Our advanced book for the 2017 Continuing Financial Education week is brought to us by Andrew Berkin and Larry Swedroe. Your Complete Guide to Factor-Based Investing has been on my list all year. Of the books I reviewed this week, it’s the only one I actually purchased and really, aside from the history books, the only one I really wanted to read. I mean, let’s be honest. I have little interest in reading a book about physician-specific personal finance. I wrote the book on that topic. I write about it several times a week, do a podcast about it etc. The likelihood of me finding something I can use in a book like that is pretty low. And if it wasn’t, I’ll get another one in the mail next month. But this book, this book promised to teach me something I wanted to know.

Factor-Based Investing and Portfolio Diversification

So what did I think the book could teach me? The answer to this question:
What should I do with all these fancy new factors like momentum, quality, and profitability? Should I incorporate them into my portfolio or not and if so, how?

If that question made zero sense to you, don’t worry. As I mentioned above, this is an advanced topic. You see, some people advocate that you diversify within an asset class, using an index fund for example. It is also generally taught to diversify between asset classes, some in stocks and some in bonds and some in real estate. Those asset classes get subdivided into large growth stocks and small value stocks and international stocks and multi-family and commercial etc. But there is an entirely different way to look at diversification. That is to diversify into “factors.” Academics love this stuff. They’ve found 600+ factors out there that they use to try to explain stock market performance, and they haven’t even really gone after other asset classes yet. Snooty quantitative mutual fund companies like DFA, Bridgeway, and AQR love this stuff too, as do the advisors who sell access to those advisor-only funds. But the DIY investor is left wondering- am I missing out? Should I change my portfolio to reflect all this research that is coming out in the last decade about factors? Am I getting sub-par returns because I’m not paying a DFA advisor 1% a year to get me into these awesome funds?

Enter Andrew Berkin, Larry Swedroe, and Cliff Asness. Cliff, who works for AQR, wrote the foreword (did a nice job actually, that’s probably the best part of the book.) Andrew Berkin works for Bridgeway. Larry Swedroe is the foremost DFA advocate on the planet when it comes to the popular investing literature, although he works as the chief investment guru for Buckingham and the BAM alliance of financial advisors. Given that background, you won’t be surprised to see these guys are all huge advocates for factor investing. But even so, they do a pretty good job in the book pointing out issues with it. But first, let’s point out some of the problems with the book.
Some Issues With the Book

In the words of WCI columnist Whitney—“That cover sucks.” She’s right. Look at it. The subtitle of the book is “The Way Smart Money Invests Today.” That presentation on the cover is apparently really, really boring. Good investing is usually boring investing though, so we had a nice discussion about how it is important not to judge a book by its cover. Unfortunately, the rest of the book is just as boring as the cover. I’ve read a half-dozen of Swedroe’s books and my impression after reading this one is that Larry didn’t write this. I think he lent his name to Andrew to put on the cover. I mean, I have no doubt he agrees with the ideas in it and did plenty of work, but it doesn’t feel like his writing to me. It’s a real slog to get through the book.

Each chapter is mostly just statistics and numbers being thrown at the reader and short descriptions of academic studies one after another. Let’s put it this way- you won’t have trouble putting this book down because it will naturally fall out of your hands when you nod off. As long as we’re criticizing, let’s talk about the layout of the book. The first half is chapters. The second half is appendices. But if you thought you could quit reading when you got to the appendices, you’ve got another thing coming. A big chunk of the most useful information in the book is in the appendices, including the real conclusions and recommendations of the
The Factors

Those shallow criticisms out of the way, I’m glad I read the book. It did answer the questions I was looking to get answered. It led to a great discussion with my wife about whether or not we want to add momentum to our portfolio. I like that the authors take a stand, like Swedroe did in his *alternative investments* book—these are the factors to pay attention to and these are the ones to ignore. I like that they start at the historical beginning and work their way through.

Beta

This factor represents the return you get for investing in the market (stocks) instead of a riskless asset like treasury bills. It turns out that the mix of Beta to riskless assets (i.e. stock:bond ratio) determines about 70% of your portfolio return. Academics have known about this for a long, long time and those of us who invest know that higher risk generally correlates with higher long-term return, at least expected return.

Small and Value

The next two factors the book hits are those that were added to Beta by Fama and French way back in 1992. I incorporated those into my portfolio when I first designed it more than a decade ago, so they’re not new to me. The idea is that small value stocks have higher expected returns than the rest of the market because of both risk reasons and behavioral reasons. Together with beta, this three factor model explains 90% of portfolio return. Anyone who’s read any Swedroe, Ferri, or Bernstein at all is likely familiar with these factors.
Momentum

The next factor in the book, as well as in history, popped up in about 1997. This is basically the idea that stocks have momentum, that is the ones that have done well in the recent past will continue to do well in the near future. Why? Well, nobody really knows. It just happens. But the academics put forth two explanations— the first behavioral, basically a herd effect, and the second risk-based, because when momentum crashes it crashes hard! Despite those terrible crashes though, investing preferentially in stocks with momentum, at least when viewed through the retrospectoscope, have led to higher returns. The really interesting thing about momentum though is that it appears to be the best factor. Better than Beta. Better than Value. Certainly better than Small (which may be the least meaningful of the factors at least based on past data.) Adding momentum to the three-factor model apparently explains 95% of portfolio return. But where oh where could that last 5% be coming from?

