THE REST OF YOUR LIFE

Tips for Securing Your Financial Future

For as long as he can remember, Dr. Robert M. Doroghazi has been prudent with money.

"It was difficult to come by," said Dr. Doroghazi, who was raised in Granite City, Ill., as the son of a steelworker.

At age 8, he began to earn an income by helping his father mow lawns. By age 11, he started his own lawn mowing business.

"It had been my goal all along to work and save up for college," recalled Dr. Doroghazi, a cardiologist in Columbia, Mo., who is also the author of "The Physician's Guide to Investing: A Practical Approach to Building Wealth" (Totowa, N.J.: Humana Press, 2005). "When I was in high school, I worked 30-plus hours a week. I was able to pay my own way through college and medical school."

Today, he enjoys the fruits of his savings and investment practices as a young retiree. He left clinical practice in December 2005 at the age of 54. "I don't consider myself a financial genius, but my investments have gone well," he said.

Some physicians don't realize their limitations. "It's arrogance," he said. "Just because they may be the best cardiologist in the world, for example, they think that makes them a star at investing in bonds, in real estate, or in anything."

A second problem area for physicians when it comes to building wealth is their tendency to be overly trusting of others. While that trait "shouldn't change" in their relationships with patients and peers in medicine, "blind trust is disastrous in the legal world and financial world," he warned.

A third common obstacle for physicians is that many begin their careers in significant debt from medical school loans and with no training on how to handle their money when they start making a six-figure income. Dr. Doroghazi blames medical schools for this shortcoming.

Medical schools "give a physician zero instruction on how to invest their money," he said. "The average medical student graduates $120,000 in debt. But even more than that, any person who even discusses money is looked upon with disdain as some pathetic money-grubber who is not worthy of being in the fraternity of medicine. Let's face it: Why do you work hard? You work hard to make a good living for your family. A person should be given the skills to invest that money wisely."

Dr. Joseph R. Hollen started taking his personal finances seriously during his third-year rotations as a medical student at the University of Alabama. "What hit me was the long hours and how exhausted I was after the shifts," recalled Dr. Hollen, who practiced emergency medicine at Washoe Medical Center in Reno, Nev., until his retirement in 2004. "There was so much work to do, and I barely had time to eat lunch. I realized at that time, this was really work and not just play. It was different [from] being a doctor on TV, the series you'd see where it looked easy and then the guy was out there playing golf the rest of the time. I remember it hitting me: 'I need to plan ahead, because this looked easy, but it wasn't easy [taking care of people].' I realized I wasn't going to be able to do that until I was 70 or 80, that I'd better start planning."

Courtesy Anna M. Hollen

Dr. Joseph R. Hollen, head of Hollen Financial Planning Ltd., advises getting into the "savings habit" early.

He opened up his first individual retirement account (IRA) during his residency in the early 1980s, did day trading with a stockbroker for a few years, and in the 1990s, started investing on his own in mutual funds and index funds.

"Coincidentally, in the mid-1990s, I was a pension trustee for our 25-doctor medical group and learned a little bit more," said Dr. Hollen, who is now 53 years old and heads the Reno-based Hollen Financial Planning Ltd. "Take the tax deduction, fund the pension fully, and invest," he advised. "You have to get into the savings habit. The earlier you do it, the better."

He and Dr. Doroghazi shared the following tips for building wealth:

► **Be thrifty.** In Dr. Doroghazi's opinion, the No. 1 factor in the accumulation of wealth is thrift. For example, he said, if one physician saves $15,000 in a year and makes the standard 10% return, at the end of the year, he will have a total of $16,500.

If another physician is not as thrifty, saving only $10,000 in a year, but happens to hit an investment grand slam for a 25% return, by the end of the year he will have $12,500, but will still be behind his thriftier counterpart.

"Investing is a three-step process. No. 1, … make the money. No. 2, do not spend all the money. No. 3, invest the money," Dr. Doroghazi said.

► **Don't buy into the myth of what a millionaire should look like.** This tip, based on the popular book "The Millionaire Next Door: The Surprising Secrets of America's Wealthy" (Athens, Ga.: Longstreet Press, 1996), by Thomas J. Stanley and William D. Danko, supports the notion that "if you want to look like you have a million dollars, you don't have a million dollars because you've spent a million dollars trying to look like you have a million dollars," Dr. Doroghazi explained. "I prefer to impress people with my character and my charitable donations rather than [with] my wristwatch or the kind of car I drive."

