YOUR FIRST TWO YEARS IN MEDICINE

A FINANCIAL SURVIVAL GUIDE

STRATEGIES FOR PHYSICIANS & DENTISTS

WHITE MCGOWAN

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About the Author

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MATTHEW HAS WORKED IN HIS FINANCIAL PRACTICE FOR ELEVEN YEARS, AND HIS TEAM WORKS EXCLUSIVELY WITH PHYSICIANS AND DENTISTS AROUND THE COUNTRY.

MATTHEW AND HIS WIFE KELLY BOTH GRADUATED FROM HARDING UNIVERSITY AND RESIDE IN LITTLE ROCK. THEY HAVE WELCOMED TWO DAUGHTERS TO THEIR FAMILY THROUGH ADOPTION, WELCOMED THEIR FIRST SON IN DECEMBER OF 2015, AND SERVED AS FOSTER PARENTS FOR FIVE YEARS FOR CHILDREN IN NEED OF SAFE HOMES. MATTHEW SITS ON THE ADVISORY BOARD FOR "THE CALL", AN ORGANIZATION CREATED TO MOBILIZE CHURCHES TO SOLVE THE PROBLEM OF CHILDREN IN FOSTER CARE OR IN NEED OF ADOPTION. THEY ARE VERY INVOLVED AS MEMBERS AT CENTRAL CHURCH IN DOWNTOWN LITTLE ROCK, AND MATTHEW FEELS THAT THROUGH HIS FAITH AND COMPETENCY AS A FINANCIAL PROFESSIONAL, HE CAN HAVE A PROFOUND IMPACT ON THE DECISIONS AND LIVES OF HIS CLIENTS.

INTRODUCTION

WHY YOUR FIRST TWO YEARS MATTER

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Why Your First Two Years Matter

There are many benefits to financial planning, but we believe that eliminating financial stress is at the very top of the list.

An astounding 80% of Americans are in debt, and almost 40% of those people said that debt and financial stress negatively affect their ability to perform their jobs well and enjoy time at home.

This is why our first goal as a financial planning firm is to help physicians and dentists reduce financial stress.

Money is a useful tool, but it should not consume our thoughts or negatively affect our lives.

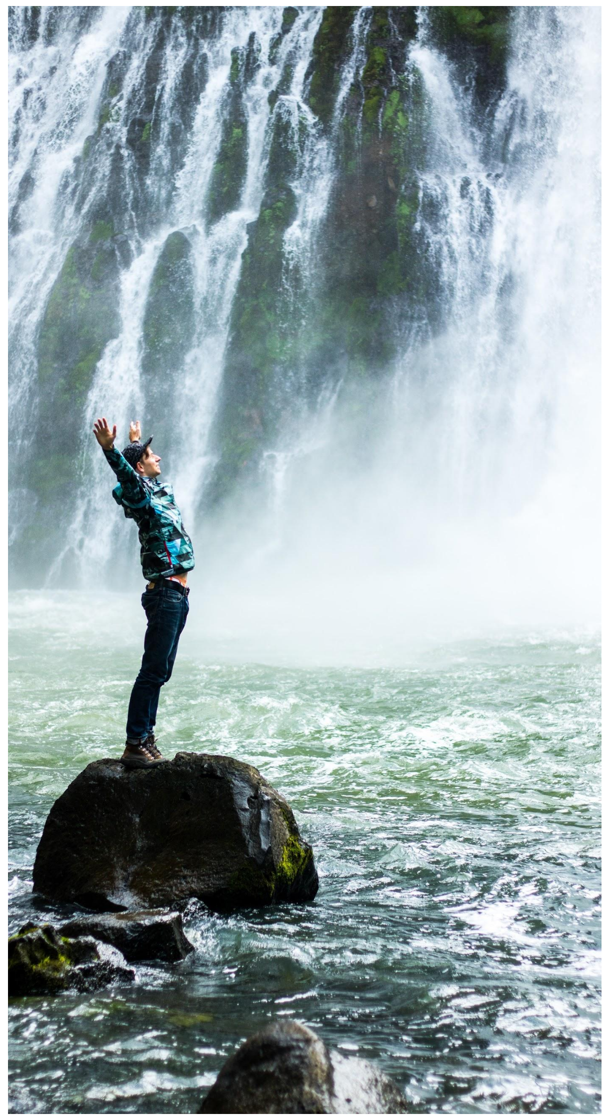
Many new physicians and dentists fail to create a financial plan until it is absolutely necessary, which is typically after their debt has become insurmountable, and their money is scattered across a multitude of mismanaged accounts. In our experience, fixing the problem at this point mandates a drastic change in lifestyle and spending habits.