Profitability and Quality

These two factors were lumped together into their own chapter in the book. I’ve been hearing this term quality thrown about for years but never really had the definition on the tip of my tongue. Profitability though is relatively easy to define. There are lots of different ways to measure it, but the best
is probably gross profitability- that is the total profit of the company divided by the capitalization of the company. Although you would think profitability would be priced in a relatively efficient market, apparently, preferentially investing in profitable stocks leads to a premium. This one really hit the academic literature in 2013. I mean, I’ve been blogging longer than that. It’s a baby as factors go (and most are even newer!) So I don’t know how much faith to put in it.

Even after reading the chapter on quality, I still can’t define it without going back to the book. So I’ll just quote it:

High quality companies have the following traits: low earnings volatility, high margins, high asset turnover, low financial leverage, low operating leverage, and low stock-specific risk.

Okay, that all sounds good, I agree. But why that isn’t priced into a company’s price is beyond me. I mean, that sounds to me like exactly what an actively managed mutual fund manager should be interested in, so they ought to bid up the price of these companies until the return from them is equal to that of a low-quality company. But apparently they don’t, so it’s a factor.

**Comparing Stock Factors**

The best page (page 133) in the book is at the end of the Profitability/Quality Chapter. I reproduce the ‘money” table here:
Let’s spend just a moment on here to explain it. Across the top are the factors- MB is just beta. Down the left side are the good things you want and bigger is always better. So if we look at Beta, if you invest in stocks instead of 30-day treasury bills, historically that has given you 8.3% better returns. Seems like a great reason to invest in stocks, right? The Sharpe ratio is a measurement of risk-adjusted return. It’s the average return minus the risk-free return divided by the standard deviation of return on an investment. It’s really only useful when comparing one ratio to another. Its absolute value doesn’t mean much. But as you can see, the Sharpe ratio in the chart is momentum. In other words, you’re better off
taking momentum risk than stock risk, especially when you consider that the premium is larger and the odds of outperformance are higher, at least in the past. But the bottom line of the chart is that all the factors contribute something, but if you had to rank them, it’s momentum first, then market risk, then value/profitability/quality (which all seem pretty related to me), and finally size. These are clearly the stock factors that Berkin and Swedroe think are worthwhile, although based on Asness’s foreword, it sounds like there is still plenty of controversy even here.

**Other Factors**

But at this point, you’re only halfway through the book. There’s a chapter on bond factors. Basically, the authors think taking term risk is rewarded but taking default/credit risk is not.

There’s also a chapter on the “carry” factor. Carry is most commonly thought about when trading currencies. Basically, if you live in Japan where interest rates are crap, you send your money to Australia where interest rates are higher. As long as inflation is similar in the two locations, and the exchange rate on the currencies doesn’t change too much, you come out ahead. But apparently, the carry factor can also be applied to stocks, bonds, and commodities as well, with actually pretty good sharp ratios and odds of outperformance (better than all the stock factors in the chart above.) That said, there seems to be a pretty good risk explanation for this. The authors describe carry as:

*Carry can be like picking up nickels in front of a steamroller. It has been profitable over the long term, but one must be sure they can handle being run over every so often.*
Sounds a lot like momentum I suppose. The authors give both a behavioral and risk-based explanation for why carry exists. As near as I can tell, the author’s only suggestion for how to implement it in your portfolio is by buying AQR funds.

The appendices of the book list a bunch of other factors which the authors think are not worth tilting a portfolio toward. No Swedroe aficionado will be surprised to find an entire appendix railing against dividends. They’re not a factor. Never were. And dividend-paying stocks certainly don’t take the place of bonds. If you still don’t believe that, this chapter is worth the cost of the book.

There’s another appendix on the “low-volatility” or “low-beta” factor. The authors cite a 2016 study, among other evidence, showing it’s a crummy factor. If these guys who think factors are the cat’s meow don’t like a factor, I’m certainly not interested.

**Factor Investing Implementation Advice**

There’s a lot of other great stuff in the book. This includes the shortest appendix (G) which points out that adding more factors to your portfolio can be counterproductive. You don’t get the full premium for each new factor, plus you may
increase turnover, raising trading costs and reducing tax efficiency. Not to mention, you reduce diversification among securities. So maybe don’t try to add 10 factors. We’ve already got three, but we’re at least thinking about one more.

There’s also a great chapter on the biggest risk with factor investing- tracking risk. The more of your portfolio you have tilted toward all these factors, the less it is going to perform like the S&P 500 and your friend’s portfolios, which might make it hard to stay the course for the decades it might take for these factors to pay off.

