklist (do this quarter)

- **Net worth statement.** Every account, vehicle, and asset listed, with honest valuation of illiquid practice interests. A $1.2M practice interest is not cash until it is.
- **Social Security PIA.** Request statement at ssa.gov. Pull Primary Insurance Amount for every claiming age between 62 and 70. Claiming decision alone can swing lifetime benefits by $200K+ for high-earning couples.
- **Cash Balance plan modeling.** If 50+ and in independent practice without one, run the actuarial model. Deductible contribution amount is often eye-opening.
- **Disability insurance review.** Policy written when you were 40 may not fit a 58-year-old. Benefit amounts, definitions of disability, and benefit periods all worth revisiting.
- **Medicare Part B IRMAA projection.** High-income retirees pay Medicare premium surcharges based on AGI from 2 years prior. Roth conversion timing can trigger or avoid IRMAA cliffs — model the interaction before converting.

Social Security claiming: the 8% answer

Claiming at Full Retirement Age (67 for physicians born 1960+) versus delaying to 70 produces an 8% annual benefit increase for each year delayed. That is one of the best risk-adjusted returns available anywhere. For physician couples where one spouse earned materially more, the higher earner should almost always delay to 70 for survivor benefit purposes. The lower-earning spouse can often claim earlier without penalty to the household total.

> The only exception: documented health conditions with reduced life expectancy change the math. In that case, claiming earlier may be correct. Run a Social Security optimization analysis with a fiduciary advisor who charges a flat fee, not AUM.

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