

Dr.Bill®

WEALTH MANAGEMENT & FINANCIAL TIPS FOR DOCTORS

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CHAPTER

01

SALARY EXPECTATIONS IN CANADA

Physician salaries across Canada vary across provinces, cities, and types of practice. This chapter explores the amount physicians in all specializations can expect to earn, no matter where they choose to settle down.

- 1.1 The Average Medical Doctor Salary in Canada
- 1.2 The Average Family Doctor Salary in Canada
- 1.3 Budgeting for Medical Practice in Canada

The Average Medical Doctor Salary in Canada

Getting started on your wealth management journey begins by knowing on how much money you'll have coming in. Salary is important, and what you earn as a physician will help you pay back student debt, save for the future, and hit your financial goals. How much can you expect to earn as a doctor in Canada? It depends!

Physician salaries in Canada  fluctuate based on a number of factors. How much you'll earn depends on where you work, the types of procedures and consultations you perform, the patients you see, and how long you've been in practice. As of April 2022, the average physician salary in Canada  ranges from \$83,379 per year to \$414,389 per year.

In general, physician salary in Canada is driven by:

01 Number of Patients

Under Canada's fee for services  model physicians perform medical services, then bill the government for their time. Fees are determined based on the payment schedule  set out by each provincial government. How many patients you see each day, as well as how many services you perform, will determine how much you will earn.

02 Specialization

The type of medicine you practice has an impact on how much you'll make. While some specializations, like family doctors, see more patients in a day, others (like surgeons), bill more per patient. More specialized fields pay higher salaries, but they could require longer hours, more schooling, or a more stressful workday.

03 Location

Canadian physicians are regulated by the provinces, who are free to set slightly different premiums and fees. Physicians across the country will earn more or less depending on the province where they work, the type of practice they run, and whether they live in a rural area or a big city. Some of these differences are small, such as family doctors **earning \$5000 a year less**  in Ontario versus BC, while others are more pronounced: there is an almost \$50,000 difference in the reported earnings of BC cardiologists versus those in Ontario.

04 Independent Practice vs. Employer

Although fee for service is still the norm across the country, physicians in some specializations can find opportunities to work for a salary or a sessional fee, take on contract work, or locum on the side. The modern medical landscape has plenty of different options for doctors who want to work for an employer, hospital, or group practice, and there are many opportunities for physicians who want to go out on their own.

Whether you choose solo, group, or employer-owned practice will make a big difference in how much you earn. Striking out on your own can mean more money at the end of the month, but you'll still need to take into account costs like insurance, rent, and overhead expenses. Working for an employer can come with less flexible hours or a longer commute, but could potentially stabilize your earnings.

To have a career that is both financially and personally fulfilling, it's important to balance earnings with lifestyle. The right blend of hours, income, and location can go a long way towards feeling satisfied (and financially stable) long term.



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**The Average Medical
Doctor Salary in Canada** 

The Average Family Doctor Salary in Canada

Family medicine  is the most popular choice for students coming out of medical school in Canada, and there are plenty of good reasons why!

Canada's family physicians are on the 'front lines' of medicine. They are typically the patient's first point of contact with the healthcare system, and spend time talking to patients one on one. While the average family physician's salary is high — an overall average of around \$216,000 before overhead and other expenses — the job also comes with some non-monetary benefits. Family physicians work less hours, report **more job satisfaction** , and lead more balanced lives than physicians in other specializations.

So how much do family doctors earn? It depends on where they are:

- In **Ontario**, the **average family doctor salary**  is \$303,000 before expenses, taxes, and overhead
- In **Alberta**, the average family doctor salary is \$393,000 before expenses, taxes, and overhead
- In **British Columbia**, the average family doctor salary is \$308,000 before expenses, taxes, and overhead

Keep in mind that gross salary is only telling part of the story. Once you start working as a physician, you'll need to think about paying tax, renting office space, and keeping up with overhead expenses. How much these cost, as well as whether you take advantage of any rural recruitment benefits, salary programs, or family health networks to boost your earnings, will make up how much you take home — as well as what you'll have available to save.

Budgeting for Medical Practice in Canada

In addition to budgeting for taxes and paying back student loans, physicians in Canada are required to pay insurance, licensing fees, and **other costs**  associated with running a business.

