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COMMENT

Seven Steps to Financial Health

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Abstract

Physicians and dentists have a very limited exposure to personal financial management and yet find themselves in the top 10% of earners in the United States of America. Education loans, practice expenses, and high standards of living obligate them to be good financial stewards to succeed financially. Anecdotal personal experience and review. The article establishes seven steps to implement as medical/dental students, interns, residents, or practicing doctors to move towards financial health and security. The steps include (1) saving enough; (2) good debt management; (3) being tax savvy; (4) obtaining the correct insurance; (5) making wise investments; (6) if choosing to marry, avoid divorce; and (7) keeping track with periodic progress assessment. Each of these steps contains several components that can aid and guide physicians and dentists in their financial arc of development over their professional career and into retirement, considering generational wealth transfer or charitable donation as ultimate goals. This brief guide is based on my own financial journey to achieve long-term financial independence: start early, use simple tax deferred investments without chasing trends while keeping fees down, live within your means, and adequately insure your income.

Keywords Retirement · Goals · Students · Medical · Financial management · Physicians · Dentists · Marriage

Introduction

I enjoy watching movies and often get insights out of them that are not always intended or obvious. To this end I would like to suggest seven movies to illustrate seven steps to achieve financial health and security (movie source information: internet movie database imdb.com, accessed December 2023). This "Wolf of Pathology" (homage to *The Wolf of Wall Street*) hopes you can learn from my mistakes and experiences to move closer to your own financial independence. Personal financial education is vanishingly rare in medicine [1], but is a critical element required for financial success.

Materials and Methods

This "Beyond the Scope" collection for the *Head and Neck Pathology* journal is a series of manuscripts designed to encompass topics not usually published in healthcare journals, and are subjects that need to be more thoroughly understood. Anecdotal evidence from my personal experience as a practicing pathologist over the past several decades is the basis for this educational effort (something that is seldom given in medical school, residency or fellowship [2, 3]). I operated several investment clubs over the years, while obtaining my undergraduate bachelors of science degree in business administration with a finance emphasis (while doing all pre-med requirements). I took an interest in workplace financial literacy while serving 20 years in the United States Navy, seeing how much assistance I was able to give to fellow enlisted and officers who generally had only limited financial knowledge but were a common target of members of the financial community. I served on the Retirement Committee of Southern California Permanente Medical Group for 15 years as a fiduciary for investment selection, oversight, and strategy for more than $7 billion in assets, giving me the unique opportunity to observe more than 10,000 physician participants' financial behaviors and practices.

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Financial success is achieved with the power of a dynamic marriage relationship—as I am happy to have experienced. My coauthor and wife (disclosure: the authors are married), has walked every step of this financial journey, using her unique financial background and computer skills to aid in our success. She created many of the graphics and helped to make this a more well-rounded financial aid. Review of pertinent literature was undertaken along with general web-based searches to augment the information provided herein.

These principles apply equally to physicians (medical doctors), doctors of osteopathy, dentists, veterinarians, pharmacists, optometrists, podiatrists, chiropractors, psychologists, social workers, therapists, and others with advanced degrees in the allied health care fields. No one term adequately covers this group, and so my choice of "physician/dentist" throughout is used as a shorthand for all these fields. In full disclosure the following disclaimer is offered: I am not a certified financial planner. I am giving you anecdotal experience from my own life. Past performance is no predictor of future outcome. I am not giving financial advice but simply providing education.

Key Considerations

Save Enough

The Pursuit of Happyness is a movie about a person who has a dream and doesn't let anybody stop his pursuit of it. The dream of financial security is one most people aspire to, and physicians and dentists are no exception. Doctors generally earn a good income, but many do not know how to save, or more importantly, grow the money. We are accustomed to delayed gratification, where we have put off our own enjoyment and needs in pursuit of our dreams. As a group, we put in extra hours of study in high school, volunteered within our communities, and joined clubs to improve college opportunities rather than laying out by the pool or hanging out at the mall. In college, we did all the extra credit assignments, worked multiple jobs, joined academic and social clubs or took advanced classes to enhance our application to medical/dental schools—rather than taking vacations or watching the latest movies. During medical/dental school, we worked up yet another patient, did scut work for the chief resident, and volunteered at clinics, in the hope of matching into a first-choice residency—instead of keeping up with the latest soap operas, reading novels, or indulging in a hobby. During residency, we stayed late, did extra cases, volunteered for research projects, worked on presentations, and covered call just so we would get a good fellowship. We have delayed our gratification for so long that when we finally start earning a big paycheck, we devolve into frivolous spending and waste money. Importantly, physicians/dentists generally have had to wait to start saving for their future, only beginning to earn a real income 7–10 years later than contemporaries who did not go through graduate education, residency and/or fellowship(s). We have less time to accumulate and compound assets.

Physicians/dentists need to save more than their peers, because as earnings increase, so does the tendency to enjoy a higher standard of living with associated higher expenses [4]. Planning is THÉ single most important step to achieving a financial goal since, let's face it, if you don't have a goal, you won't achieve it. Physicians/dentists are usually excellent at setting goals, so set up a plan of saving that takes into consideration compound interest. Interest you earn on your investment should also earn interest. Imagine you have two magic pennies that double every day. How much would you have at the end of just one month? $21,474,836.48! While this is an extreme example of compound interest, it underscores that with time the interest you earn on interest becomes larger than the amount originally invested. But it also means that for every decade you delay saving, it requires proportionately more to get the same result: At 6% annual rate of return for 30 years, a 35-year-old saving $1000 a month will have just under $1 million at age 65 years, while a 55-year-old would have to save $6,100 a month to yield about the same amount.

The single best place to invest is any plan where your employer matches your contribution. In essence you are receiving free money [5]. Depending on the account type, contributions may be tax-deductible, all grow tax-deferred, and then may be tax-free or taxed at your rate based on retirement income (Fig. 1)—but tax-deferred growth is optimal as Fig. 2 shows the amount of money accumulated with tax-deferral is far greater over plans where taxes are due annually. There are many tax-deferred plans: health savings account (HSAs), individual retirement accounts (IRAs), Roth IRAs (tax-free), SIMPLE IRAs, SEP IRAs, single K, Roth 401(k) (tax free), 529 plans (college savings), non-qualified annuities, and deferred compensation (457 plans). Conversions between account types can be made with careful attention to the rules and limitations which change annually. IRAs, 401(k), and Roth type accounts are nearly always available to all and thus form the foundation of retirement planning [2], recognizing more complex plans exist. Defined benefit plans (traditional pension) are not commonly offered but would be a major consideration when selecting an employer if they offered one.

In retirement preparedness, it is important to recognize and overcome the statistical fact that women do not participate as often, nor for the same duration, nor for the same investment allocation. Women are more likely than men to have no retirement savings at a statistically significant level, and lag men when they do have savings: only 22% of women have more than $100,000 saved compared to 30% of men

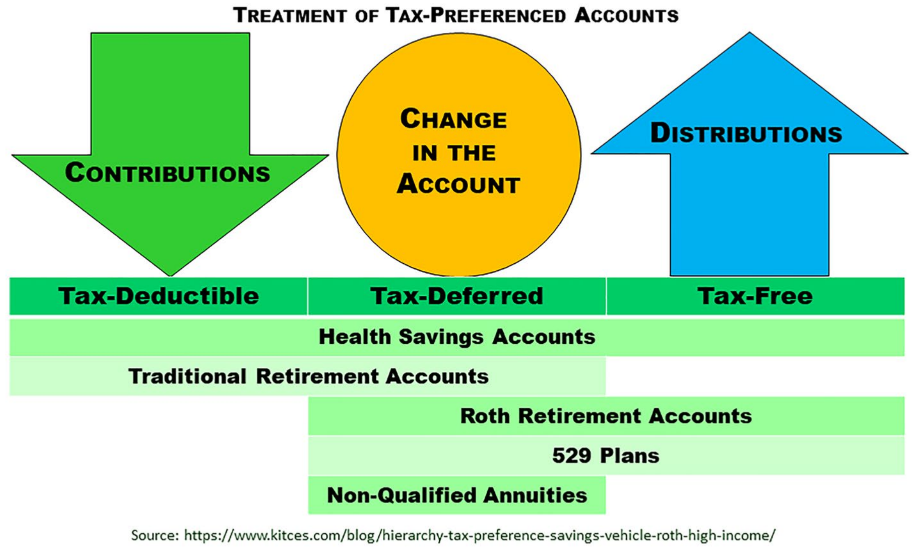


Fig. 1 A diagrammatic representation of general groups of savings accounts and tax preferenced treatment of contributions, growth, and distributions