A related issue I think about a lot with regards to tilting, is that you’ve got to be a real believer in order to reduce your diversification (at least traditional diversification into more securities) and increase your costs to chase these factors. Believing is a big part of it. It will take a real commitment to these factors to stick with them when they’re not paying off year after year after year. Given that the dataset on which they are based is almost entirely retrospective and limited to just 3 or 4 independent 30 year periods, it’s hard to develop the kind of faith required to stay the course for long. Don’t tilt more than your faith will support. It might be evidence-based investing, but the evidence is a far cry from a 5,000 participant randomized, placebo-controlled trial.

Perhaps the best part of the book is one of the last appendices where they provide a list of mutual funds and ETFs that can give you exposure to these factors. You find lots of funds like Vanguard Total Stock Market Index Fund for Beta and DFA US Small Cap Value like you expect. But when you get to momentum- there are only two listed- an AQR fund and iShares ETF. For Profitability/Quality in US stocks, there’s just one recommendation- an iShares ETF. That’s a heck of a long book to come down to “buy these funds” in the end. The alternative, as they explain, is to buy multi-style funds, a la DFA and AQR, where they magically bake all of these factors into a
single fund. So really, that’s the recommendation of the book—
go hire a financial advisor who has access to DFA and AQR funds.

The problem with that sort of advice is that sometimes we DIY investors find little ways to invest in DFA funds, such as my ongoing experiment in my kids’ Utah 529s where I’ve been running the Vanguard and DFA small value funds head to head for the last four years. So far, Vanguard is ahead by 2.4% a year, and that’s excluding a typical 1% advisor fee for a DFA advisor. Granted, it’s only been four years and granted, the last four years haven’t been all that kind to a small value strategy and DFA’s fund is smaller and more valuey than Vanguard’s. But it does give you pause before you jump on the DFA wagon, especially when you consider that small and value is where the historical DFA difference seems to be largest. But like I’ve said for a long time, if you’re going to pay for investment management, you might as well get someone with access to these funds.

**Conclusion**

In the end, if you’re an advanced investor who has been wondering about whether and how to implement these newer factors into your portfolio, you’ll find this book to have some limited utility. Berkin and Swedroe have done an admirable job compiling all of this information into one place so you can make a decision about whether you’re going to make any portfolio changes due to the information. Unfortunately, unless you’re willing to go hire an investment manager, you simply don’t have access to most of the recommended tools to implement these newer factors into your portfolio. As for me and my house, we’ll likely spend a few months or years thinking about adding that iShares momentum ETF to our plan, but that’s about it.
Buy Your Complete Guide to Factor-Based Investing Today!

What do you think? Have you read the book? What did you like about it? Do you tilt your portfolio? Do you use factors other than beta, small, and value? What has your experience been like? Comment below!

Review of The Automatic Millionaire

During Continuing Financial Education week each year I mostly review books that are new in the last year or so. Today I thought I'd step back and review a classic. David Bach gave the keynote speech at FinCon (and provided all the participants with a copy of his best-selling The Automatic Millionaire) this year, which reminded me about how awesome this book is. I’ve mentioned it before, in fact within the first month of this blog, and also have it listed on my list of recommended books, but I’ve never actually reviewed it on the site. I’d like to do that today.
The Automatic Millionaire was originally published in 2004, but I’m reviewing the “Anniversary Edition” published in 2016. It had already sold > $1 Million copies of the original and now it is updated and lengthened a bit. It is subtitled “A Powerful One-Step Plan to Live and Finish Rich.” In the introduction, he outlines his premise:

What if I told you that in just an hour or two that I could share with you a system that would slowly but surely transform you into a millionaire? What if I told you it was a proven system that you could set up in just an hour or two that would require no budget, no discipline, less than ten dollars a day of investment, and could be done over the phone or online, from the comfort of your home?

He outlines his philosophy later in the introduction:

- You don’t have to make a lot of money to be rich.
- You don’t need discipline.
- You don’t need to be “your own boss.” (Yes, you can still get rich being an employee.)
- By using what I call “The Latte Factor,” you can build a fortune on a few dollars a day.
- The rich get rich (and stay that way) because they pay themselves first.
- Homeowners get rich; renters get poor. (Yes, this is still true.)
- Above all, you need an “automatic system” so you can’t fail.

While I have nits to pick with nearly every part of his philosophy, his major contribution to the personal finance world is the automation of the process. The “Latte Factor” is so well-known that Bach has trademarked the phrase!
The Latte Factor

Bach introduces the philosophy in the first chapter, then in the second chapter moves on to his big idea- The Latte Factor. The idea behind the Latte Factor is that if we would quit spending just a little bit of money each day, such as the amount you spend on a Latte, that you can invest that money. Small amounts of money invested regularly and grown through the “magic” of compound interest add up to a lot of money over time.

I love the idea of watching what you spend. I totally agree that the less you spend, the more you’ll have to invest. This chapter is REALLY about the fact that “defense” (what you spend) matters more than “offense” (what you earn.) No argument there.

I do have a beef with the Latte Factor though. My beef with it is that we only have a limited amount of willpower. If you use it up refusing yourself $5 purchases multiple times a day, you can’t use it on the stuff that really matters- what I like to call The Big Rocks- housing, transportation, education, and vacation. If you’ll drive a Camry instead of a Tesla, you can buy yourself a latte every day for a decade and still come out ahead.