We want to help new physicians and dentists avoid the pitfalls common to those in their first two years of practice. With a little education, some strategic planning, and a healthy amount of discipline, you can position yourself for financial success and avoid the stress of financial chaos.

More Than Money

Believe it or not, financial planning is not about having money. It's about using your money to build the life you want. Many physicians and dentists are naturally high-achieving—they want to be the best, the top of their class, the most-recruited, the leading expert in their field.

And when you're the best in your field, you are typically rewarded for your knowledge and expertise with promotions, a higher salary, notoriety, and influence.



So it's easy to believe that the financial industry works the same way—that if you're the best, you'll be rewarded.

But sadly, that's not true.

There is no reward for having the most knowledge or the most money because financial success is not measured by the size of your portfolio; it's measured by the amount of peace and joy you experience in your daily life. To paraphrase a verse from the Bible, you can have all the money in the world, but if you're not content, you have nothing.

Your Plans Tell a Story About Your Life

Financial planning is a form of storytelling, and the stories we tell about ourselves matter. They tap into something unspoken, something visceral about who we are and what we want for ourselves and our loved ones. We tell stories in past tense to teach and in future tense to guide. Even the most primitive cultures used stories told in past tense to explain everything from rain to fire, from changing seasons to how mankind came to be. Expecting parents, on the other hand, tell stories about their growing babies using future tense. They'll be the smartest in their class, go to an Ivy League college, and use their brilliance to change the world.

This inherent need to tell stories is known as **untethering**. We unstick ourselves from the present and travel back and forth through time to gain both clarity about who we are and direction about where we're going. This can happen involuntarily when we daydream or when a person with PTSD experiences painful flashbacks. When untethering is voluntary, however, like when you plan for your future, it can have a powerful effect on our present lives. Research shows that when we think of ourselves in the future, a part of our brain lights up that is different than when we think of ourselves in the present. Neurologically speaking, we think of our future selves as other people, people not associated with our present selves.

Imagine yourself in 50 years. What do you look like? What are your hobbies? How do you dress? You most likely gave answers that are different than your present self, because that's what our brains naturally do—they look at our future selves with compassion. When you think 50 years down the road, do you picture yourself alone? Chronically ill? In prison? No! We are generous toward our future selves, and we assume the best.

Connect the Present and the Future

Financially speaking, when we think about the future, we focus on numbers, charts, and calculations. These are important and guide our decision making, but most people are not inspired by spreadsheets and future projections.

That's because your future self is not a series of numbers on a screen; you are flesh and blood, you breathe air, eat food, have hobbies, and love your family.

The question, "How much money do you want to have in retirement?" is only part of the narrative. The stories you tell and the dreams you dream about your future self is the other, more important part.

The desire to become someone ignites a motivation that goes beyond numbers and charts because the life you live in the present determines who your future self will be.

Customized
And Comprehensive

This is why good financial planning is always customized. Certain strategies that are necessary for others may be a complete waste of time for you because they don't help fulfill the narrative you want to tell with your life.

It can take years—sometimes decades—to know your story, though. What you want out of life in your first 2 years of practice will undoubtedly change after 10 years. That's why a financial plan should also be comprehensive. You should position yourself to have the financial freedom to pursue dreams you may have in the future.

- Plan for your children's future even if you don't have children yet.
- Make charitable giving a habit even if you aren't sure about the type of work that matters most to you.
- Spend less than you earn.
- Pay down debt and invest in the future.
- Be wise now so you'll be ready when it's time to take a leap.