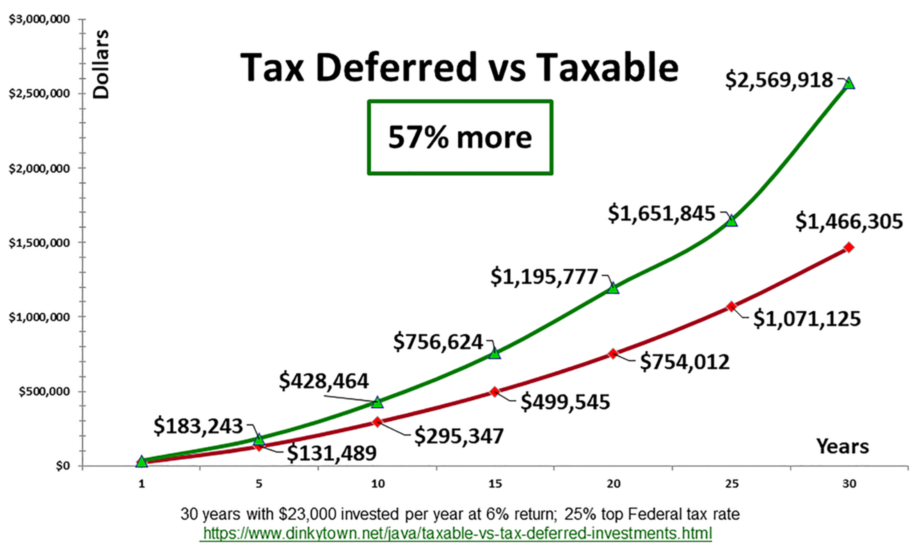


Fig. 2 The graph shows the difference between the amount of money accumulated over a 30-year time horizon invested in tax-deferred (green) versus taxable (red) vehicles based on $23,000 invested per year with a 6% return using a 25% federal income tax bracket. The $23,000 was selected as it is the 401(k) general limit in 2024, not considering catch-up contributions that are possible starting at age 50. Further, an average 25% Federal marginal tax rate was applied, recognizing tax efficient allocation, where bond interest and unqualified dividends would have higher marginal Federal tax rates than would qualified dividends and long-term capital gains

(census.gov/library/stories/2022/01/women-more-likely-than-men-to-have-no-retirement-savings.html; accessed 01/2024). Interestingly, 64.9% of never-married men have no retirement savings, while only 54.5% of never-married women have no savings. The rate is even more significant for a never-married individual who has multiple partner fertility (children with more than one partner), where 81.7% have no retirement savings (84.9% for women; 77.7% for men).

There are several contributing risk factors to consider such as: time horizon (length of opportunity to save), inflation rates, withdrawals, asset allocation, marital status, and healthcare costs. Erosion of spending power by inflation (Fig. 3) is significant over the long run despite being historically steady around 3%, as well as being affected by "shrinkflation," where the actual size or quantity of the item in standard packaging is reduced while the price remains the same. You will be paying more for less.

There are also generational differences, where priorities are different and unique to each generation at different points in their life cycle. Health care costs are significant and rise during retirement when illness is more prevalent. A 65-year-old couple will need about $315,000 for medical expenses during retirement—in today's dollars (newsroom.fidelity.com/pressreleases; accessed 01/2024). Costs for long-term

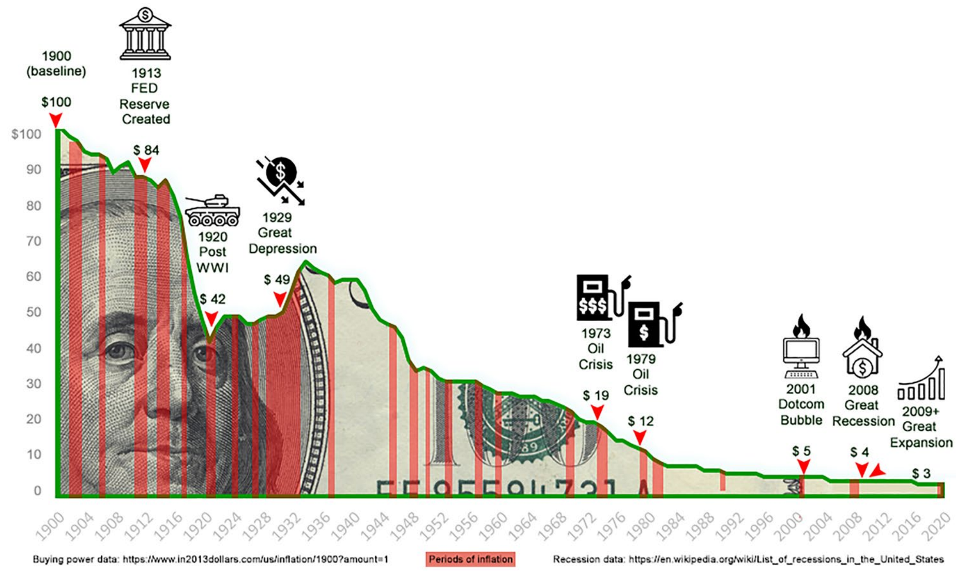


Fig. 3 The buying power of US \$100 based on inflation from 1900 to 2020, with major events that may have contributed to inflationary pressures. The red shaded areas represent recessions in the economy

care coverage vary significantly by geographic location but can be reduced with long-term care insurance.

I have found a few numbers as useful guides in planning for retirement, so when you run scenarios or calculations you can compare between options in a meaningful way as you *Pursue Your Own Happiness*:

- 95: Plan to live to this age in retirement
- 80: Percent of pre-retirement income you will need in retirement
- 6 : Percent average annual rate of return for investments
- 3 : Percent maximum withdrawal from savings per year during retirement
- 3 : Percent annual inflation rate

Good Debt Management

Margin Call is a movie about investment bankers who have over-leveraged their bank at the beginning of the 2008 financial crisis, facing an intense 24 hours with incredible losses. It is obviously about debt and its management. Physicians/dentists are often encumbered with significant debt, with college and medical school loans added to the more typical financial obligations incurred throughout life. Average medical school debt is \$202,453, but that individual's total student debt is \$250,995 (educationdata.org/average-medical-school-debt#; accessed 01/2024), with about three quarters of doctors burdened with education debt, an average of 6 times the average college graduate [6].

Add on practice costs (overhead, employees, equipment, rent, compliant computer/medical records systems), a mortgage on your primary residence, car loans, and consumer credit card debt balances. This volume of debt leads to loan interest costs substantially different from other professions or consumers [7]. Census data shows those with no high school diploma have a median total secured debt of \$27,000, while those with a graduate/professional degree have \$197,000. Those in the lowest quintile of annual household income have a total median debt of \$32,000 while those in the highest quintile have \$240,000. Millennials have a median home debt of \$200,000, while Baby Boomers have \$116,000 (census.gov/data/tables/2021/demo/wealth/wealth-asset-ownership.html; accessed 01/2024). All this supports the notion: the more you earn, the more debt you are likely to incur. Understanding and learning how to not be overwhelmed by debt is critical.