But the general premise, that if you can exercise your financial muscles so you’re spending deliberately only on those things that genuinely make you happier, is certainly true. Bach puts it this way:

Before we get into the details of The Latte Factor and the power it can have in your life, it’s important that you understand one thing. In order to become an Automatic Millionaire, you’ve got to accept the idea that regardless of the size of your paycheck, you probably already make enough
money to become rich. I can’t stress enough the importance of believing this.

Pay Yourself First

The third chapter is great and is all about a technique that many White Coat Investors use. Since we got married, my wife and I have always had a monthly budget meeting where we discuss our spending plan and cash flow. But I’ve run into a ton of you that are very financially successful without ever doing this. How can that be? It’s because you simply save off the top. You carve out a portion of your earnings and put it toward your retirement accounts and other investments, then spend the less. No need to budget! Pretty sweet huh. In this chapter, Bach spends 22 pages convincing you that this paragraph actually works.

Making Things Automatic

The remainder of the book is where Bach’s contributions really excel. In chapter four, David teaches you how to invest automatically. In chapter five, he teaches you how to save up an emergency fund automatically. In chapter six, he teaches you how to pay off your house automatically (using a biweekly payment system so you make an extra monthly payment each
In chapter seven, he teaches you how to get out of debt automatically (like Dave Ramsey he basically advocates paying off the smallest debt first, although he makes you do a little more math before you realize that due to his DOLP system.) In chapter eight he teaches you how to pay tithing automatically. (He has a pretty broad definition of tithing- pretty much any charitable contribution.)

Automatic Millionaire

In the final chapters, he basically tells you to do this:

1. Take your investments off the top, spend the rest.
2. Direct deposit your paycheck.
3. Build an emergency fund either with payroll deduction or automatic transfer
4. Build a dream fund (or vacation fund) the same way.
5. Put your credit cards on auto-payment on the same day each month.
6. Pay all your bills automatically.
7. Fund your charity of choice through small, regular, automatic transfers.

That’s not so hard, is it? The strengths of the book are a clear, straightforward path to success. The stories of his clients are also incredibly inspiring. When you finish this book, becoming financially successful will seem easy and it’s true- it really is that easy.

The weaknesses of the book come down to the nits in his philosophy. I’ve already discussed the Latte Factor issue. But Bach glosses over the fact that you are far more likely to become wealthy (and do it faster) on a high income and by owning stuff (like a business). It’s not that the get-rich-slowly approach he advocates doesn’t work. It does. But I would have liked to see some acknowledgment that there is another way. I would have also liked him to spend a little
more time and effort on homeownership. After finishing his book, a financial novice would assume that buying is always better than renting, which just isn’t true. Tons of Americans, including lots of doctors, have lost a lot of money due to picking up that belief from otherwise well-meaning people (like realtors and mortgage lenders.)

Overall, this classic book should be read by just about every investor, and as one of their first financial books. If you’ve read 10 financial books already, you can probably skip this one, but if you’re just getting started in learning about this stuff, this is an undeniable classic.

Buy The Automatic Millionaire today!

What do you think? Have you read The Automatic Millionaire? What did you like or dislike about it? What are your thoughts on The Latte Factor? Comment below!

Reviews of The Doctors Guide Series
Cory S. Fawcett, MD, is a retired (he would say “repurposed”) general surgeon who lives in Oregon with his wife when they aren’t galavanting around the country in their RV. His original plan was to retire at 50, but he didn’t really have anything to retire to at that point, so he spent a few years figuring out what he was going to retire to while gradually scaling back his surgical work. It appears he has retired to a life that involves quite a bit of travel as well as work. He has been teaching the Crown Financial course across the country for quite a while and decided when he stopped practicing that he would start teaching doctors to stop doing dumb things with their money. So he started writing his first book and got it into the publisher’s hands a couple of years ago. As part of her research, she asked him, “What about this white coat investor guy?” That was apparently the first time Cory realized that not only had I been working on this mission for half a decade already, but had already published a best selling book. I don’t know if he was disappointed or exciting about that, but he kept at it anyway and you are the beneficiary of his efforts.

Over the last couple of years Cory has published three books and started a blog. He admits the blog was originally just a way to market the books, but I think he has rethought that approach since I met him face to face at FinCon. He also came by Utah on his way home and bought my wife and I breakfast. Today, we’re going to review the first three books in his planned series of 12 books. The reason why is that they’re the best physician-specific books I’ve seen come out since The White Coat Investor: A Doctor’s Guide to Personal Finance and Investing was published in early 2014. There are actually several dozen doctor-specific financial books now, but most of them aren’t that good. The majority are marketing ploys by financial advisors and a surprising number of them (including some I’ve been sent this year) actually include some terrible advice.
The Doctors Guide to Eliminating Debt

The first book in the series is The Doctors Guide to Eliminating Debt. The best way I can describe this book is “Dave Ramsey for Doctors without the bad investing advice.” Many doctors and other high-income professionals can’t relate to Dave Ramsey’s books, show, or course due to the dramatic difference in dollar figures and financial situation between average Joe and a typical doctor. So in his book Dr. Fawcett uses a Christian perspective on debt and a doctor’s financial situation to teach people how to get out of debt. Not manage debt. But eliminate debt.