Your financial planning goals should be measured in joy, not dollars.

It’s all about Joy

Author Rob Bell said that joy is the engine of the universe. And if joy drives all of life, it makes sense to maximize joy in every way possible. It's important to differentiate joy from happiness, though. The two words are used interchangeably so often that people assume they're the same thing.

They're not.

Happiness is a mood. It's fleeting. It changes based on a whole host of variables.

People who build their lives around what makes them happy are prone to perpetual disappointment. Because we are constantly evolving as people, what makes us happy today won't make us as happy tomorrow.

Joy, however, is not a mood; it is independent of circumstances.

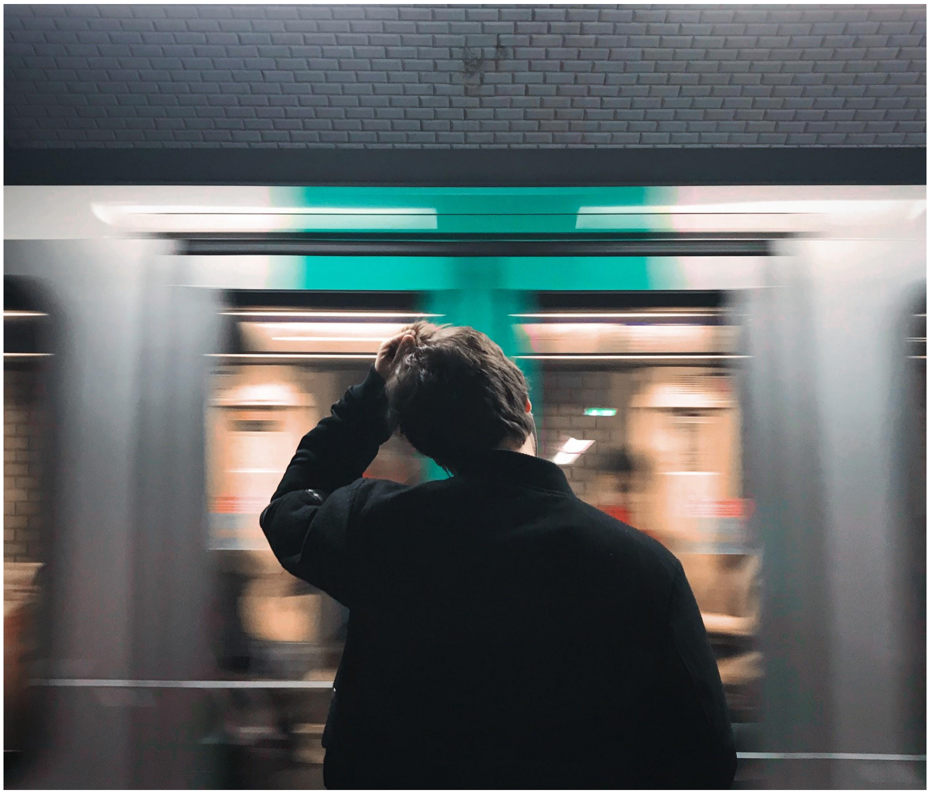
Joyful people are satisfied whether they are rich and famous or poor and forgotten, whether they are a physician or a shoe salesman, whether they live in the nicest gated community or an unimpressive rental.

Joy is simply another word for contentment.

Are you content with your life? If not, why? Could it be because you're pursuing things that will never bring you true joy?

Ask yourself what brings you joy. Now how much of your time, energy, and focus do you spend on them?

Stress and Burnout In Medicine



These questions have practical implications on the overall well-being of physicians and dentists because when we experience a decreased sense of worth in our work, it can quickly lead to burnout.

A recent survey by *Medscape* revealed tthat burnout increased from 40% of physicians in 2013 to 51% in 2017. That's an alarming trend, especially when coupled with the fact that suicide is the second-leading cause of death among residents and the leading cause of death among male residents.

