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Reasons Physicians Fail - Financially

Not every physician is financially successful. It takes planning and execution to achieve your financial goals. However, success is not always dictated by what you do right as much as by what you may do wrong. Time and time again, we see physicians make avoidable mistakes that hinder or delay their ability to reach their financial goals.

These common mistakes include:

- Procrastination: The number one reason we see physicians fail financially is procrastination. Whether from educational programs, self-research, or working with a financial professional, physicians know what they need to do to become financially successful. However, too often we hear physicians say, “life gets in the way”. Work, family, and hobbies prevent physicians from devoting the time necessary to get their financial lives in order. The longer they wait, the more difficult it is to get on track.
- Lack of clearly defined goals: Vague goals often result in vague plans, and when you have a vague plan, it is easy to deviate from that plan and get off track. It is important to be specific about your goals, so you can design a detailed plan for reaching them. For example, when thinking of your retirement goal; At what age do you what to retire? What level of income do you want in retirement? What sources are your savings coming from? What rate of return will you need to earn on your investments? Be specific so you can design a plan for reaching your goals.
- They don’t save and invest early: Compounding interest is a powerful tool for growing wealth, and the key is saving and investing early so the investment has more opportunity to compound. The cost of waiting is substantial. Whatever your long-term saving goal, the amount required to save increases by roughly three times for every 10 years you delay the start of your savings plan. Those higher required savings amounts can quickly become amounts that are out of reach!

- They don’t have an investment strategy: An investment strategy holds a physician accountable to what types of investments they will purchase, when they will get in and out of the market, and what their asset allocation will be. The investment strategy protects the physician from him or herself, so they don’t react emotionally when markets are performing very well or performing poorly. It keeps them steady, so they are not tempted to do something not in their own best interest.
- They fail to prepare for the unexpected: Simply put, many physicians don’t have enough disability and life insurance. Without adequate coverage, your financial goals and the goals of your family are at risk in the event of a long-term disability or your premature death. Protect yourself so you and your family can still reach financial goals even if you are unable to work or if you die early.
- Lifestyle creep: Frequently, we see physicians start splashing the cash right out of their residency or fellowship. They buy a big home, new car, eat at fancy restaurants, and generally begin living an extravagant lifestyle. This often comes at the expense of saving for financial goals later in life. The realization that their focus needs to change comes too late, and there isn’t enough time or money available to catch up. Be careful about how you spend your money, especially early in your career.

All of the above mistakes are avoidable. If you want to be financially successful, avoiding these mistakes while executing your financial plan is critically important.

Contact us now to learn if you are unintentionally making these common mistakes!