Like your earnings, your expenses will fluctuate based on where you live and how you work. However, they generally come in a few categories. These include:

01 Registration, Licensing & Membership Fees

To practice as a doctor in Canada, you'll need to register with the governing medical body in your province. This medical body will then give you an independent practice license, which allows you to diagnose and treat patients, as well as write prescriptions. Getting a license comes with fees, and these will need to be paid whether you're operating as an independent practice or working for an employer.

Exact fees vary, but new physicians should expect to pay around \$2,900 **per year** . Applications to practice medicine should be done about three months before you expect to start working to accommodate for processing times, and include a review of your qualifications, registration with your medical body, and a permit to practice in the province.

We also recommend joining your province's medical association. This body acts as the official voice of medical professionals in the province and is responsible for negotiating with the government on the behalf of physicians. Membership is optional in most provinces (Ontario being the exception), but is often worthwhile. Membership is generally around \$1000 per year, and medical associations offer reimbursement for a portion of your CMAA dues, CME and retention benefits, and additional services like insurance and investing.



Image courtesy Google Earth
Data SIO, NOAA, U.S. Navy,
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Medical Associations by Province

[Ontario Medical Association](#)

[Doctors of BC](#)

[Alberta Medical Association](#)

[Quebec Medical Association](#)

[The College of Physicians & Surgeons of Manitoba](#)

[Doctor's Nova Scotia](#)

[The Newfoundland and Labrador Medical Association](#)

[New Brunswick Medical Society](#)

[PEI Medical Society](#)

[Saskatchewan Medical Association](#)

[Northwest Territories Medical Association](#)

(currently only a FB Group)

[Yukon Medical Association](#)

02 Medical Liability Insurance

Physicians in Canada are required to hold medical liability insurance before applying for any clinical privileges.

This insurance is issued through the [Canadian Medical Protective Association](#) (CMPA), which is the most commonly used medical liability insurance provider in Canada. Private insurers are also an option, so do your research and ask around to find one that meets your needs.

Costs for medical liability insurance depend on the kind of work you'll be doing and on your medical specialty. Generally, this insurance is about \$1000+, but it varies by province and specialization. These fees are set out by the CPMA in their annual fee guide: [Annual CMPA Fees By Speciality 2022](#).

03 Billing, Administration & Overhead Costs

Even if you're working for an employer, there's a chance you'll share in at least part of the fees for overhead, administration, and billing costs. These will make up a direct expense against your wages. Depending on where and how you work, you might need to pay for a portion of your medical office and equipment, utilities, administration staff, or medical billing or records software.

All of this can add up. According to the most recent **Canadian Medical Association**  (CMA) data available, physicians in general spend about 25% of their earnings on overhead. These expenses, plus what you pay in memberships, insurance, and tax, are what gets subtracted against your earnings to make up what you take home.

Billing is another area where you might incur additional costs. Depending on where you work, what kind of billing software you use, and whether or not you need administrative staff on hand to handle your billings for you, you can increase your overhead fees. Using a mobile billing service (**like Dr.Bill**) can sometimes decrease the amount you pay in overhead, as well as give you more transparency over how much you earn.



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See our tax tips
in Chapter 4

CHAPTER

02

PAYING OFF STUDENT LOANS

Student loans are a part of life for many physicians. Once you have a good understanding of how much money you have coming in (and going out) every month, paying off your student loans is as simple as finding a repayment timeline that works for you. In this chapter, learn how to prioritize saving versus paying down loans, and how to manage your money after graduation.

2.1 Paying off Debt vs. Saving —
What Takes Priority?

2.2 Managing Finances After Medical School

Paying off Debt vs. Saving — What Takes Priority?

Many medical students take on a **significant amount of debt**  in order to pursue their dream of becoming a doctor. Although being a physician is a rewarding career financially, paying these loans back can seem overwhelming, especially when you're also thinking about saving for retirement or buying a home.

Financial planning can happen at all stages of your career. To get a sense of where you are (and where you want to go), ask yourself 3 questions:

01 What are my personal goals?

How do you envision your future? If you plan to get married, buy a home, or go on a bucket list trip, these might take priority over making early payments on your loans. If you hope to retire sooner rather than later, this will change your plan too. There's no one size fits all advice for saving, so make sure the timeline you have in place works for how you see your future.