Physicians and dentists are increasingly overworked while having less and less control over their own professional lives. Adding issues like debt and fear of the future results in unhealthy individuals trying to help others stay healthy. The three warning signs of burnout are

- **Chronic physical/emotional exhaustion**
- **Cynicism**
- **Increased sense of meaninglessness in your work.**

Physicians can experience these symptoms during different stages; they can also experience the symptoms in a repetitive loop, and the consequences can be severe. Studies show that physician burnout can cause:

- **lower patient satisfaction and care quality**
- **higher medical error rates and malpractice risk**
- **higher physician and staff turnover**
- **increased alcohol and drug abuse**
- **suicide**

Burnout can also affect a physician's personal life, leading to fractured friendships, struggling marriages, and fewer positive interactions with children or grandchildren. Family life often takes the biggest hit when a doctor is burned out because it is the one area of life not connected to income and therefore seems the most expendable. Pressure to be more present with family only compounds burnout symptoms.

While many factors contribute to physician burnout, financial stress is one of the most prominent. The threat of losing your income due to poor performance is pressure enough, but when you add mounting debt and out-of-control spending to the equation, the pressure multiplies exponentially. You need to take a break from work to recharge mentally, but you cannot afford the lost wages, so you keep working. And as you keep working, you grow more mentally and emotionally fatigued.

Your First Two Years Matter

These are some of the reasons why we believe your first two years in medicine matter so much. How you establish yourself financially during this time will set the course for the rest of your life and career.

We believe the epidemic of physician burnout can be drastically curbed with solid financial planning and disciplined strategies, not because it will make our clients rich, but because it will help them live joyfully no matter what happens around them.

Joy is the ultimate goal.

Are you pursuing wealth, fame, and everything society says is important, or are you pursuing what gives you joy?

Pursue joy, and you may be surprised at where life takes you.

Make Your First Two Years Count

Do you want to maximize your first two years in medicine in a way that sets you on a course for a life of joy?

At White and McGowan, we offer fee-based, comprehensive financial planning for physicians and dentists. We craft every plan according to each client's needs, goals, and vision for their life. To schedule an appointment, click the button below.

SCHEDULE AN APPOINTMENT

CHAPTER 1

WHY YOU SHOULD HIRE A FINANCIAL PLANNER

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Introduction

As a physician or dentist, how do you feel when an untrained patient "explains" their medical condition to you based on what they read on the internet?

It's probably frustrating.

You've poured thousands of hours and dollars into extensive education, but a man who read an article his nephew posted on Facebook suddenly knows all about medical diagnoses.

The same is true in the financial planning world. There is an infinite amount of information available online, but licensed financial professionals understand the broad context and impact each decision brings. Just as you want patients to trust your expertise, it's wise to trust those who know the financial industry well.

In this chapter we will examine the three primary reasons to hire a financial planner.

•**Utilize a 3rd Party:** We'll explain why financial planners, advisors, and brokers make mathematical sense.

•**Understand Your Behaviors:** We all have pre-programmed tendencies, especially in regards to money. Some are conscious and some are subconscious. It's important to know what the pitfalls are and take every measure to avoid them.

•**Manage Your Impulses**: It has never been easier to make impulsive purchases than it is today. When purchases are made within the context of a budget and financial plan, you don't have to wonder what impact it will have on you down the road because it has already been determined.

Why utilize a 3rd party?

It won't come as a shock that our financial planning firm strongly recommends hiring a financial planner. This is not about our profits as much as it is about psychology and statistical analysis. Many people believe they can research, find the right funds, and beat the market. However, statistics show that individuals consistently underperform against professional investors.

Using a third party provides a second (and many times third and fourth) pair of eyes on your investments. And while the emotional attachment to money prevents many from seeing their own finances clearly or objectively, impacting their ability to make the right decisions with their investments, a third-party manager is free to operate with a more logical compass as he directs your investments based on a specific strategy and timeline.

Still, there is something more critical to the success (or failure) of individual investors, and that is the fact that every investor has a set of behaviors and biases that impact investing. There is no exception.

