

## Four Common Financial Pitfalls for Doctors

By Christopher Stappas, J.D., CFP®

Medical professionals are intelligent, highly educated people. However, they are not immune to financial missteps. As a financial advisor for over three decades, I have seen many physicians make financial errors, either from a lack of time, understanding, or human nature.

I shared these insights in my article “Finance 101 for Physicians” published in the medical journal *Urologic Clinics of North America*, but the following mistakes can be costly for any physician, regardless of their specialty.

**Failing to act.** Long hours, family commitments, work pressure, and caring for patients can make it difficult to find time to plan for their own financial health and security. It is easy to delay investment strategies for weeks, months, or even years. Albert Einstein once said, “Compound interest is the most powerful force in the universe.” Putting off investment decisions results in lost time, which minimizes this significant benefit. Just like a doctor reminding a patient of crucial next steps in their plans of care, advisors demonstrate their value by bringing financial planning strategies to a physician’s attention. What’s more, they have the tools, expertise and mental bandwidth to diligently follow up and ensure that critical financial strategies are discussed and most importantly, actually implemented.

**Attempting to time the market.** This is rarely a strategy that works, and it can yield disastrous results for your financial goals. No matter how much we know about specific companies, industry sectors, or the macro-level trends driving the economy at all levels, no one can predict what tomorrow will bring. At its essence, timing the market is a guess on when to sell holdings ahead of a potential downturn... and then when to buy back in ahead of a possible climb. Despite the poor odds, many investors still try to pull it off. The problem is that the timing must be exactly right... not just once (when to sell), but twice (when to buy back in)! I know people who made the “correct” guess on when to go to cash, but they then sat out on a market recovery and missed a chance to capitalize on the rebound. A better approach is to build and follow through on a long-term, properly diversified, investment strategy mapped to an evolving financial plan.

**Not considering tax consequences.** This pitfall is certainly understandable, considering the complicated and ever-changing tax law environment. . But all too often, I encounter new clients with investment portfolios that treat tax planning as an afterthought rather than an integral part of the plan. As a result, clients unknowingly pay additional and unnecessary taxes for years that could have been avoided with appropriate portfolio design, implementation, and ongoing management.

**Lack of proper planning and ongoing review.** Every surgeon has a plan in place before entering an operating room. There are not only clear courses of action, but also contingency plans for the unexpected. Such careful preparation ensures the best possible chance for good outcomes.

Unfortunately, doctors rarely apply the same level of diligence to their own financial health and well-being. The best place to begin is to clearly define your goals, both in the short- and long-term. What matters to you? What will it cost? What tradeoffs are you willing to make? These answers inevitably change over the course of our lives. Moreover, a busy, successful physician typically does not have the time (or desire) to identify, research, and comprehend every potential strategy that could create a benefit for them. Instead, it would probably be prudent to build a relationship with a trusted, independent advisor, someone who will look after your financial health as scrupulously as you care for the physical well-being of your patients. Physicians understand the importance of “patient compliance” in helping to achieve the best possible health outcomes. A competent, experienced advisor can provide critical guidance and assistance in helping physicians to be compliant with their own plan and achieve the best possible financial outcomes.

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*This piece is an excerpt from Mr. Stappas’s article, “Finance 101 for Physicians” published in the medical journal, Urologic Clinics of North America.*

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