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The Importance of Acquiring Financial Security for Physicians

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ABSTRACT

This review tries to make the case that physicians should be adequately rewarded financially so that they can have a clear fiduciary responsibility to do only what is best for their patients without unseemly personal financial gain. To develop financial security, physicians need to save a portion of their income regularly to invest. The stock market is the best place to increase one's monetary worth over a long period.
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Herb Shriner (1918-1970) (American humorist, radio and television personality, and famous harmonica player) once said "Our doctor would never really operate unless it was necessary. He was just that way. If he didn't need the money, he wouldn't lay a hand on you."

A Punch cartoon in 1925:

Doctor: What did you operate on Jones for?
Surgeon: A hundred pounds.
Doctor: No, I mean what had he got?
Surgeon: A hundred pounds.

Physicians are often faced with dilemmas: one may provide a nice financial reward to the physician and the other, none or little personal financial benefit. Physicians, of course, have a fiduciary responsibility to do only what is best for the patient. Financially insecure physicians might be less prone to obey this fiduciary principle than financially secure physicians. Physicians, in my view, should always have an income where a decision for a patient is never influenced by personal financial reward! This type of thinking prompted this piece about physicians' acquiring financial security. It is based on investing in the stock market over a 50-year period.

1) Save. Saving is the key to building wealth. Be frugal. Small sums saved regularly add up to large sums over time. Learn to get as much pleasure out of saving a dollar as spending a dollar. Never buy a house or an automobile that you cannot afford. Prior to purchasing anything, ask yourself if you really need this item. Forget the $4 cup of coffee. Don't smoke (a pack of cigarettes [n = 20] now costs $10). Eat out less. Vegetarianism is not only a healthy lifestyle but also an inexpensive one. Trade babysitting with friends instead of hiring a babysitter. Check for unnecessary charges on monthly bills. Learn to do routine maintenance projects around the house.
2) Invest in the stock market. Despite what is going on presently (COVID-19 pandemic), the stock market is the best place to increase one's monetary worth over a long period.
3) Acquire a certain amount (ideally >$10,000 or the equivalent of 4 to 6 months' income) to respond to emergencies (eg, getting fired, medical bills, the Coronavirus) prior to investing in stocks. A low-fee Standard and Poor's Stock Index Fund might be considered. This fund provides ready diversity, but it also includes purchasing the bad stocks as well as the good ones. It is also probably better than buying individual stocks for one not really interested in spending

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the time necessary to become relatively savvy with stocks. A preferable alternative might be Warren Buffett's Berkshire Hathaway, a collection of about 80 companies plus shares in a variety of companies not managed by Berkshire Hathaway. In contrast to the Standard & Poor's collection of stocks, Buffett has few bad stocks!

4) Learn patience. The market always swings: goes up and down. Do not panic. Most stock owners buy stocks when they are too high and sell them when they are too low. Doing the opposite is the way to make money. If price swings are too much for your nervous system, stay out of the market.
5) Diversify. Do not overweigh any one area: technology, financials, industrials, transportation, utilities, health care, telecommunications, oil and gas, basic materials. One area is usually up when another is down. Those who invested predominately in technology in the 1990s lost a fortune. Try to buy stocks in the area that is down for the moment.
6) Favor stocks that pay dividends. If a stock goes down and it pays a dividend, one still earns money during its down cycle. One potentially loses money only when the stock is sold.
7) Recognize the beauty of compound interest, which Einstein called "the greatest invention."
8) Put a "limit" on the price you will pay for a stock. Never indicate buy "at market."
9) Have an investment goal and stick to it.
10) Beware of stock tips from friends and neighbors. No one has a monopoly on successful stock picking. Have a good reason for purchasing or selling a particular stock.
11) Avoid mutual funds and annuities. The fees are too high. There are no fees now for buying or selling a stock online!
12) Never buy or sell all at once. Start buying slowly. If the price falls, buy more; if the price rises, do not feel obligated to chase it.
13) Have a list of stocks to watch so when the price falls sufficiently, jump on it.
14) Avoid shorting stocks unless you become a knowledgeable pro. Be a long-term investor.
15) Never borrow money to buy stocks. "Margin accounts" are dangerous.
16) Survey your stocks daily. It takes only a few minutes. The correct number of stocks to own varies with one's interest in keeping up with them. Always be on the lookout for good buys. Know why you purchased or sold a particular stock.
17) Be more conservative as you get older. Take more risks when young.
18) Beware of bonds. They are for old people. With stocks you buy shares of the company—a part ownership. Bonds represent loans to companies.
19) Beware of trying to time the market—when it will rise or fall. Always keep some cash available for purchasing stocks when their prices are low.
20) Invest for the long term. Frequent trading rarely pays.
21) Prior to buying a stock, know its price/earnings (P/E) ratio (its price compared with its earnings); dividend; debt; percent of its net used to pay its dividend; range of its stock price, at least in the last year; views of various analysts; and whether it presently has legal issues. I tend to avoid stocks with high P/E ratios. But, be cautious when the P/E ratio falls considerably because the price of the stock may have fallen considerably. Check on the number of years that the stock has paid a dividend, and whether the dividend increased or decreased through the years.
22) Look favorably at stocks that Warren Buffett owns. Consider purchase as soon as you learn what companies or stocks he has recently purchased. (He does not have to announce his purchases until he has had them for 6 months.) Buffet is not perfect, however. He has lost big on airlines recently, for example.
23) Listen to business channels. Nearly every stock has its proponents and detractors. Learn if your instincts are good and if so, go with them.
24) Buy stocks in companies you believe in. Refrain from buying stocks in companies that produce products not good for your health, tobacco companies or fast-food chains, for example.
25) Subscribe to *The Wall Street Journal* and *Barron's*. You can deduct their subscription costs from your taxes. Barron's, particularly, provides many ideas for stock market investors.
26) Do not ignore recent trends and try to get out early: retail stores, particularly those located in malls (the overwhelming power of Amazon), one-product companies (upstart pharmaceutical or technology companies.)
27) Stay out of debt. One can never make much money in the stock market or elsewhere if the buyer is in debt. Never have credit card debt! The interest rate is too high, nearly 20%. Try to make mortgage loans a 15-year proposition,

