What Every Young Doctor Should Know About Finance

The General Principles

"Do not value money for any more nor any less than its worth; it is a good servant but a bad master."

— Alexander Dumas

1. Rule #1: Live below your means. It's classy.
2. Emphasize purchases that appreciate not depreciate.
3. Make sure your spouse is on the same financial page as you.
4. Plan to get rich slowly.
5. Be sure to have a will and a letter of instruction.
6. Start saving for retirement as soon as possible because of the compounding effect of money.
7. Put your spouse and children on the payroll as soon as possible.
8. When you are out of your area of expertise, find or hire someone in that field to help you. (Not the person who is selling it)
9. The purpose of insurance is to protect your net worth and to provide for loved ones when the money-earners cannot.
10. Life insurance - buy term and invest the rest. Life insurance should be on the income earner.

> ***"The rich stay rich by acting like they're poor. The poor stay poor by acting like they're rich."***

11. Download the Credit Karma app to regularly check your credit rating.
12. Do not guarantee loans for friends, in-laws or others. Doctors almost never get into financial trouble in their field. It's outside ventures that may sink your ship.
13. The people in the deal are usually more important than the deal itself.
14. Be careful in "showing" your wealth. This can breed resentment from referral sources and the public.
15. Your practice is usually your best investment.
16. Never do anything just to earn frequent flier miles.
17. Never do anything just for its purported tax benefits.
18. If an investment adviser mentions the term "off-shore tax haven," you should run.
19. If an investment keeps you awake at night, sell down to the point where you can sleep.

"The only reason a great many American families don't own an elephant is that they have never been offered an elephant for a dollar down and easy weekly payments."

— Mad Magazine

Recommended Resources

- ***Articles by Morgan Housel***
- ***The Wall Street Journal***
- ***The Collier & Associates (newsletter) 888-888-4840***
- ***WhiteCoatInvestor.com***
- ***The Millionaire in You by Michael LeBoeuf, Ph.D.***
- ***The Millionaire Next Door and The Millionaire Mind both by Thomas J. Stanley, Ph.D.***
- ***The McGill Advisory (newsletter) 704-424-9780***
- ***The Bogleheads' Guide to Investing by Larimore, Lindauer & LeBoeuf***

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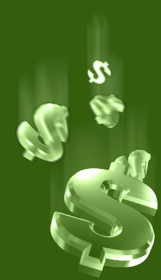
The General Principles of Investing



> ***"When a man with money meets a man with experience, the man with experience gets some money, and the man with money gets some experience."***

1. Start early; invest often.
2. The keys to successful investing are time, patience and compounding.
3. Adopt a "hands-off" approach to investing where you minimize trading frequency.
4. Get excited when stock prices fall. Stocks are the only thing that people don't buy when they are on sale.
5. When a market sector skyrockets don't get greedy, get scared.
6. Have the courage to sell your losing investments when necessary.
7. Don't try to beat the market.
8. Become a whiz at cutting investment costs and trimming your portfolio's tax bill.
9. View personal finance columnists with suspicion.
10. Don't own any investments that you don't understand.
11. Maximize your annual retirement plan contributions, even if you must borrow to do so.
12. Don't try to predict which part of the market will perform best over the next year. With diversification, some part of your portfolio is likely to make money.
13. Each time you buy a stock wonder whether the seller knows something you don't.
14. The Rule of 72: The rate of return divided into 72 will tell you how many years it takes to double your investment.
15. Understand that there is generally a risk vs reward relationship in investing.
16. As a doctor, you should be in "preservation" mode, not "Las Vegas" mode with your investments.
17. If you are going to invest aggressively, gamble with your "beer money" not your child's lunch money or your retirement funds.
18. Timing the market consistently is almost impossible in the long term, because you have to get it right twice – both when you buy it and when you sell it.
19. Asset allocation should be based on your objectives, risk tolerance and your time horizon.
20. World famous investment "experts" can look at the same set of facts and come to exactly opposite conclusions.
21. As a long-term investor, you should sleep through the daily gyrations of the market.
22. When an unsolicited stranger tries to sell you an investment, there's a reason why he is not selling it to his mother.
23. Today's hot fund or stock is usually tomorrow's loser. Steer clear of what's "hot" today.
24. The person who benefits most from an annuity is usually the individual who sold it to you.
25. "Panic selling" when the market drops will destroy your long-term returns.

Mutual Fund Basics

- *Evaluate funds at Morningstar.com*
- *Stick with no-load funds*
- *Avoid 12B-1 (promotional) fees*
- *Try to stay well below a 1% annual management fee*
- *Determine the risk level of funds*
- *Consider tenure of fund manager*
- *Look at 5 and 10-year track records*
- *Diversify sector funds / index funds*
- *Brokers' fees can devastate your returns*
- *A great low-fee fund family is Vanguard...no broker needed*
- *Funds with high turnover rates are best suited for tax-sheltered retirement accounts, low turnover for taxable*

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