Average physician salaries are \$251,000 for primary care and \$351,000 for specialists (physiciansthrive.com/physician-compensation/report/; accessed 01/2024), with pathologists earning \$305,100 (salary.com; accessed 01/2024). The cost of living in a geographic area (the real estate adage of "location, location, location" is true), the type of car to buy or lease, various lifestyle choices, etc., all affect debt totals, but education debt is particularly unique and significant for physicians and dentists [8]. Statistically, there is more than \$1.76 trillion in school debt owed by 45 million people, with 92% of debt owned by the United States Department of Education; women have more debt than men; 4.8 million borrowers are in default while 25.6 million are in forbearance and only 400,000 in repayment (nerdwallet.com/article/loans/student-loans/student-loan-debt#average-student-loan-debt; access 01/2024). The rules about medical school debt change frequently but several factors are significant: how much the loans are; is the interest rate fixed or variable; if the interest rate is variable, is it linked to prime; what are the terms of repayment; are there prepayment penalties; is federal or private loan consolidation better; can part of the loan be forgiven; does interest accrue during residency?

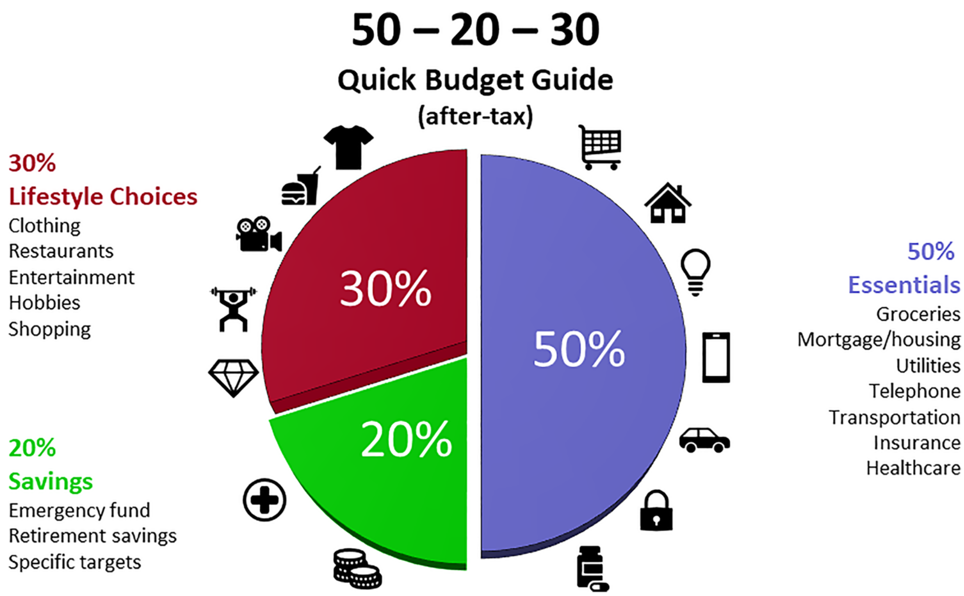


Fig. 4 A general budget guide using the 50-20-30 principle, identifying essentials, lifestyle choices, and savings

Unless emotions prompt you to repay a loan early (i.e., wanting to be debt free; not sleeping well because of high debt load; anxiety about making payments), it is mathematically better to keep a low interest fixed rate, 30-year loan. If your loan interest is < 4%, average inflation is 3% and your marginal income tax rate is about 35%, it is best to pay the loan over the full 30 year term, recognizing you are paying with money reduced as inflation erodes buying power (hellowallet.com/student-loans-calculator; accessed 01/2024). Instead, pay off higher interest rate debts and, after that, invest in safe but higher-rate earning opportunities. Note that deferral of interest or principal payments during residency/fellowship versus paying interest only during this period may change this calculation. Repayment options (standard, graduated, extended or income sensitive) alter payments. Critically, though, payments must be made correctly and are best achieved through automatic bank draft. If a payment is late, you may lose privileges and then are severely limited in future options, so make certain there are sufficient funds in the account to meet draft amounts.

Loan consolidation can often simplify repayment, lowering monthly payments by increasing the loan repayment time length which can decrease the risk of default, but this is only advantageous if the interest rate is favorable, since the lengthened repayment period might increase the overall interest paid. Importantly, if consolidating personal debts with a spouse, you are jointly and severally liable for the new loan.

Loan forgiveness programs may be available from federal or state backed programs (such as National Institutes of Health; National Health Service Corps Loan Repayment Program; and Association of American Medical Colleges) that offer partial to full forgiveness for choosing certain careers, geographic locations, military service, and even volunteer work.

Because change is inevitable, be prepared to cope with a financial crisis. Marriage, raising children, changing jobs, purchasing a house, divorce, disability and even death greatly impacts your financial goals. Having an emergency fund (generally 3–6 months' worth of total living expenses) in an immediately available form (i.e., saving/checking account) that doesn't incur penalties for withdrawal is highly recommended.

Part of good debt management involves budgeting. Establish goals, identify income and outflows. Specify anticipated expenses that can be changed and prioritize desired but less significant expenses [6]. There are many online free budgeting services (*GoodBudget.com*; *EveryDollar.com*; *PersonalCapital.com*; and *Simplifi.com*, as just some examples). Using the 50–20-30 quick budget guide (Fig. 4) helps establish an easy pathway to money management. Importantly for physicians/dentists, the debt ratio 28/36 rule (total housing costs not to exceed 28% of gross income and total household debt not to exceed 36%) will be difficult to achieve given the high burden of education debt, recognizing these ratios are agnostic of where you live and your individual circumstance. To this end, it may be difficult to qualify for a traditional mortgage if you have high student debt combined with limited to absent savings. Medical professional mortgage loans (for MD, DDS, DVM, DPM, DMD) are a unique opportunity as they have more lenient qualifications and underwriting standards, take future earnings into consideration, reduce the down-payment percentage, and often spread repayment over a shorter time, with fixed-rate or adjustable-rate terms indexed to your credit score.

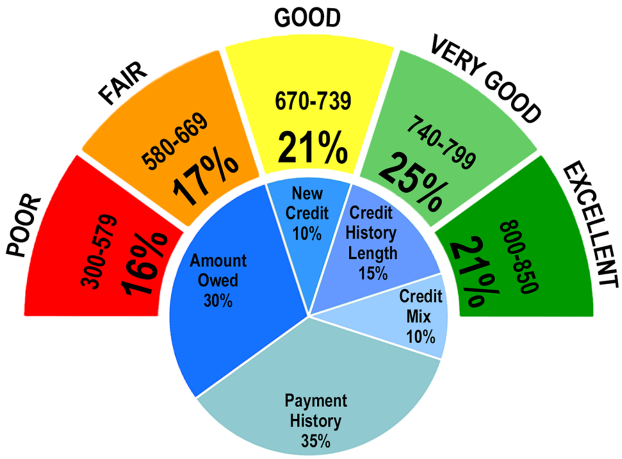


Fig. 5 There are several different ways of assessing credit risk, with the FICO® score one of the most popular. The inner circle indicates the factors and their weighting in calculating the overall score, while the outer sunburst demonstrate the major score brackets and what percentage of people fall within that category

Avoid common credit mistakes of overspending, holding too many credit cards, making only minimum payments, carrying a permanent balance, assuming introductory low interest rates stay the same, using them for extra cash, paying a higher interest rate than necessary, paying off the wrong credit cards first, and ignoring extra fees or penalties. Before buying anything on credit ask yourself (a) what is the cost of this credit; (b) what is the risk of the credit; (c) what is the obligation incurred. Shop around for a credit card with the best terms: no annual fee; a low annual percentage rate; and possibly a rewards program. Pay statements on time, don't use the credit card's full limit, track your purchases, and pay off as much as possible every month. Several strategies (debt avalanche versus snowball methods) can be used, prioritizing interest rate versus balance, each with their own intrinsic psychological benefits. Knowing your credit score also affects overall debt and credit management. There are many companies that evaluate your credit risk (Equifax, TransUnion, Experian are the largest) and the FICO score developed by Fair Isaac Corporation is one of the most common credit scoring companies (Fig. 5). The average score is 678, with several factors going into the determination. Obtain a free report from each company each year via *annualcreditreport.com*, checking for mistakes or fraudulent activity. Many financial services companies will give you your actual score for free if you have an account with them. Since this score is used to determine credit risk, it impacts not only your ability to get loans but also your interest rate. Remember, compound interest on loans is just as significant as it is with savings. You never want to experience your own *Margin Call*.