02 What kind of debt do I have?

Different kinds of debt can have a different impact on your financial situation. How much you owe, the interest rate, repayment terms, or the amount of your monthly payments will influence how quickly you should repay. If you've got loans with high interest, it's a good idea to take care of those first in order to save money overall.

03 What are the pros and cons?

There are pros and cons to paying down your loans fast or building a savings account. Paying off debt comes with less money spent in interest, but comes at the cost of building savings. Saving money can be used to meet your goals, but could mean you pay more in interest over time. There is no one right answer, so make sure that whatever you decide works for you.

Managing Finances After Medical School

Thanks to the amount of time they spend in school, physicians often start their careers later. This isn't necessarily a bad thing. Although doctors spend plenty of time learning, these years are an investment in your financial future.

Making **good financial choices after graduation**  comes from taking a careful look at what you have available, and making a roadmap that will take you to where you need to go.

Before you start planning, assess how much money you have coming in and going out in expenses and minimum payments on your debt. Anything left over can be put towards your savings or your loans. Creating a balance sheet with your assets, liabilities, earnings, and expenses will show you how much money you take home and where you have some wiggle room to save or spend. Keep track of:

- Assets such as vehicles, savings, or property
- Liabilities like credit card debt or student loans
- Income coming in (before and after tax)
- Expenses (rent, utilities, food, and consumer spending)

With this 'birds eye view' of your financial picture, you can create a budget or a plan to meet your goals. If you're saving for a home but still want to pay down your loans, setting out your personal balance sheet can show you areas where you might be able to cut back (for example, on entertainment or leisure spending) in order to better allocate your funds.

We suggest physicians should budget in more detail, using spreadsheets to see spending habits and aim for a certain ratio of savings vs. spend — aiming for approximately 50% of your income on living expenses, 20% on savings and/or investments, and 30% on leisure and entertainment.



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**Managing Your Finances
After Medical School** 

CHAPTER

03

FINANCIAL PLANNING AND SAVING FOR THE FUTURE

Save, spend, or invest? Once you've got a plan in place to pay down your student loans, it's time to think about how and when to put aside money for the future. This chapter will help you understand the different types of saving and give you some advice to improve your financial planning skills at every stage of life.

- 3.1 Comparing Types of Saving
- 3.2 Improving Financial Planning Skills at Every Life Stage

Comparing Types of Saving

Not all savings are created equal. In addition to investing in various assets or keeping your money in a **savings account** [↗](#), you could put your earnings in a Tax Free Savings Account (TFSA), or a registered retirement savings plan (RRSP).

All of these options have pros and cons: some are more tax efficient, while others give you flexibility. The best option for you will depend on your savings (and tax!) needs.

- **TFSA:** a tax free savings account is a registered investment savings plan where your savings can grow tax free. You can contribute up to \$6000 in 2022 (this number is always subject to change), and there are no restrictions on how you can use the funds. You can withdraw the funds for any reason, although timing depends on the state of your investments.
- **RRSP:** contributions to an RRSP are tax deductible, and your investment earnings are tax deferred. When you withdraw the money, it will be added to your taxable income for that year.

Keep in mind that there are some restrictions on RRSPs: you can only contribute up to a certain amount per year, you can only contribute until age 71, and you must have earned income for that year in order to contribute (passive income, like income from real estate or dividend payments, doesn't count). Contributions are capped at 18% of the previous year's earned income, up to the max (**\$27,830 in 2021** [↗](#)).

- **Savings account:** savings accounts allow you to earn interest on every dollar you save, as well as remove funds at your discretion. While they don't carry the same tax benefits as TFSAs or RRSPs (the interest you earn from your savings is taxable), you can take out money at any time.

There is no 'one size fits all' option for savings. The best option (or combination of options) will depend on how much you earn in salary or dividends, your tax strategy, and where you hope to go in the future. A financial advisor (like the ones at **RBC Healthcare Advantage** [↗](#)) can help provide you with a specialized plan that meets all of your needs.