At breakfast the other day, Cory told me about his real estate empire (more than half his portfolio). It all began in 2001, the very same year he finished paying off all his personal debts. In his book, he describes becoming debt-free this way:

When I decided to become debt-free, something interesting happened. A weight I didn’t know I was carrying seemed to lift from my shoulders, as my debt load decreased. Without the debt holding me back, I was financially able to retire at the early age of 51, despite living in a financially depressed area that provided a below-average income. It’s not difficult to become debt-free. You don’t need to make great sacrifices—like living on peanut butter and Top Ramen—you merely need to make an adjustment in your attitude about how to use your money. Once the adjustment is made, it doesn’t take long to get out of debt. In fact, it will take less time for you to get out of debt than it took to get the training that put you so far into debt in the first place....Especially when you tackle the problem with the same energy you used to get through all those years of training.
If you’re a high-income professional, and you have debt of any kind, I think you ought to read this book.

Buy *The Doctors Guide to Eliminating Debt* today!

**The Doctors Guide to Starting Your Practice Right**

Dr. Fawcett’s next book is the best in the series (so far) in my opinion. While there is some overlap between all of his books, there is only one chapter in this book dedicating to becoming debt-free. Most of it is solid practical advice or the graduating resident or young attending. He introduces it like this:

> Yes, there is life after residency. A busy practicing professional can have a great home life and career without working as hard as a resident. You can run a practice and still watch your kids grow up; you don’t have to miss their once-in-a-lifetime milestones because you were too busy working. Burnout need not be in the equation. Debt doesn’t have to rule your life. You can take control of your future and live the dream you chased when you were just a kid who wanted to be a doctor.

The book is divided into all the different types of chapters you would expect. There are chapters on getting the right start, finding a job, negotiating a contract, licensing, credentialing, insurance, spending, setting your lifestyle, and planning for retirement. The advice is all good—don’t buy too much house, get the good job by looking intelligently, one house-one spouse-one job, don’t sign bad contracts, buy appropriate insurance, make a written plan for how you will use the money you make in your practice, and save for
retirement.

As a general surgeon, he does a far better job of discussing how to make sure call is fair than I could ever do as an emergency doc. His discussion of planning vacations (both in budget and schedule) is also excellent.

Overall, it’s a great book and well worth your time if you find yourself at that stage of life, have already read The White Coat Investor, and are looking for more physician-specific early career advice.

Buy The Doctor’s Guide to Starting Your Practice Right today!

The Doctor’s Guide to Smart Career Alternatives and Retirement

Cory’s third book takes us to the other end of your career where he talks about retirement, semi-retirement, alternative careers and lots of other cool stuff that is most interesting to those in mid-career and later. He begins with statistics that show that 1/3 of doctors want a dramatic change in their career—whether that is retiring, cutting back, or or switching to a non-clinical career. Frankly, I’m surprised that number is so low. Every time I speak to a group of docs almost all of them would work at least a little less if they could afford to do so. Dr. Fawcett’s points out that most of these docs don’t really want to retire, they just want to get away from those aspects of their job that they don’t like. He also warns about becoming fixated about retirement:

Don’t get me wrong—I’m not opposed to retiring if it’s the right choice for you. It is the obsession with retirement that can rob you of mindful focus on today. It is too easy to
get stuck on this one issue and let it play over and over in your mind. With each new playing, you become a little more dissatisfied and confused, until you don’t know what to do next. If you don’t find joy in your work and you are persistently longing for the day when it is over, why not stop what you are doing now and move on to something you love? Don’t wait until you are 65 to do what you love to do….if you want to quit practicing clinical medicine, retirement is not your only option.

Again, you’ll find a little overlap with the other books, but for the most part all of the information is new. The first two chapters are great and force you to focus on figuring out why you want a change and what you would do if you retired. Then he spends one chapter on clinical career alternatives, one chapter on non-clinical career alternatives, and one chapter on what he retired to when he left his main practice- locum tenens in rural America. Other chapters include a discussion of the financial phases of life (learning, earning, and burning) and preparing for a full retirement. The “Making an Exit” chapter is excellent as it discusses the nitty-gritty of actually leaving the practice. The remainder of the book is much more general rather than physician specific, but he talks about retirement income, building a retirement lifestyle, and some estate planning issues. This book is also great because
it contains cameos from people who have done some interesting things outside of medicine like Kevin Pho of KevinMD and even a section about me!

Overall, it’s a great book for the doctor who is less than satisfied with his current career. It’s not so much a how to deal with burnout book, so much as it is a practical discussion of what your options are if staying with your career isn’t an option for you. I highly recommend it.

Buy The Doctors Guide to Smart Career Alternatives and Retirement today!