Be Tax Savvy

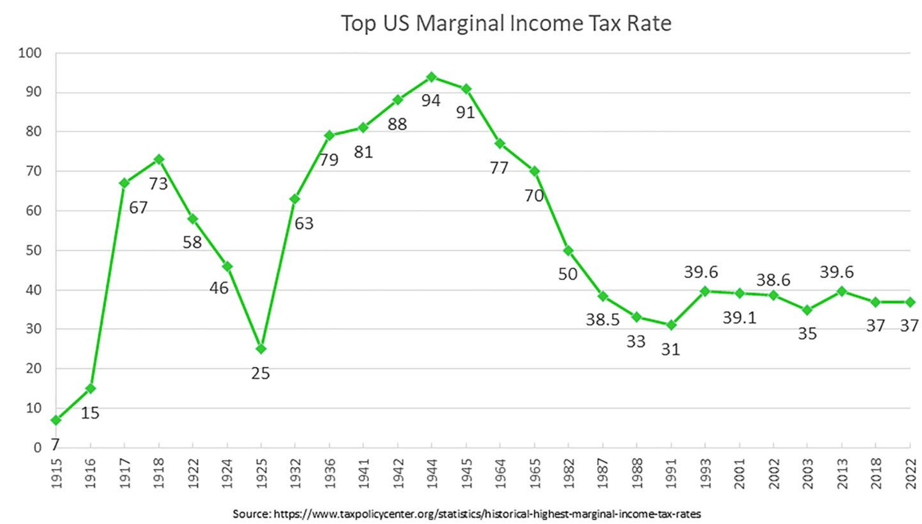
The Shawshank Redemption is a movie wherein the lead character gives advice to the prison guard captain about the spousal gift tax exclusion, which sets in motion his ultimate freedom. The United States tax code is amazingly complex and annual legislative changes usually make it even more labyrinthian. To see where your federal income tax payments go (Fig. 6) and how much debt the country incurs every second is somewhat mind blowing (*usdebtclock.org*). High income earners are affected by taxes, even taking shelters and beneficial regulations into consideration. Specifically, the top 10% of income earners paid 73.7% of all federal income taxes while receiving 49.5% of all reported earned income, paying an average tax rate of 20.3%. This equates to 6.5 times the average rate of the bottom 50% of income earners. This top 10% is defined by households earning a median income of $152,321, while top 5% earners are defined at $220,521, clearly encompassing all physicians as a group (taxfoundation.org/data/all/federal/summary-latest-federal-income-tax-data-2023-update; accessed 01/2024). The way the majority of the rich get rich is based on hard work, education, smart investing, risk taking, and frugality—though luck, entrepreneurship, and inheritance may also contribute (bloomberg.com/news/articles/2013-04-22/how-did-the-worlds-rich-get-that-way-luck; accessed 01/2024). Physicians/dentists are very accustomed to hard work, education, risk taking, and frugality, so are well suited to enter this status.

The marginal top tax rates change frequently, influenced by economic factors, political scenarios, and public policy (Fig. 7). Legitimate tax shelters allow for reduced taxes. Tax deferred plans (IRAs, SEPs, Keogh, 401(k), 529, 457, and HSAs) are augmented by tax efficient investments like municipal bonds and tax-free investments. There are also differences between tax-advantaged plans when considering a Roth IRA (taxes are paid before the money is invested, but the distribution is not taxed) versus a traditional IRA (potentially pre-tax contribution but distributions are taxed). In general, investments with the highest taxes (bonds, REITs) should be held in tax-deferred accounts, while investments with the best capital appreciation (stocks) should be in held in taxable accounts. Donor-advised funds (charitable investment accounts created for the purpose of supporting charitable organizations) create the opportunity to donate appreciated assets with an immediate tax deduction for you. The fund grows tax-free and you decide which charitable organizations are granted amounts from it.

During your professional career, saving for college through 529 plans should be considered. While each state has its own maximum contribution limits, these plans allow tax-deferred accumulation and qualifying distributions are tax free when used for education and/or training. Ownership

Fig. 6 A diagrammatic representation of how United States Federal income tax is spent (in percentages) for the most recent year available (although generally only fractionally different year to year). Major categories (Medicare, social security, and military) dwarf spending on education, energy and science

Fig. 7 The various top marginal United States income tax rate from 1915 to the present. The number indicates the top rate that year. The horizontal axis only lists the year in which a tax change was implemented



and beneficiaries can be changed as circumstances develop. Funds can even be used for private grade school and high school expenses, with certain amounts of unused funds even potentially rolled over into a Roth IRA (tax- and penalty-free).

Estimated tax payments made quarterly for federal (and state) income taxes are usually required as physicians/dentists are seldom "employees" (*eftps.com* is the free Electronic Federal Tax Payment System [EFTPS] offered by the U.S. Department of the Treasury). Given the complexity, it is imperative to work with a tax advisor and preparer who understands health care industry deductions and your tax bracket to best optimize taxes paid without leaving money on the table. Tax preparation software is available, although, depending on your circumstances, may be challenging and tedious to complete. Generally, use a tax preparer that charges a flat fee rather than by the form, and above all else, do not complete your tax returns manually. The margin for error is high and far more costly than the tax preparer's fee or a software program. My most recent federal tax return had 17 forms and countless supporting documents. Even though I did a year as a general surgery resident, I would not perform surgery today. Likewise, I would not try to complete a tax return that a certified public accountant took years of training and ongoing educational classes to be licensed and accredited to do. As part of *Shawshank* means “shelter”, allow yourself a legal tax shelter.

Appropriate Insurance

Double Indemnity is a film about an insurance salesman who falls in love with a client’s wife. They plan her husband’s murder to look like an accident on a train—which pays double.

Insurance provides a safety net for a price. This is achieved through risk management where a company identifies, analyzes, quantifies, and prioritizes risk that can be spread out across other clients with similar underwriting characteristics, with payment if a loss occurs. There are dozens of insurance categories, but life, health, disability, property, auto, personal liability, excess liability (umbrella), professional liability (malpractice), and homeowner’s insurances are several of the most common generally purchased by physicians/dentists [6]. A few will be briefly covered, recognizing several books and websites on the topics may be of further interest (educba.com/insurance-books; accessed 01/2024).

Life insurance (really death insurance, but who wants to call it that) comes in two basic types: term (pure protection) and cash-value (whole life). Generally, term insurance is the best value. The benefit amount to purchase generally depends on many factors (number of dependents, funding requirements, special-needs dependents, mortgage or debt structure, lifetime income needs of surviving beneficiary) and, in general, is dependent on the insured age at the time. Typically, those between 20 and 39 years of age would insure for 8–14 times their annual income, while those between 40 and 60 would insure for 4–10 times annual income. Those above 60 years, would consider the above factors. Shop around for the best premiums with the most reputable company that has been in business for long enough to be a reliable payee. The younger your age at the time of purchase, the lower the premium. Purchasing a level-payment plan guarantees the same monthly payment for the life of the policy. It is important to name beneficiaries, including alternate or contingency beneficiaries and immediately update if your situation changes (birth/adoption of a child, divorce, death). Entities such as retirement accounts, trusts, and charitable organizations can also be named as beneficiaries. There are significant issues with naming a minor, so consider ramifications carefully.

