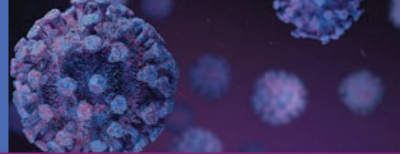

# Never Run Out of Cash

There are valuable lessons to be learned from the COVID-19 pandemic.

**BY JON A. HULTMAN, DPM, MBA**

As I write about finding strategies for financial security, it will be two months before this goes into print. A couple of months' delay between writing and publishing is not usually significant, but as the entire nation faces this COVID-19 surge, economic projections for our economy have changed on a daily basis. This makes it hard to predict now the economic conditions that your practice might be facing as you read this three months into the future. Any advice to practitioners regarding financial assistance that will be applicable to their practices as a result of this pandemic is dependent on federal and state financial programs and loan options which seem to be changed or updated frequently. What we know for certain is that financial assistance will be available in some form to help physician practices deal with their many financial issues related to the pandemic. Since there is so much uncertainty as to what this assistance will ultimately look like, let's limit this column to strategies which are available to us and are germane to a multitude of unexpected financial crises. These are matters which could be included as part of every doctor's personal, over-all financial planning. If nothing else, this pandemic should be a wake-up call for us all to revisit our long-term financial plans.

As the pandemic continues to spread, it reminds me of an illustration that appeared in the *Harvard Business Review* many years ago. The scene depicted was of company executives in a board room, all looking at a graph showing dire financial projections. The CEO's comment was, "What we once most feared is now our best case scenario." Clearly in this pandemic, it did not take long for projections that initially looked like worst case scenarios to become best case ones—projections for both the spread of the virus and its potential impact on the economy. The average person's financial planning does not prepare him/her for a worst case scenario such as this. If we were to fully plan for such an emergency, we would be living in constant fear and socking away large sums of cash—preparing for disasters that might never happen, at the expense of not living our lives for today.

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Every industry has time tested adages. There is an expression in the real estate industry we have all heard, "The three most important factors in the value of a home are location, location, and location." There is a well-known adage in the business industry which is, "One should never run out of cash." Once out of cash, with access to no more, a company is basically out of business. When we first start working, we hear another adage over and over again from finan-

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cial advisors that, "Everyone should have at least six months of income in savings to get through unexpected emergencies." This is solid advice; yet, there are so many pressing financial needs throughout our careers—paying off student loans, building practices, buying homes, raising and educating children, and saving for retirement—that this can be an evasive goal. With all of these competing priorities, there is little money left over to set aside for a rainy day. In my early years of practice, I understood the concept of never running out of cash. Still, I did not have the recommended six months amount on hand. For security, until that time in the future when I thought I might actually have the necessary amount set aside in a bank account, I did all I could to build good credit. By doing all the things necessary to achieve this—i.e., paying bills on time and not overextending my level of debt by such acts as purchasing a luxury car, I was able to access a line of credit equivalent to six months' income. This gave me a temporary alternative for meeting this oft-recommended financial "milestone." With forethought, we should all be able to achieve this goal.

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In my early working years, as an adjunct to my strategy of building a line of credit to serve as an alternative to cash backup, I committed to putting $1,500 into an IRA account each year. I also increased my pension contributions yearly, starting with the strategy of setting aside a portion of any salary increase I received. This left me with some of the increase to spend or invest, depending on my needs at the time. This pension money, along with my line of credit, would serve as my back-up sources of cash for emergencies. Even though my financial advisors continued to inform me that I needed to have six months of "cash" savings on hand—not counting my pension plan or lines of credit—that amount of savings was low on my list of priorities given my other needs of building a practice, buying a home, and raising four children. These are alternatives that may give you too some financial security as you are forced to make financial tradeoffs between saving for a rainy day or meeting the needs of a growing family.

Know that this recession does differ from those of the past. In most recessionary times, capital has been very difficult to obtain. In past recessions, it seems that one almost needed to show s/he did not even need the loan for which s/he was applying. Fortunately, in the recession anticipated to follow this pandemic, there should be no lack of access to capital. Based on what we are hearing at this point in time, there will be grants available that do not need to be paid back, and there will be low interest loans—some of which could be partially forgiven, or have terms that may not require payments of principal or interest for several years. All of this assistance should give practitioners sufficient time to get back on their feet. The terms of these grants and loans may change from what we are hearing today, but it does appear that there will be access to capital regardless of one's financial condition when applying. For those who did not have six months or more income set aside before this pandemic, it appears that the financial assistance and loans that will be available will at least provide the means for doctors to avoid "running out of cash." This will give them the opportunity to keep their practices open and time in which to update their financial plans—working towards that ultimate goal of six months in savings.

We can take away a significant lesson from this difficult time—one which should assist us in developing a plan going forward, and this is that *it is possible to reduce personal expenses*. Having gone through a long stretch of time during which there were no stores, restaurants, bars, entertainment venues, tourist destinations, or sports arenas open where we could spend money should have demonstrated to us that it is possible to cut back on our spending. We can see now where some excess exists which could be set aside towards building a nest egg for a rainy day. Going forward, we know there will be future opportunities for our specialty—opportunities which exist as long as we plan ahead and are able to avoid running out of cash during stressful times such as these. **PM**

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