

PORTFOLIO DOCTOR Husband-and-wife physicians consult *our* doctor. By Jeffrey R. Kosnett

PARTNERS in more ways than one

WHEN doctors get hitched, you figure they're so well off that a wedding present is superfluous. Not so fast. Michael and Gemma Mercado, both 28 and medical residents, have money issues just like any young couple after one year of marriage.

First, there's the tug of war between investing for retirement and saving to start a family. What's more, their combined investments should click, not clash. Then there's debt. Like two-thirds of medical and dental grads today, Gemma owes more than \$100,000 in student loans (Michael is in the Navy, so Uncle Sam paid for his education). Finally, the Mercados have a six-figure goal to reach: They hope to work together as family physicians after Michael's Navy years. Doctors must often borrow \$100,000 to \$300,000 to buy into a practice or to open their own.

Michael and Gemma work long hours and commute in opposite directions from their home in Murrieta, Cal., northeast of San Diego—he to Camp Pendleton and she to a hospital in Riverside. It's a grind, but, Gemma says, they are willing to sacrifice

as long as "we're doing all the right things."

Nice mix. The Mercados mesh well as investors. They have a little more than \$46,000 in taxable mutual funds and assorted retirement accounts. They are putting a total of \$6,000 a year into retirement plans. They would save more, but

they have to pay the mortgage on their new house.

Two-income couples are wise to keep investment accounts separate (which is required for 401(k)s and IRAs), but they should think of all their accounts as a single portfolio. Michael and Gemma have 12 funds between them. Normally, that means serious overlap and a few dogs. But the Mercados have little du-

plication and are canine-free. They also have 90% of their investments in stocks, which is appropriate for people their age. The only doctoring needed is to build foreign holdings up to 20%.

Gemma's school debt is more of a question. She consolidated her loans at 3.25%, a smart move. A 25-year payoff schedule on such loans is common, but Gemma says she'd like to be free within 15 years. That would save \$19,700 in interest but add more than \$200 to the monthly payments.

Good debt, bad debt.

Should Gemma scramble to wipe out her debt early? No, says Rick Mayes, of Mayes Financial Planning, in Carlsbad, Cal. The rate is low, and he'd rather the Mercados boost their retirement savings or build a cash cushion.

Medical-business experts also advise against rushing to erase student loans. It may be 20 years before the Mercados go into business, but when they do, they'll need bank financing, says Keith Drayer, of Henry Schein Financial Services, in Melville, N.Y., which advises doctors. Drayer says lenders want to see some assets, a plan for the practice and disciplined personal-spending habits—no lavish debt-fueled lifestyles. But lenders expect education debt, so that's no obstacle to qualifying for a loan. **K**



Stumped by your investments? Write to us at portfoliodoc@kiplinger.com.

PHOTOGRAPH BY AMANDA FRIEDMAN