Umbrella insurance (excess personal liability) is coverage beyond the liability limits on existing policies. It is important for physicians/dentists as you are more vulnerable to lawsuits for a host of reasons and, generally, have more valuable assets to lose. Nationally, nearly 1 in every 6 jury awards for personal negligence tallied more than a million dollars, with an average of $1,814,094, although with a median of $114,305 (lawsuit-information-center.com; accessed 01/2024). You need to have sufficient personal liability coverage that expands beyond usual policy limits of other policy types. Defense costs are usually covered as part of the premium. Generally, it is obtained from the same company as your homeowner or auto insurance policy, where it is often between $600–900/year for a $3 million policy.

Professional liability coverage (malpractice) is mandatory for medical errors of commission or omission. Typically, the group you work for will provide it as a benefit as there are rate reductions for groups. However, it is critical to understand that professional liability coverage will not cover criminal acts. Assault, aggravated assault, battery, sexual crimes (rape, attempted rape, unwanted/non-consensual sexual contact), driving while intoxicated (from either alcohol and/or drugs), forgery, counterfeiting, fraud, theft, burglary, larceny, or arson are just a few noncovered acts. Therefore, if a patient accuses you of battery during a physical exam or procedure (such as fine needle aspiration), it is quite possible the lawsuit would not be covered and you would have to cover the cost of defending such an accusation.

Disability insurance is an exceptionally challenging coverage to understand and compare, with more fine print than any other insurance type (Fig. 8). Disability insurance is based on your medical subspecialty, your age, the benefit period, the elimination period, how much you work, the amount of income (the higher your earnings the higher the premium), partial disability rider, future increase options, and cost of living rates. Pay special attention to riders, exclusions and specific clauses. It would be regrettable to discover options for additional coverage may have been available when it is too late to do anything about it. This is the one time in your life when you must read every word of the contract and understand it before you invest in it—and it is an investment.

You are never too young to protect your income even though you may think you are young and healthy and feel any “disability” is way too far in the future to worry about now when you already have so many expenses. In your early career, 50% of disabilities are caused by accidents while over the long term about 90% are caused by illness or disease. At least one in four physicians become disabled at some point in their career, with back disorders the most common reason. If a policy is obtained when you are young and healthy, the premium will be lower. Consider coverage through select groups that allow you to lock in your premiums and the policy goes with you if you change jobs. Generally, disability insurance costs somewhere between 2 and 5% of gross income, and payouts cannot be for an amount higher than

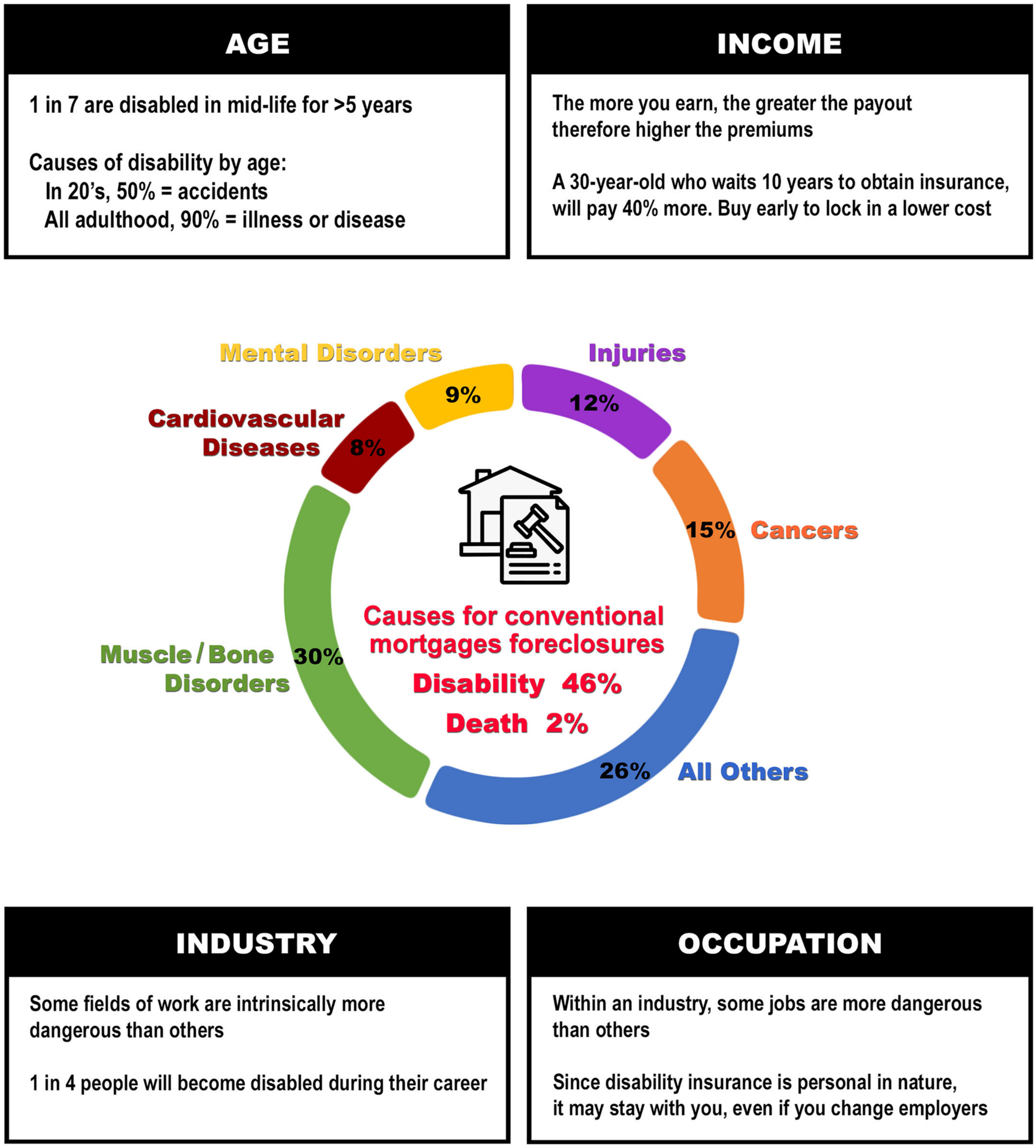


Fig. 8 Disability insurance is a complex selection process, with many different factors highlighted that must be considered before making a decision. Age, income, industry and occupation are the cornerstones of cost determination, recognizing the types of disabilities experienced and key factors to consider

you actually earn. It is important to recognize elimination periods (the longer the time between disability date and the first payment, the lower the cost), critical to understand clauses specific to your occupation, and to obtain insurance from a large, reputable company that will be there when claims are made. Get noncancelable, guaranteed coverage that can still be modified by you. Finally, premiums for women are about 60% higher than men for a whole host of actuarial reasons that are not just based on genetic sex alone. Do yourself a favor, seek out expert opinion before signing up and read about it (e.g., money.com/best-disability-insurance-for-physicians; accessed 01/2024) so you will receive *Triple Indemnity*: security, payment, and peace of mind.