CLINICAL SIGNIFICANCE

- Physicians need to develop financial security so that their patient decisions are free of inappropriate financial reward.
- That requires becoming financially secure, which requires regular savings and appropriate spending.
- The best way to become financially secure is to invest in the stock market regularly over a long period of time.
- Buying and holding is not ideal, but it is better than frequent buying and selling.
- Stay out of debt.
- Stay healthy and live long. Good health is better than gold.

not a 30-year one. Do not make a loan where paying it off early produces a penalty. Try to obtain a mortgage loan that allows the paying of next month's principle with the present month's principle plus interest. Then, the next month's interest is nullified. Try to save for the next car during the years between car purchases so that a car loan will not be necessary. Unless you plan to keep your vehicle for 10 or more years, consider a used car. Leasing is more expensive than buying.

28) Try not to divorce. Get a prenuptial agreement. Marry a frugal person!
29) Beware of sales. Although, of course, sales save the buyer money, many of us buy things we do not need when they are on sale.
30) Do not let the price of a stock be confused with its value. Fallen stocks are certainly worth investigating, as their problems may be temporary, but they also may be facing insurmountable challenges that will sink them further. Think twice about selling a stock near its 52-week high. The best stocks tend to keep hitting new highs over decades, rewarding patient investors. Beware of purchasing very low-priced stocks (<$5.00).
31) Have a monthly budget. Know where your money is going. Start with recording any fixed monthly payments: rent or mortgage, loan repayments, cable bills, cell phone charges, gym membership fees, prescription drugs. Next, record variable monthly expenses: groceries, restaurant meals, clothing, recreation, transportation, electricity. Next, record infrequent or nonrecurring expenses: insurance, vacation travel, dental work, tuition payments, etc. Finally, subtract your total spending from your total income. Ideally, cover one's monthly expenses and still manage to save 10% of the income for savings and investments. Find ways to shrink spending, a requirement if spending exceeds income. Call your credit card company at year's end for a summary of your year's spending.
32) Avoid retiring early. Start saving early for retirement. Do not procrastinate. Wasting less time usually leads to wasting less money.
33) Calculate stock profits and losses annually. If you buy a stock for $40 and it rises to $80, that is a 100% gain ("a 2-bagger"). If it goes from $40 to $44, that is a 10% gain. But, if the $40 stock at purchase falls to $20, to get back to $40 it will need a 100% gain; if it falls to $10, to return to $40 the stock would need to quadruple in price.
34) Don't be fooled by the splitting of a stock. If you own, let's say, 100 shares of a company at $10 each, a forward split might increase the number of shares to 200, but each share would be worth $5. Thus, there is no financial gain. Unfortunately, there is the reverse split (a red flag), whereby the stock price is increased, and the number of shares is decreased. Let's say you own 100 shares of a $4 stock and the company executes a 1-for-10 reverse split. You will then end up with a $40 stock but own only 10 shares of it. Citigroup did this a few years back. Occasionally, a company will pay its dividend by providing shares of its stock.
35) Study the 1929 US stock market crash, the worst event that ever happened to the US stock market. In October 1929, in 2 days (28th and 29th) the Dow Jones Industrial Average ("Dow") fell 25%. (In the COVID-19 crash in 2020, the Dow fell 30% in 30 days! The 1929 crash in today's terms would mean more than a 6000-point drop in 2 days.) The Dow peaked at 381 on September 3, 1929, and finally hit "bedrock" at 41 on July 8, 1932, a 90% decline in 35 months. That does not include reinvested dividends, but most investors in those days took their dividends in cash. That fall is equivalent to investing $1 in the stock market and its shrinking to 10 cents. No one foresaw how long and how terrible that bear market would be. The Dow did not surpass its 1929 high until November 23, 1954, 25 years later! The exact reason(s) for the 1929 crash remain unclear.
36) Own some gold in your portfolio, ideally about 5% to 10% of your investments. Buy gold coins and put them in your bank safety deposit box.
37) Stay healthy and live long. Good health is better than gold, advised Mahatma Gandhi.

P.S. A side benefit to picking individual stocks is that the picker learns a great deal about himself/herself: whether one is basically conservative or a risk taker, the degree of one's patience, one's worry level, one's reasoning and analytical ability, whether one finds buying and selling stocks pleasant and educational or an unpleasant activity, and finally, how one handles "the winning hand," "the losing hand," and the uncertainty in general. I have found the decision to buy a stock to be far easier than the decision to sell a stock.