Understand Your Behaviors

Investors are human; we are not robots, operating according to pre-programmed algorithms. We cannot avoid certain behaviors; our human nature plays a critical role in the investment process, and it is important to understand this in order to truly grasp the value of a third-party planner or consultant.

Statistical analysis has proven that the returns of those who invest on their own consistently underperform compared to the returns of those who use third parties.

If you read the last few paragraphs and said to yourself, “That isn’t me,” or “I’m more disciplined than that,” you fall in the category of people that is most likely to experience a return disparity because you are less likely to ask for help.

Those that overestimate their self-control, attribute their success to knowledge, and take pride in their ability to learn well typically associate asking for help with weakness.

Unfortunately, this distorted view of self will prevent even an intelligent person from experiencing the success of a person with a more humble view of their abilities.

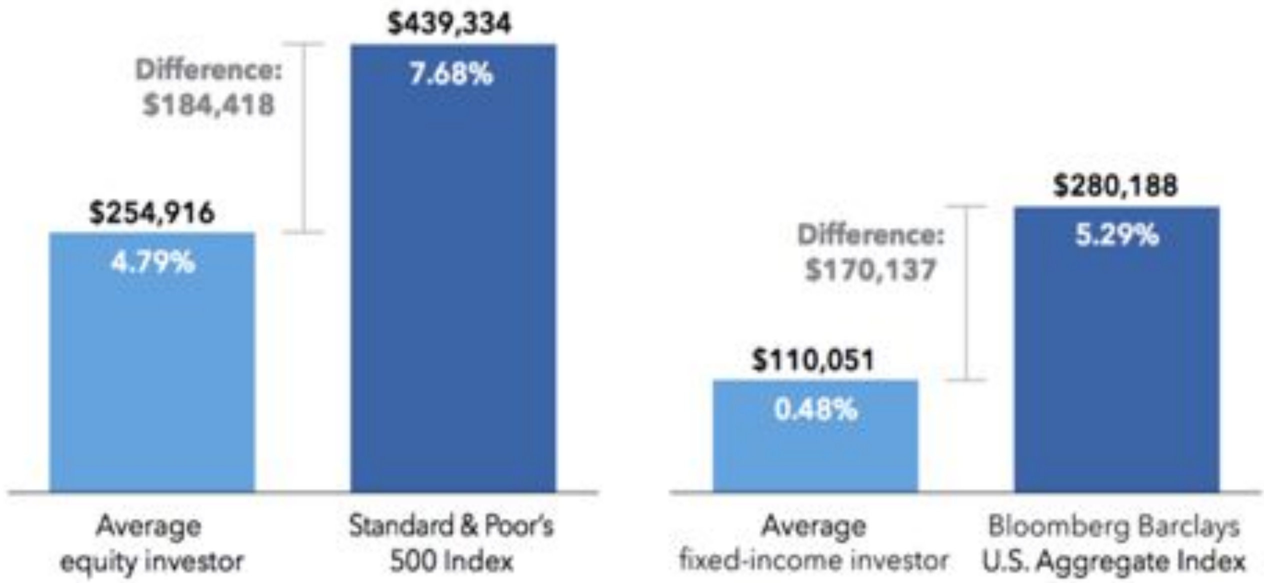
Over the years, we've noticed that the physicians who call wanting to pull money out during a market correction or add more at market peaks are those with the most "head knowledge" about investing, planning, and markets. It's been a fascinating behavioral study to witness, but we should not make decisions out of fear and greed instead of what we know to be true.

Detailed analysis shows that individual investors trend toward erratic and reflexive behavior, which leads to underperformance. According to the Quantitative Assessment of Investor Behavior, the average equity mutual fund investor underperformed the S&P 500 by -4.70% in 2016. While the market made gains of 11.96%, the average equity investor earned 7.26%. This didn't only happen in 2016. Let's look at 20 years of data and consider the financial impact.