Wise Investments

Boiler Room is a ribald and foul-mouthed look at brokers who cheat customers into buying worthless penny stocks with unwitting investors losing big time, but ultimately

Annual Ranking in 5-year Intervals of Real Investment Returns by Asset Class over 50 years

1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020
US Bnd 14.2%	Sm Cap 54%	Sm Cap 38.5%	Int'l Stk 56.1%	US Bnd 8.7%	Lg Cap 37.4%	REIT 26.3%	Emg Stk 32.1%	REIT 28.5%	REIT 2.4%	Int'l Bnd 23.3%
Cash/TB 6.8%	Lg Cap 37.2%	Lg Cap 31.9%	Lg Cap 31.2%	Cash/TB 7.8%	Sm Cap 28.7%	US Bnd 11.4%	Gold 16.8%	Sm Cap 27.9%	Lg Cap 1.4%	Sm Cap 17.5%
Gold 5.9%	Int'l Stk 35.3%	REIT 24.2%	Sm Cap 31%	Int'l Bnd 3.2%	HY Bnd 19.2%	Int'l Bnd 9%	Int'l Stk 13.6%	Gold 27.9%	Int'l Bnd 1.1%	Lg Cap 16.7%
Lg Cap 3.9%	REIT 19.2%	Int'l Stk 22.5%	Emg Stk 27.6%	Gold -2.7%	US Bnd 18.2%	Cash/TB 6%	REIT 12%	Emg Stk 19%	US Bnd 0.4%	Int'l Stk 13.6%
Sm Cap -6.6%	US Bnd 8%	Gold 12.2%	US Bnd 22%	Lg Cap -3.3%	Int'l Bnd 17.2%	HY Bnd -0.9%	Sm Cap 7.5%	Lg Cap 15.1%	Cash/TB 0%	REIT 8.7%
Int'l Stk -11.7%	Cash/TB 6%	Cash/TB 11.8%	HY Bnd 22%	HY Bnd -5.8%	REIT 12.8%	Sm Cap -2.6%	Int'l Bnd 5.3%	HY Bnd 12.5%	Int'l Stk -0.2%	Emg Stk 6.1%
REIT n/a	Gold -25.4%	Emg Stk 6.8%	REIT 19%	Emg Stk -10.9%	Int'l Stk 11.1%	Gold -6.5%	Lg Cap 4.9%	Int'l Stk 8.4%	HY Bnd -1.3%	US Bnd 3.9%
Emg Stk n/a	Emg Stk n/a	HY Bnd 3.2%	Int'l Bnd 11%	REIT -15.5%	Cash/TB 5.7%	Lg Cap -9%	HY Bnd 2.9%	US Bnd 6.5%	Sm Cap -3.6%	Cash/TB 3.1%
HY Bnd n/a	HY Bnd n/a	US Bnd 2.6%	Cash/TB 7.7%	Sm Cap -18.1%	Gold 0.8%	Int'l Stk -14.3%	Cash/TB 2.9%	Int'l Bnd 3.2%	Gold -11.6%	Gold -0.9%
Int'l Bnd n/a	Int'l Bnd n/a	Int'l Bnd n/a	Gold 5.6%	Int'l Stk -23.5%	Emg Stk 0.6%	Emg Stk -27.6%	US Bnd 2.5%	Cash/TB 0%	Emg Stk -15.3%	HY Bnd -6%

Abbr.	Asset Class – Index	Annual %	Best %	Worst %
Lg Cap	US large capitalization stocks (VFIAX)	9.4	38.4	(37.0)
Sm Cap	US small capitalization stocks (VSMAX)	8.9	43.1	(36.1)
Int'l Stk	International developed stocks (VTMGX)	7.3	67.5	(41.3)
Emg Stk	Emerging markets stock (VEMAX)	11.1	71.5	(52.8)
REIT	Real estate investment trusts (VGSLX)	8.3	33.3	(37.0)
US Bnd	All US bonds (VBTLX)	3.2	17.6	(19.0)
HY Bnd	High-yield US Bonds (VWEAX)	4.9	35.6	(21.3)
Int'l Bnd	International bonds (VTABX)	2.7	14.3	(18.7)
Gold	(IAU)	2.6	26.0	(29.0)
Cash/TB	Cash/Treasury bills (VUSXX)	0.4	5.0	(6.5)

Created from source data hosted at https://themeasureofaplan.com/ (accessed 01/2024).

Fig. 9 This heat map shows the real investment returns for various classes of assets for that year, shown in 5-year intervals over the past 50 years. The data show that no asset class regularly outperforms any others, and thus a well-balanced portfolio yields the best long-term results

the brokers do, too. If an investment sounds too good to be true—then it probably isn't legitimate, and you should pass.

As a high earner, everybody will try to sell you an investment idea, many times of the most exotic and convoluted type—especially patients! Because they work for the company, they believe they are "helping you out" by giving you private information. Not true. Stock analysts spend all day scouring company data and frequently know more than even the employees do. Don't take any suggestions seriously.

The best performing stocks of the past century include Monster, Netflix, Tractor Supply, Equinix, and Intuitive Surgical (markets.businessinsider.com/news/stocks/the-10-best-performing-stocks-of-this-century-2019-6-1028264220; accessed 01/2024), but to have known that at the time of initial investment is basically impossible. Choose investments that are simple, easy to understand and to explain to others. Diversification across many different types of assets and with different financial risk levels is the most effective strategy. Investments in medical ventures or companies are not always the best when you work within the industry. If something happens with the field of medicine (think artificial intelligence), you are doubly affected. Diversification spreads money across different investments to reduce your risk of loss, dampening the effect of fluctuations without sacrificing too much potential gain (Fig. 9). United States Treasury Bonds are one of the most stable investments, followed by money market accounts, municipal bonds, preferred stock, common stock, and real estate investment trusts. Precious metals (e.g., gold), collectibles, futures contracts and crypto currencies are considered the most speculative.

Asset allocation is one of the most significant contributors to portfolio performance (around 90%), even over individual investment selection, investment location, periodic rebalancing, or market timing. Your rate of return is based on your risk tolerance, financial goals, time horizons, investment selection, expenses, and tax strategies (Fig. 10).

It is never wise to try to time the market. Instead, utilize dollar-cost averaging with systematic periodic investments (every two weeks or every month). The potential to miss either the best or the worst performing days when trying to time the market is illustrated nicely by comparing total S&P 500 returns to someone who missed the best performing days over a 20-year time horizon (Fig. 11). It is interesting that the Dow Jones Industrial Average had both its best and worst point changes within a 3-week period in 2020. Fear and greed drive the financial markets but if you stick to your plan, long-term outcomes will be in your favor. Over a 20-year time horizon, average annual rate of returns of the S&P 500 have never had a negative return (Fig. 12). However, in the 42 years leading up to 2022, the S&P 500 has had intra-year declines in every year that average -14% and yet, still yielded an average annualized return of about 14% per year (source: FactSet, Standard & Poor's, and J.P. Morgan Asset Management). Portfolios work over time but not every time. Be aware that choice overload leads to paralysis by analysis. An index fund is based on owning all the holdings in a particular index, giving you a similar return to the index itself (net of fees). Target Date Retirement Funds (in retirement accounts only) automatically rebalance and adjust risk based on a predetermined age at retirement.