What do you think? Have you read any of Cory’s books? What did you think of them? Why do you think doctors too often manage their debt instead of eliminating it? Why do you think so many docs are looking for a path out of medicine and what do you see as their options? Comment below!

Review of The Foolish Corner

Today is day two of Continuing Financial Education (CFE) week here at The White Coat Investor. Personal Finance is both
finance (math) and personal (behavior.) Your initial financial education should consist of becoming familiar with both of these important topics, so I always recommend a book on behavioral finance. I get sent a lot of books throughout the year (and when authors see I do books reviews from time to time like this week, I’ll be sent even more.) I almost always read at least part of the books I’m sent, but I don’t review them all on the site. I just prefer not to let other people dictate how I spend my limited reading time nor my limited time and effort to write blog posts. Of all the books I was sent this year, this is one of the few I’m going to highlight during CFE week.

The Foolish Corner

The Foolish Corner is a short (110 pages, double-spaced) behavioral finance book subtitled, “Avoiding Mind Traps in Personal Finance Decisions.” It is not my favorite behavioral finance book, (you can find those on my recommended book list) but the best book for many people is the book they can get through. And everyone can get through this book. Heck, my daughter Whitney read more than half of it on a drive across town coming home from her brother’s hockey game.

The book is written by John Howe and Rob Corrigan. Howe is an academic, the chair of the Department of Finance at the University of Missouri. Corrigan is a marketing consultant with a lot of experience in financial firms and start-ups. Their book is refreshing in its brevity and clarity. The whole thing is high-yield and well worth your time and money.

It goes through 27 different behavioral finance traps and concepts over the course of 10 chapters, and even provides a helpful table at the end summarizing them all. I won’t reproduce the whole table (it’s probably more information that
is really covered under the “fair use” laws,) but I’ll list all of them below with a brief explanation. If you don’t know what all of these are, you should read the book.

1. Hedonic adaptation – The exciting becomes ordinary and boring
2. Hedonic treadmill – Running after an ever moving target without increasing happiness
3. Money illusion – Focusing on the number of dollars you have instead of what they can be traded for
4. Individual purchasing power – Your cost of living (and its increase with inflation) is different from everyone else’s
5. Odd-even pricing – Thinking $19.99 is significantly less than $20.00
6. Pretax pricing – Not including sales tax when looking at a price
7. Currency adjustment – Foreign currency may not seem as real as domestic currency so you value it less
8. Credit cards vs cash – Easier to spend using a credit card than cash
9. Myopic loss aversion – Losing money is painful, so we make irrational, short-term decisions to avoid pain
10. Prospect theory – The pain of loss exceeds the pleasure of gain of the same magnitude
11. Pattern recognition – Fooling ourselves into seeing a pattern when there is no actual pattern
12. Hot-hand phenomenon – The belief that streaks will continue longer than they do
13. Herd behavior – Doing what others are doing even if what they are doing is wrong
14. **Affect bias** – Focusing on an irrelevant characteristic of an asset
15. **Overconfidence** – Confidence beyond what is justified by the facts
16. **Optimism** – People with a positive outlook are happier
17. **Level of savings** – Failure to save enough
18. **Sense of inadequacy** – Head in the sand about the importance of savings
19. **Evolutionary myopia** – Evolutionarily speaking, humans don’t make short-term sacrifice for long-term gain
20. **Framing** – Your point of view affects your behavior
21. **Sunk cost** – Focusing on irretrievable past expenses rather than future prospects of an investment
22. **Opportunity cost** – Ignoring what else you could do with your time or money
23. **Marginal cost** – Focus on what happens “at the margin” when making decisions- like marginal tax rate
24. **Confirmation bias** – Greater acceptance of information that supports your belief
25. **Availability bias** – Easily available evidence gets more weight in making a decision
26. **Recency bias** – Paying too much attention to what happened in the recent past
27. **Familiarity bias** – Paying too much attention to evidence
that is more familiar

As you can see, there is a lot to understand about investor behavior and forewarned is forearmed. The book not only describes these errors in thinking, but also teaches you how to avoid making them. Here’s an example:

Money illusion…arises when we confuse the physical aspect of money itself with its actual “purchasing power,” its capacity to be exchanged for goods and services. Another way that economists put it is that money illusion is the confusion of nominal value (the face value or number of dollars stated on the physical piece of paper) with real value…money illusion is akin to mistaking a menu for the food itself.

Why does this happen? Primarily because people don’t properly take inflation into account….People mistake the nominal increase in the value of their house for an increase in real wealth…Believing that they are truly wealthier, they shift toward less saving and more spending. Even more dangerously, they may borrow against the increased house value….Should the value decline, as happened in the financial crisis of 2008, they find themselves owing more than the house is worth.

In summary, The Foolish Corner is the highest-yield behavioral finance book I know of and I can’t recommend it more highly.

Buy The Foolish Corner today!