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Compare Savings Options: TFSAs, RRSPs and Savings Accounts [↗](#)

Improving Financial Planning Skills at Every Life Stage

According to experts, there are **3 main stages**  we move through over the course of our financial lives, and 3 types of planners that go along with them.

Early savers are getting established, buying a home, or starting a family. Mid-life accumulators have stable careers, own homes, and are busy planning for retirement. Preservers (or spenders) are retired or working less, using the wealth they've accumulated over the course of their lives to generate the money they spend.



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Improve your Financial Management Skills at Every Life Stage 

All three stages have different financial planning needs:

- **Early savers** should think about short and long term financial goals and establish a budget to work around them. Setting up a pre-authorized savings plan can help prioritize savings while you go on with your busy lives!
- **Mid-life accumulators** should review your financial goals and make sure your vision for the future has a plan to match. See where you can add to your savings with RRSPs, TFSAs, or RESPS, and start thinking about planning your estate.
- **Preserver/spenders** should revisit plans for retirement and consider what your financial needs will be as you age. Make sure to account for senior care/healthcare costs and how they will impact your finances and estate planning in the future.

No matter what stage of life you're in, good financial planning will set you up for success in the future. Even if you're not sure where your current financial situation fits in, an advisor can give you the specialized advice you need to get started.

CHAPTER

04

TAX PLANNING FOR DOCTORS

With so many rules and regulations around paying tax, it can be difficult to know what to do come tax time. This chapter explores the differences between taking a salary or earning dividends, paying your taxes in installments, and some of the deductions you can use to offset what you'll pay.

4.1 Salary vs. Dividends

4.2 Installment Payments

4.3 15 Tax Deductions for Doctors

Salary vs. Dividends

In Canada, physicians operate like independent contractors: you see patients and bill the government for your time. Your payments, less any expenses incurred as part of your practice, make up the amount of money you earn.

So how does this get taxed? The answer will depend on whether or not you operate as a sole proprietor or incorporate your medical practice. While there are **pros and cons to both** [↗](#), incorporating does give you some added flexibility come tax time. As an incorporated practice, physicians can choose to either **pay themselves a salary, or take income out of the corporation as dividends** [↗](#).

Depending on your financial goals and situation, choosing one way or the other (or a combination of both!) can save you money.

- **Salary income:** taking income as a salary allows you to contribute to your RRSP, which reduces the amount of income tax you'll have to pay and creates investments for your future. The downside is that taking a salary does mean you'll have to pay into the Canada Pension Plan (CPP).
- **Dividend income:** Dividend income is paid out from your company's retained earnings account. Because it doesn't count as 'earned income', you can't use it to contribute to RRSPs. However, because you don't have to pay CPP on this money, you could potentially lower your taxes overall.



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**Salary or Dividends as an
Incorporated Physician
– What's Right for You?** [↗](#)

Installment Payments

Just like deciding whether or not to incorporate, paying your taxes will be up to you.

Since physicians don't have their taxes automatically deducted from their paycheque, paying taxes is something you will need to think about and plan for in advance. Because physicians are self employed, the government may require you to make installment payments  to the CRA based on your annual income. Filing taxes is something you can do yourself, but if you're confused about what you'll pay and the best way to manage what you earn, asking a financial professional for help is never a bad idea.



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New in practice?

Everything you need to know about paying tax

by installments in Canada 

15 Tax Deductions for Doctors

Maximizing the **tax deductions**  you can take as a doctor is one of the best ways to optimize the amount you earn. Not all of these will apply to you, but in general, it's a good idea to check whether or not you can deduct:

01

Professional membership fees (like the CMA)

02

Overhead, malpractice, and property insurance premiums

03

Staff wages, professional services fees (ie. lawyer or accountant), and billing services

04

Rent and maintenance for your office space (as well as repairs, property tax, and utilities)

05

Leasehold improvements (such as installing new lighting or reconfiguring your office space)*

06

Technology like computers, medical records software, equipment, and furniture*



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**2021 Tax Time Checklist: Don't Miss
These 15 Tax Deductions for Doctors** 

07

Landlines, internet connections and cellphones (only the portion used for business)

08

Office expenses like pens, paper, and stationery

09

Conference expenses (including travel, registration, and accommodation) for up to two conferences

10

Courses/continuing education fees

11

Professional subscriptions such as medical journals

12

Vehicle expenses (portion used for business only)