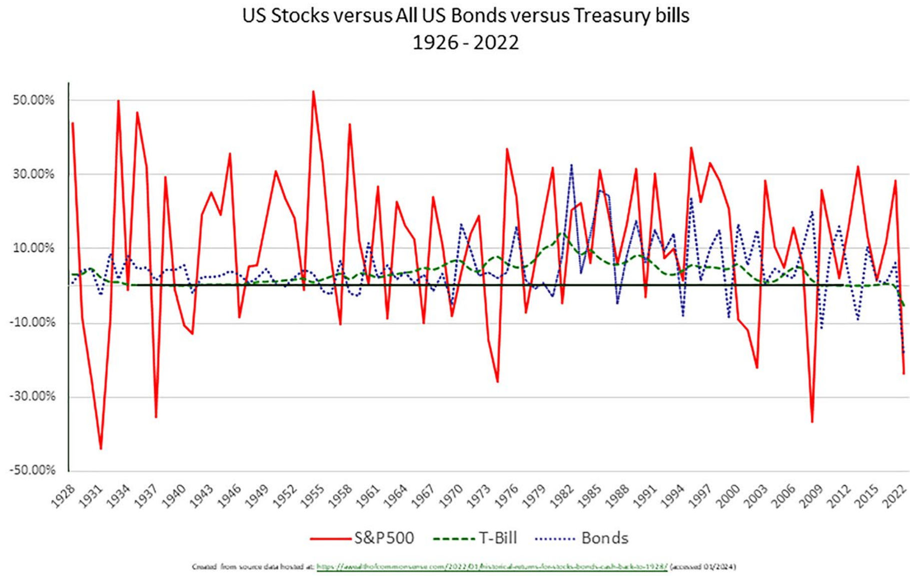


Fig. 10 The annual returns (shown in 3-year intervals) of stocks (represented by the S&P 500 index; red line), bonds (represented by a highly rated bond index; blue line), and United States Treasury bills from 1928 to 2023 (green line). The erratic (ventricular fibrillation-like) pattern underscores return variations by year

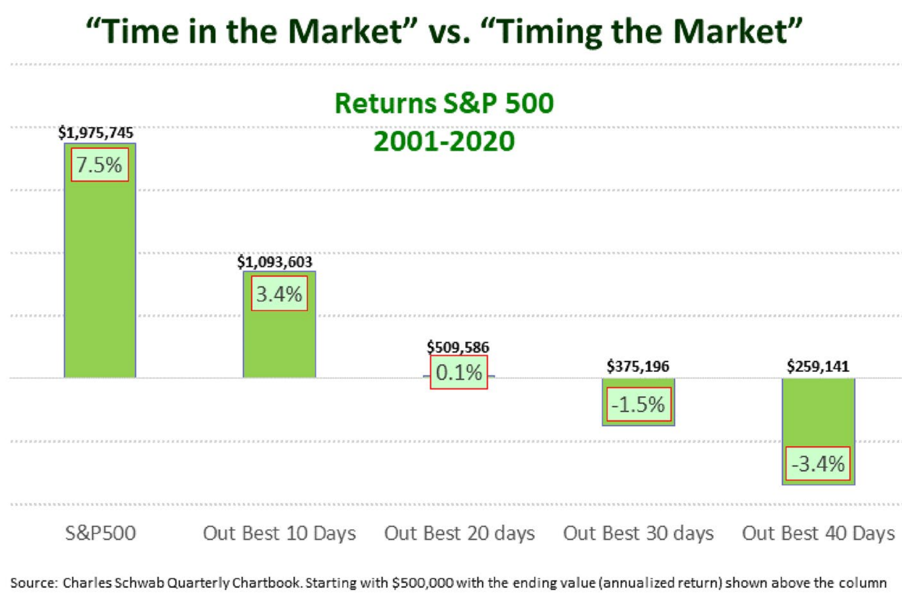


Fig. 11 Time in the market is a much more important long-term consideration when evaluating returns than trying to time the market. If you were out of the market for the various days listed, the % shows the annualized return over the 20-year time horizon. The total dollar value of the investment of $500,000 is shown above the respective column to show the difference in final value

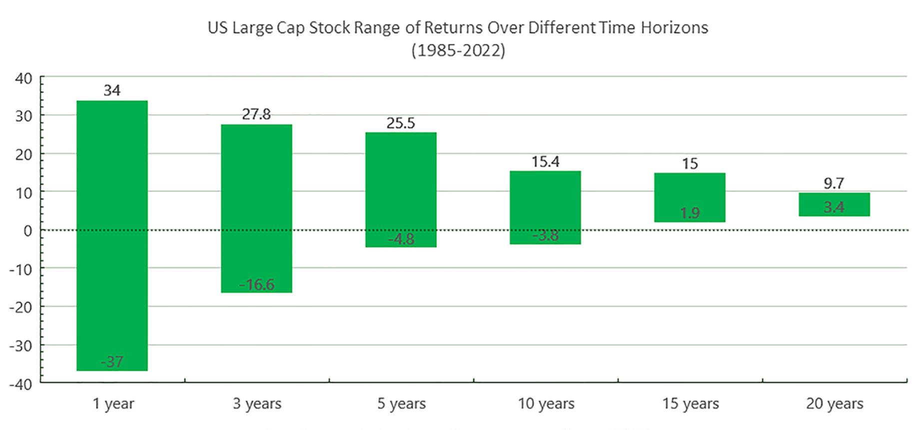


Fig. 12 This graphic demonstrates the best and worst percentage returns for stocks over specified periods. The illustrations shows that over longer time horizons (15 years or more), US large capitalization stocks have not had a negative return

Table 1 Various characteristics of divorce with negative and positive statistics

Negative Divorce Statistic	Characteristic	Positive Divorce Statistic
Maldives highest crude divorce rate (5.52)	Country	Sri Lanka lowest crude divorce rate (0.15)
Nevada: Highest divorce rate (4.2/1,000 marriages)	USA State	Massachusetts: Lowest divorce rate (1/1,000 marriages)
Lack of commitment: #1 reason	Divorce Reasons	Religious differences: Uncommon cause
Blacks: Highest divorce rate	Ethnicity	Asian Americans: Lowest divorce rate
Boomers: Highest divorce rate	Generation	Gen Z: Lowest divorce rate
60% are first marriages for both partners	Marriage	6% of divorced couples remarry each other
Divorced men: High mortality rate (1,772/100,000)	Longevity	Married couples: Live longer (779/100,000)
Highest divorce rate: Gaming manager, bartender, flight attendant	Occupation	Lowest divorce rate: Actuaries, physical scientists, clergy
Nurses: 37.0% divorce rate	Healthcare Professions	Pharmacists: 21.5% divorce rate
Below poverty line: Highest divorce rate	Income	~$600,000 household income: Lowest divorce rate
Hindus: Lowest divorce rate	Religion	Evangelical protestants: Highest divorce rate

Source: forbes.com/advisor/legal/divorce/divorce-statistics

Investment expenses (management, administrative, transaction, and distribution fees) should be examined, with funds that are < 0.1% usually good choices, although funds focused on small capitalization and international companies may have higher fees on average.

A study published in the *New England Journal of Medicine* noted that the more chocolate a society eats, the higher the cognitive function and the more likely the country is to produce Nobel laureates [9]. This article was mocking false assumptions as it illustrated that context and understanding are critical to evaluating information. Seeking out a knowledgeable advisor is one of the keys to a good financial outcome. A great advisor will encourage you to save more, save appropriately, stay engaged, and work towards a target. Find one who follows the 80:20 rule—you talk 80% and they talk 20%. Your advisor needs to truly understand you, your goals and financial habits to keep you from making stupid mistakes, to talk to you about things you don't know or didn't consider. They should be a fiduciary to you, which means your best interest is their goal, not racking up their own fees. Know up front what your costs will be and get it in writing. Generally, the more complex an investment strategy, the worse it is for you. *Boiler Plate* simplicity in investing is best.

One Marriage

It's impossible to only consider one movie about marriage or divorce, but *The War of the Roses*, *Kramer vs. Kramer*, and *Mrs. Doubtfire* are several favorites that each highlight a different aspect of relationships. Suffice it to say that a marriage or legal civil partnership is one of the most significant financial decisions of your life—with divorce a close runner up. It is said that love is grand, but divorce is a hundred grand.

Lawyers have a divorce prevalence of about 26.9% while physicians are around 24.3%, just below dentists at 25.2% [10], but are, in general, lower than other groups of professionals [11, 12]. Notably, women physicians have a higher divorce rate. A higher number of weekly hours worked were only associated with an increased divorce prevalence for female physicians and not male physicians [10]. The lowest divorce rates are in family medicine, increased slightly in pathology, higher still in internal medicine, then general surgery, and the highest in psychiatrists [13, 14].