What do you think? Have you read The Foolish Corner? Did you like it? What is your favorite behavioral finance book and why? Which of these behavioral mistakes do you see your peers making? Comment below!
Since the day I started this site, I have recommended that readers spend some time with good financial books. You are likely to find more useful investing information in your library than on TV, radio, newspapers, and magazines combined. Even most of what’s in your email box and on the internet is garbage. That doesn’t mean that all financial books are good, but your odds seem better to me.

This post will replace my “Recommended Books” link that I’ve had at the top of the site for years. Unfortunately, Amazon dumped their “aStore” concept that I had been using, forcing me to do the work to maintain the list manually. That’s okay, it gives me a good reason to update the list. In case it’s not obvious, all of these links are “affiliate links” and if you buy anything through Amazon after clicking on them, we get a tiny percentage of it at no additional cost to you.

**How the List Works**

I have divided the list into categories, and you can get to a given category quickly by simply clicking on the links below. Or you can stroll your way through the entire list. In any given category, I have placed the book I think you should read
first at the top, and then the others in descending order of usefulness. But any book on the list is a great book. In fact, there are many great books that aren’t on the list, as we will soon see. Particularly excellent books that I think should be read first have an asterisk by them. My criteria? Accurate, high-yield, entertaining, and current, in that order.

If you’ve never read any financial book, I recommend you read one from each of the following categories: Doctor specific, personal finance, investing-basic, and investing- behavioral as your initial financial education, and then try to read one financial book a year (and follow the blog) as your continuing financial education. This list is going to be a “living” list, in that we will continually add books recommended by readers in each category. If you’d like to recommend a book, list it in a comment with 1-2 sentences about why high-income professionals should read it as part of their continuing financial education and unless we think the book is terrible, we’ll add it to the list.

**Doctor Specific**
**Personal Finance**
**Investing- Basic**
**Investing- Advanced**
**Investing- Behavioral**
Mortgages and Real Estate Investing

Taxes

Contracts and Practice Management

Estate Planning and Asset Protection

Doctor Specific

**The White Coat Investor** *

Were you really expecting another book to be at the top of this list? It’s here not only because I wrote it, but also because it is the best-selling, highest-yield book that I know of for someone reading this post. Almost 4 years after publication it is still number 2 in its category. It has 713 Amazon reviews, 98% of which are three stars or better. Why is it so good? Mostly because it was crowd-sourced from readers of this site. The original version wasn’t nearly as good, I assure you, until I sent it out to a couple dozen of you and had it really tuned up. I reviewed it here. You can read a sample here. Or you can just buy it. Tell you what, if it wasn’t worth the money, send me the book and I’ll give you a full refund. In four years of offering that guarantee, I have yet to have someone take me up on it.

**The Physician’s Guide to Personal Finance**

Reviewed here. This is my favorite physician-specific personal finance book not written by me. Written by anesthesiologist Jeff Steiner, it is written in the review book format familiar to any physician who has ever taken the USMLE. It is packed with high-yield material. Its material on
“treating” student loan debt and moonlighting in residency is particularly excellent. If my book is too long for you (at about 4 hours), read Jeff’s. As one reviewer puts it, “a thoughtful and well-constructed overview of basic finance, written specifically for young physicians, most of whom have never taken a finance course and have minimal real-world experience.”

**The Physician’s Guide to Investing**

Reviewed [here](#). If my book was too short for you, you might want to consider this one by cardiologist Robert Doroghazi. This is one of the few in the genre that ever had a second edition. It is long, written in tiny type, and packed with his own personal anecdotes and quotations. Nevertheless, its sections on frugal living rival those of *The Millionaire Next Door*. The book breaks down a bit in the investing sections where tactics like individual security selection and market timing appear but overall is well worth a read.

**The Doctor’s Guide to Eliminating Debt**

This one by surgeon Cory Fawcett is short and focused on just one topic, but it’s an important one. I read the whole thing on a flight between Houston and Little Rock, so if you can’t get through this one, well, I guess there’s no hope for you. Think of it as “Dave Ramsey for Doctors, but without the bad investment advice.” Cory’s other books are also pretty good,
including *The Doctor’s Guide to Starting Your Practice Right* and *The Doctor’s Guide to Smart Career Alternatives and Retirement*. At the rate he’s pumping these out, there will be another one by the time this post runs!

**Doctor’s Eyes Only**

Reviewed [here](#). This is the best of the genre that is written by a financial advisor. The writing team also happens to be the main partners of Larson Financial, perhaps the largest physician-specific financial advisory firm in the country. While at times it seems a thinly-veiled advertisement for the firm, and briefly delves into their controversial [Variable Universal Life Insurance investing strategy](#) they have taken a lot of flack for on this website, the vast majority of the book is useful and well-written. The chapters on education planning, tax planning, estate planning, and asset protection are particularly well done. The chapter on practice management is also quite unique in the genre. There are now dozens more of these physician-focused books than there were when I started this website 6 1/2 years ago, but you’ll likely be better off reading some of the other books on this list rather than two dozen books written about the handful of financial aspects unique to doctors. I get sent about a half dozen a year to review. It isn’t that they aren’t good, it’s that the majority are written by financial advisors specializing in physicians trying to market their practice and the others tend to just repeat what has already been written in the books above.