13

Business gifts such as employee awards

14

50% of meals and entertainment (when professional matters are discussed), and 100% of up to 6 special events per year (like a staff holiday party)

15

Specialized clothing (such as scrubs or lab coats) used exclusively for work



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and Tax Tips for
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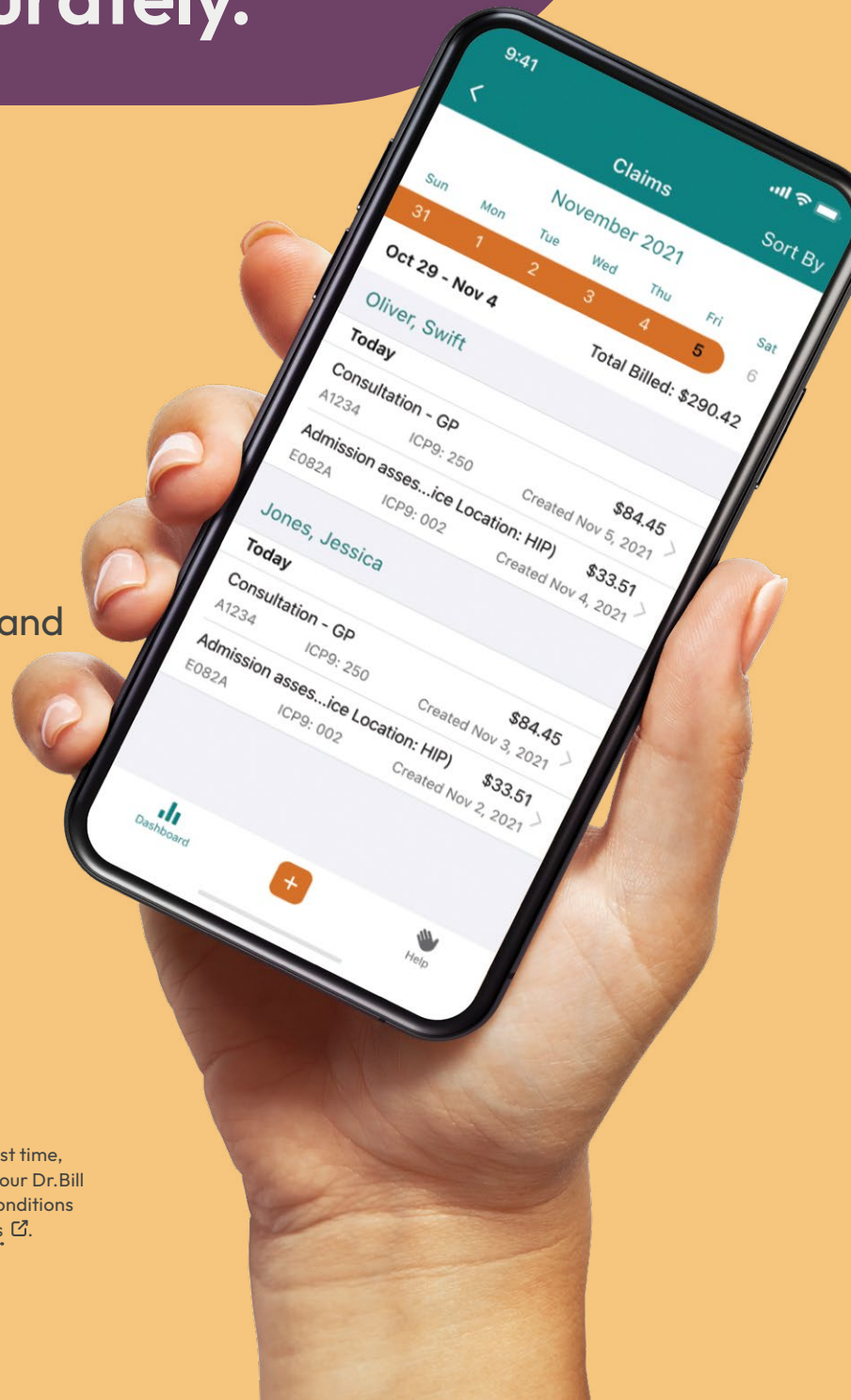
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