The average person managing their own money who invested $100,000 on December 31, 1996, averaged 4.79%, resulting in a balance of $254,916 on December 31, 2016. However, the S&P 500 averaged 7.68% during the same 20-year period, which would have turned that $100,000 investment into $439,334. That's a difference of $184,418!

The difference for fixed-income assets was similar during the same time frame. The average investor managing their own fixed-income portfolio averaged .48% on a $100,000 investment, while the Barclays U.S. Aggregate Index averaged 5.29%, which is a difference of $170,137.

Some may reason that they saved money by not paying a management fee. However, the management fee, assuming 1%, would have totaled $43,742 for this 20-year period, so it is not comparable to the losses suffered by those managing their own investments. The image below illustrates this.



QAIB 2017 examines real investor returns in equity, fixed income, and asset allocation funds. The analysis covers a 30-year period ending on December 30, 2016, encompassing the crash of 1987, the drop at the turn of the millennium, the crash of 2008, plus the recovery periods of 2009, 2010, and 2012. No matter the state of the mutual fund industry—boom or bust—investment results are more dependent on investor behavior than on fund performance. **Mutual fund investors who hold on to their investments are more successful than those who try to time the market.** (From Quantitative Assessment of Investor Behavior 2017 Report):

According to the Quantitative Assessment of Investor Behavior 2017 Report, the behavior of the investor plays a larger role in fund performance than the market itself. So, what behaviors cause such disparity between individual investors and third-party planners? There are many, but the six most common behaviors that negatively impact results include:

1. Herding
2. Loss-Aversion
3. Familiarity Bias
4. Anchoring
5. Self-Attribution
6. Fear

HERDING

Herding, or herd instinct, is the natural inclination to invest in markets or companies solely because other people are; it is driven by our innate and powerful fear of missing out on what might benefit others. When herd instinct takes hold, much of our own logic, math, strategy, and planning are lost. We reflexively change course and make investment decisions we would not otherwise make. On the large scale, herding can cause financial bubbles like the dot-com bubble of the 1990s, but all bubbles eventually pop.

LOSS AVERSION

Psychologically, the pain of a loss is felt more deeply than the joy of a gain, making it more difficult for a person to leave money in the market if they feel it's at a peak. For those with loss aversion, watching their account go down by $10,000 is worse than missing out on their money growing by $50,000. Though both are a cost, many with loss aversion miss the upside because they constantly operate with a fear of the downside. Between 1993 and 2013, a person missing the best 10 days in the S&P 500 lost 3.73% of what the market offered to someone fully invested during that time. A person missing the best 40 days in the S&P 500 actually lost money.

FAMILIARITY BIAS

Familiarity bias occurs when investors limit themselves to stocks or companies that are familiar to them, reducing portfolio diversity and increasing risk of loss. Familiarity bias might be the most obvious behavior that would benefit from a third-party consultant since a professional with broad market familiarity has an obvious advantage over someone with a more narrow scope.

ANCHORING

Anchoring, also known as confirmation bias, is when investors either consciously or subconsciously look for information that confirms what they already believe to be true. It is easy to see how this affects investing; when investors are set on allocating money to certain funds or stocks, they will use even the most obscure information to confirm their decisions. Anchoring can easily blind individuals to the red flags that a third party may catch.

SELF-ATTRIBUTION

Self-attribution causes investors to take the credit for their successes while deflecting the blame for their losses; it is a form of pride stemmed from the false belief that we can predict and conquer market trends. When we're successful, we tell ourselves that our "system" works, and when we fail, we tell ourselves that we were the victim of outside forces. A third-party consultant, however, can look at investments without this blurred judgment.

FEAR

This four-letter word is at or near the psychological root of most investment behaviors. When emotions and arrogance steer the ship, it's easy to make poor decisions. However, a third-party consultant or planner understands how to navigate the market in all kinds of conditions.

Manage Your Impulses

The most pressing reason we need third party consultants, though, is for accountability. Making impulsive purchases is fun and easy! When you wander into the Apple store and walk out with a brand new iPad that you had not planned to purchase, or you get an email with a discount for a cruise you hadn't planned to take, or you decide it's time to redecorate your living room with brand new furniture, you get a rush of dopamine that makes you feel really good.

