WEALTHCARE FINANCIALS

Tax Planning Basics: A Framework for Physicians and Dentists

Why Tax Planning Deserves a Dedicated Chapter

For most physicians and dentists, the jump from training to attending income is one of the sharpest financial transitions in any profession. With that transition comes a meaningful increase in tax exposure — and, with the right planning, a meaningful opportunity to manage it. Tax planning is not a once-a-year exercise done in April; it is an ongoing discipline woven into nearly every financial decision you make.

The Core Principle: Timing and Character

Most tax strategy comes down to two levers. The first is timing — the question of when income is recognized or deductions are taken. The second is character — the question of whether income is taxed as ordinary income, capital gains, or something else entirely. Understanding which lever applies to a given decision is often more valuable than chasing any specific tax product or tactic.

Common Planning Categories for Healthcare Professionals

- Retirement accounts. Contributions to tax-advantaged accounts — 401(k), 403(b), SEP-IRA, defined benefit plans, and others — can reduce current taxable income while building long-term wealth. The right account type depends on your practice structure, income level, and cash-flow needs.
- Business structure. How your practice is organized (sole proprietorship, S-Corp, partnership, etc.) affects your self-employment tax obligations, the retirement plans available to you, and how income flows to your personal return. Revisiting your structure as income grows is often worthwhile.
- Deduction sequencing. Bunching deductible expenses into alternating years, strategically timing charitable contributions, and coordinating state and local taxes are techniques that can improve your overall position without changing your underlying financial behavior significantly.
- Investment account placement. Holding different asset types in taxable versus tax-advantaged accounts — sometimes called asset location — can reduce the drag of taxes on investment returns over time.
- Protection-related planning. Premiums for individually owned disability income insurance are generally paid with after-tax dollars, which means any benefits you receive may be received income-tax-free. That tax treatment is one reason many physicians and dentists prefer individually owned coverage over solely relying on a group employer plan, where the tax result can differ.

A Note on Recent Legislative Changes

Tax law does not stand still. The One Big Beautiful Bill Act, for example, raises the federal estate tax exemption to $15 million per individual starting in 2026. For physicians and dentists who have

Working With the Right Team

Effective tax planning typically involves a CPA or tax attorney alongside your financial advisor. Each brings a different lens, and the most durable strategies tend to emerge from that collaboration rather than from any single advisor working in isolation. If your current team does not communicate regularly with one another, that coordination gap is often the first thing worth addressing.

Tax planning is a thread that runs through retirement savings, practice structure, insurance decisions, and estate planning. The chapters that follow will revisit it in each of those contexts.

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