Crude divorce rates don't tell the story meaningfully, however, as there is one divorce every 45 seconds in the United States with 4 divorces finalized in the time that it takes to recite the wedding vows (census.gov/library/stories/2023/07/marriage-divorce-rates.html; accessed 01/2024). Divorce is the end of a marriage "error". Statistically, 66% of divorces are filed by women; 50% of children in the US will see their parents' divorce in their lifetime; 41% of first marriages end in divorce; the median first marriage lasts 7 years; you are more likely to get divorced if your parents got divorced, you fight about money, one person does all the chores, you met in a bar, and you got married before age 25; you are less likely to get divorced if you are religious, have a college degree, and watch romantic movies together (grazianolaw.com/blog/divorce-statistics; accessed 01/2024). There are quite significant race and ethnicity differences [15], suggesting cultural factors affect marriage and divorce (Table 1).

Starting over is a major financial hit. You have changes to your housing, retirement accounts, future income stream, and taxes. There will likely be alimony, child support, and the actual cost of a divorce: Divorce expenses for professionals often exceed $30,000, and when contested or if children are involved, expand up to $100,000 (whitecoat-investor.com/finances-divorce; accessed 01/2024).

Before marriage, it is important to protect yourself with a prenuptial agreement. If it is too late for that, try to get a postnuptial agreement (although don't create a divorce in the process). If you can't talk about finances before you get married, you won't be able to after you get married. Be aware that common law marriage (a relationship between two people who cohabitate and present themselves as a married couple without the benefit of a legal ceremony and marriage certificate) will often have similar laws and regulations governing separation and divorce. Divorce is 50:50, but marriage is 100:100. Work at it.

A final note, with the average cost of a wedding in 2023 at $29,000, don't take out a loan for it (currently one of the faster growing loan categories) (zola.com/expert-advice/the-first-look-report-2024; accessed 01/2024). Don't bankrupt yourself getting the Instagram®-perfect wedding. Plan a smaller event; delay the marriage until later; only have close family; don't do a destination event; consider eloping to reap the tax benefit of filing jointly and use those tax savings to help fund a full wedding the next year. Have *Four Weddings* (but no Funeral) to the same person over your decades together.

Keep Track

The Matrix is a mind-twisting look at a virtual world but demonstrates that income is not the only indicator of overall wellbeing. You need to know where you are and what you are doing to get there, or you may just end up being a cog in a machine.

People are concerned the social security trust fund won't be available to them when they become eligible for distributions. In context, the balance on 12/31/2023 was $2.641 trillion, currently with annual income of $1.167 trillion and expenses/outflow of $1.237 trillion, which is a net yearly decrease of $70 billion (ssa.gov/oact/STATS/Table 4a1.html; accessed 01/2024). So, while there are fluctuations in value and how much is paid in, alterations in eligibility age, and potential for reduced benefits based on income limits and assets set by future law, social security is here to stay.

Do you have a will, a trust, durable powers of attorney for financial as well as health care decisions, and advance health care directives drawn up, signed, and filed? Only about 1 in 3 Americans has a will, citing a lack of assets as the major reason for neglecting estate planning (caring.com/caregivers/estate-planning/wills-survey; accessed 01/2024). As a physician/dentist, you will have assets and should create all these documents immediately, if you don't have them already. Make sure they are kept up to date whenever your circumstances change or laws change. Utilizing a licensed legal professional is best but even using an online service (such as *Quicken WillMaker & Trust*) is better than nothing. In general, estate planners will suggest considering beneficiaries in the following order: a charity before an individual; younger before older; and those with low income versus those with high income. Consider the value of different types of trusts as you plan for generational wealth transfer, factoring estate and gift taxes, financial needs, beneficiaries' as they age, and those with special needs. Most importantly, after a divorce, re-analyze what you own and update these documents: make sure retirement accounts are correctly titled or transferred; amend beneficiaries; and reassess where you stand on retirement preparedness (whitecoatinvestor.com/financial-chores-to-complete-after-divorce; accessed 01/2024).

Part of having a good plan is knowing where everything is located. The "average" internet user has 240 online accounts that require a password (I have 314). These "digital assets" require diligence in maintaining cybersecurity and protecting yourself from adverse events. There are several online password management software companies available that can potentially aid in digital asset management and security (a few examples in alphabetic order: *dashlane.com*; *ipassword.com*; *keeper.com*; *nordpass.com*; *roboform.com*).

Make sure to keep an up-to-date physical list (printout or handwritten) of all your online accounts and associated passwords—it can't be hacked—but do store the paper log securely. Real estate addresses, lists of assets, information on all types of accounts with the companies holding them should also be printed out. Store these and other important financial documents in a binder or file folder (no 3-hole punches in original documents), including deeds, car titles, trusts, birth and marriage certificates, immigration documents, stock or bond certificates, password lists, etc., in a fire-resistant personal safe at home for easy access. Create a second copy of this set and give it to your future executor (a trusted friend or relative or a conservatorship company). Finally, upload a digital copy to an encrypted online vault. If catastrophe befalls your digital storage (malware, hacking, hard drive failure, cloud storage company failure) or your primary physical location (fire, flood, hurricane, tornado), backups are available quickly.

I keep a monthly financial calendar (Fig. 13) to stay on track and make adjustments. Doing a little each month keeps the process from feeling overwhelming while staying current. In general, Americans spend less than two minutes a day managing their finances but 168 min watching television. Put differently, people spend an hour reading restaurant reviews to choose a place to spend $100 on dinner, but will plonk down $20,000 on a stock after hearing a 30-second pitch (awealthofcommonsense.com/2019/10/how-much-time-should-you-spend-on-your-finances; accessed 01/2024). Thus, set aside at least an hour each week or a

Fig. 13 This monthly financial calendar is an example of a periodic approach to financial matters performed routinely giving an excellent chance of accurately monitoring and adjusting your financial health plan

Table 2 Selection of financial resources

Website	Description
Money.com	General information about money and wealth management
Takechargeamerica.org	Financial education nonprofit
Moneyinstructor.com	General money guide
Fool.com	Motley fool investment strategies
Whitecoatinvestor.com	Personal finance focused on medical professionals
Ftc.gov/bcp/edu/pubs/consumer/credit/cre19.shtm	Federal trade commission consumer advice
Tools.finra.org/fund_analyzer	Compare costs of owning mutual funds
Quicken.com	Suite of money management and tax software
Dinkytown.net	Online financial calculators
Debtadvice.org	Debt management
Annualcreditreport.com	Free credit reports
Bankrate.com	Interest rate guide
Mortgagenewsdaily.com	Mortgage and housing data
Eftps.com/eftps/	Federal tax payment system
Millionaire Next Door; *Freakonomics*; *Intelligent Investor*; *Common Sense Investing*; *One Up On Wall Street*	Books to consider reading

few hours each month (with your spouse) to align and track your financial health to keep you out of *The Matrix*.

Conclusions

Spend the same amount of time over the next year organizing your financial life as you would spend watching the seven recommended movies. Start building wealth early. Save for retirement now, ideally using tax-deferred accounts like a 401(k), IRA, or HSA. Keep it simple. Don't try to beat or time the market. Don't chase trends. Make your saving/investment deposits automatic. Go heavy on stocks. Hold down fees. Ditch credit card debt. Live below your current earnings. Defer taxes when you can. Insure your income appropriately. Read or listen to a few interesting and unusual books about finances (*Millionaire Next Door*; *Freakonomics*; *Intelligent Investor*; *Common Sense Investing*; *One Up On*

Wall Street). Avail yourself of free resources to evaluate your financial plans (Table 2) and then seek advice from a fiduciary financial planner to keep you on track towards financial health and success.

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Code Availability Not applicable.

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Conflict of interest The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

Ethical Approval No human participants were included in this invited review.

Consent to Participate Not applicable.

Consent for Publication Not applicable.

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