► **Contribute to your employer-sponsored retirement plan.** If it's a deferred compensation program like a 401(k) or 403(b), contribute as much as you can to take advantage of the tax savings. Make sure to find out what, if any, portion is matched by your employer and when you become vested in the plan. Dr. Hollen advised saving 10%-20% of your income.

► **Consider other financial goals.** Most people need to budget for mortgage and car payments. If you need to start saving for your kids' college education, look into 529 plans, which are tax-advantaged investments for education. For more information, visit www.collegesavings.org, a not-for-profit Web site operated by the National Association of State Treasurers.

► **Spend some time in due diligence before making investment decisions.** "What I commonly see in my practice are haphazard, uncoordinated planning and investments, a patchwork," Dr. Hollen said. "They'll be OK in some areas and maybe even very good in certain areas. But if you look at the whole picture, there are always a few big glaring holes where they've fallen down. It's different for everybody. An example I would have is an older physician who's worth a lot of money, and he had a very small umbrella liability policy on his autos, and he has teenage drivers. So he has his assets at risk from being underinsured."

► **Get financial help if you need it.** Remember that some financial planners are compensated on a fee-only basis while others sell products. "Fee-based" advisers charge fees and sell products.

For a list of advisers who are fee only, visit the National Association of Personal Financial Advisors at www.feeonly.org. For a list of advisers who charge by the hour, visit Garrett Planning Network at www.garrettplanning.com.

Dr. Hollen noted that if the adviser you choose receives a commission for selling products, "they have a conflict of interest. I think that's impossible to ignore."

He recommends seeking an adviser who provides comprehensive financial advice, including goal setting, cash management, estate and tax planning, insurance reviews, education funding, retirement planning, "a lot of things besides 'what rate of return can you get me on my investments?' "

► **Be wary of the wealth destroyers.** First on this list is greed, Dr. Doroghazi said. "One doesn't need to commit a crime to face the financial problems of greed."

Debt is another common destroyer of wealth. "It is so easy to borrow money," he said. "I think if people had to pull gold coins out of their pocket to pay for something like they had to 1,000 years ago, there would be less investment mistakes and fewer problems. Society has to have more of a respect for debt. In the end, it's real money that sometime has to be paid back." ■

By Doug Brunk, San Diego Bureau

Fiscally Smart Reading Material

"Facing Financial Dysfunction: Why Smart People Do Stupid Things With Money," 2nd ed., by Bert Whitehead (West Conshohocken, Pa.: Infinity Publishing, 2003).

"Just Give Me the Answer$: Expert Advisors Address Your Most Pressing Financial Questions," by Sheryl Garrett, CFP (Chicago: Kaplan Publishing, 2004).

"The Millionaire Next Door: The Surprising Secrets of America's Wealthy," by Thomas J. Stanley and William D. Danko (Athens, Ga.: Longstreet Press, 1996).

"The Physician's Guide to Investing: A Practical Approach to Building Wealth," by Dr. Robert M. Doroghazi (Totowa, N.J.: Humana Press, 2005).

"The Road to Wealth: A Comprehensive Guide to Your Money," by Suze Orman (New York: Riverhead Books, 2001).

What Makes a Good Financial Adviser?

Want some assurance that you've selected the right financial adviser for your needs? Here's how Dr. Hollen responded to the following statement:

"You know you can probably trust a financial adviser when …"

► You're working with a member of the National Association of Personal Financial Advisors (www.NAPFA.org), because they embrace having a fiduciary role. They sign a fiduciary oath by which they actually work for you and not for a specific company or a product.

► The adviser uses low-cost, passive types of investments. Examples would be index funds from Vanguard, asset class portfolios from Dimensional Fund Advisors, or exchange-traded funds. These are core investments and avoid the inherent problems associated with actively managed funds.

► The adviser keeps insurance and investments separate.

► The adviser is independent from large banks, brokers, and mutual fund and insurance companies.

► The adviser is a registered investment adviser with either the state or with the U.S. Securities and Exchange Commission.

► The adviser is a Certified Financial Planner.