Online retailers have tapped into this aspect of the human mind. If you search for an item you need, you'll be bombarded for weeks with suggested items to go along with the first thing you purchased. Websites and apps store credit card information so we can just click a button to get the bright, shiny object we didn't even know existed five minutes before.

CRAVINGS

The reason we buy that iPad or take that cruise or upgrade our furniture is not because we need those things. It's because we believe that they will satisfy a craving.

Buddhists talk a lot about craving; they believe that craving is the source of almost all suffering. We crave things like control, acceptance, affirmation, love, and notoriety, but when we don't get them, we try to satisfy our craving with lesser replacements like food, sex, and possessions.

Sometimes buying something on a whim makes us feel like we're in control of our life. Using drugs and alcohol is another common way people attempt to satisfy the craving for a sense of stress-free euphoria. And food is an easy way to satisfy our need for stimulation.

Eventually though, these cheap attempts to satisfy our cravings only end in suffering. We go broke, we become addicts, we become fat and unhealthy. Our cravings may even land us in jail. And soon, we're right back where we started, craving something we don't have.

BE HONEST

To prevent the suffering caused by our craving, we must stop craving altogether, but that can take a lifetime to accomplish. Until then, the best path is to name your cravings and identify a viable solution for getting what you need. This process begins with recognizing the difference between a need and a want. You need

- a source of income to pay bills and make daily purchases like groceries and medicine
- a roof over your head
- transportation

And that's basically it. If you have these three things, you and your family can survive and even enjoy a simple life.

But most people—especially those who earn a high income—don't want to just survive and enjoy a simple life. Instead, they want to thrive and enjoy the most luxurious life their money can buy. They want to do more than simply pay for daily purchases, put a roof over their head, and have a way to get from Point A to Point B. They want to have nice things, own their dream home, and drive a car that elevates their social status.

Most of our cravings are not driven by our needs; they're driven by our wants. It's easy to feel guilty about that. But if you can clearly name what you crave and plan how you will go about getting it, you can avoid the inevitable disappointment that comes from impulsive spending.

For example, if you decide that you want to eat all organic food, your underlying craving may be about living a healthy lifestyle that leads to happiness and longevity. By naming what you want (happiness and longevity) and how you're going to accomplish it (eating organic food), you can plan for it in a way that is financially productive.

You get into financial trouble, however, when you impulsively decide to do all of your grocery shopping at Whole Foods, spending several hundred dollars that you hadn't planned to spend for a week's worth of groceries.

If you want something, identify what is driving your craving and how you can best satisfy it, then work it into your financial plan.

The Solution to Stress

COMPREHENSIVE FINANCIAL PLAN

A strong, comprehensive financial plan guards against impulsive purchases by incorporating the things you need and want. You can create a plan to include monthly living costs, debt repayment, and saving for luxurious vacations or nice vehicles. You can allocate money each month for your kid's education and have cash on hand when Amazon recommends a skin cream you never knew you needed.

A comprehensive plan takes your past, present, and future into account, and allows you to maintain control over what you need and what you want. The sense of control we gain from having a solid financial plan outweighs many of the cravings we try to satisfy through impulse spending.

A 3RD PARTY MAKES SENSE

These are just some of the reasons why hiring a third party to manage your finances is a wise decision. Emotional attachment to money affects how you invest your money, and your view of reality is distorted through the lens of self.

The average person believes they know better, but the tendencies above play out regardless of an investor's personality, background, and education. Investing is hard. Using a third party's services is the best way to avoid these common problems, and it increases the likelihood that your investment will return higher results.

REDUCE YOUR FINANCIAL STRESS

Do you want to maximize your first two years in medicine in a way that reduces your financial stress and frees you up for the things you enjoy?

At White and McGowan, we offer fee-based, comprehensive financial planning for physicians and dentists. We craft every plan according to each client's needs, goals, and vision for their life. To schedule an appointment, click the button below.

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