**Recommended by readers:**

To Be Added
I know the title says it is an investment guide, and that’s true, but it contains some of the best personal finance tips I know of. This is one of the few financial books out there that actually elicited some laugh out loud guffaws from me. He’s a great writer. He’s been revising this book for decades, but it’s still a classic.

This one is far from current, published originally back in the 1990s. I don’t put books on this list just because they’re “classics” (you’ll notice little Graham, Bogle, or Malkiel for instance) but this one has a message that every doctor needs to get through his thick skull and I’ve never seen it done better than in this book. My sister read this book and about halfway through asked me, “Do I really have to read the rest?” I asked, “What’s the message of the book?” She said, “Being rich isn’t making a lot of money or having a lot of stuff, it’s having a high net worth and most people who look rich aren’t actually rich.” There are a few methodological flaws in the “study” in the book, but every person in America needs to read enough of it to understand its main message. It even has a nice chapter specifically about
doctors. If you find the fact that most (all?) of the millionaires in the book are male off-putting, consider reading Millionaire Women Next Door instead. Same message, different gender.

**Personal Finance for Dummies**

Want something comprehensive? This one by Eric Tyson will fit the bill. The first financial book I ever read was by Tyson, but it wasn’t this one. I should have read this one instead. If you don’t know the stuff in this book you’re a sitting duck on Wall Street AND Main Street.

**Living Rich by Spending Smart**

It was a tough choice between this one and Your Money or Your Life. This one is the best book I’ve read on how to spend your money in a way to maximize your happiness. A great philosophy and lots of practical tips. Reviewed [here](#).

**The Automatic Millionaire**
This classic by David Bach includes some ideas that are critical for everyone to understand. The main one is that becoming a millionaire isn’t complicated. That doesn’t make it easy, but you really only need to make many smart financial decisions one time, and then leave them on automatic mode. That idea can be applied to personal finance, investing, insurance, and other financial topics. For the person who doesn’t enjoy financial tasks but knows she needs to do them, this book is for you.

**Recommended by readers:**

- [Financial Fitness Forever](#)

**Investing- Basic**

**If You Can** *

This very short volume by William Bernstein subtitled How Millennials Can Get Rich Slowly is perhaps the most high-yield resource on the topic out there. It is so good you should read it twice and short enough that you can easily do so. There are five hurdles for investors to get over:

- **Hurdle 1:** Even if you can invest like Warren Buffett, if you can’t save, you’ll die poor.
- **Hurdle 2:** Finance isn’t rocket science, but you’d better understand it clearly.
- **Hurdle 3:** Those who ignore financial history are condemned to repeat it.
- **Hurdle 4:** We have met the enemy and he is us.
- **Hurdle 5:** The financial services industry wants to make
you poor and stupid. Each section also includes a homework assignment (usually another book you should read.)

**The Bogleheads’ Guide to Investing**

A classic written by three prominent Bogleheads. This is one of the best no-nonsense tomes on investing. Read this to not only understand why Bogleheads call Jack Bogle “Saint Jack”, but also to learn how to keep Wall Street’s grubby mitts off your nest egg.

**The CoffeeHouse Investor**

I’m a sucker for Bill Schultheis’s climbing stories. This book is part investing and part personal finance, but mostly a great philosophy on life and money. Even my dad got through this quick read.

**The Investor’s Manifesto**

Written by Doctor William Bernstein (a neurologist), this is a must-read for any physician investor. He speaks your language, and you can trust him. Bernstein’s *Four Pillars of Investing* was a huge influence on my investing. I consider this the updated and simplified version.
Investing Made Simple

Mike Piper blogs at The Oblivious Investor. This quick read is a great explanation of investing in index funds. Rick Ferri’s All About Index Funds is much longer and a bit more advanced.

Common Sense Investing

If the Bogleheads Guide to Investing is too long for you, try this by Rick Van Ness. It’s the Cliff Notes version.

Recommended by readers:

- The Little Book of Common Sense Investing
- Simple Path to Wealth
- Simple Wealth, Inevitable Wealth
- Elements of Investing

Investing- Advanced

Risk Less and Prosper
Zvi Bodie’s guide to safe investing. Reviewed [here](#). Think you need a risky portfolio? Here’s the counter-argument.

**The Intelligent Investor**

Subtitled The Definitive Book on Value Investing, A Book of Practical Counsel, this is by Warren Buffett’s mentor Benjamin Graham. If you have interest in individual stock investing, read this book then realize that later in life Graham recommended you use index funds for stock market investing.

**The Bond Book**

Here is what I think is the best book on bonds out there. Feel like you don’t understand bonds? You will after finishing this book by Annette Thau. It is appropriately subtitled “Everything Investors Need to Know About Treasuries, Municipals, GNMAs, Corporates, Zeros, Bond Funds, Money Market Funds, and More.”

**Why Bother With Bonds**
Speaking of bonds, read this book by Rick Van Ness if you think you don’t need them in your portfolio. Like all of Rick’s books, it’s short and very readable.

The Power of Passive Investing
This is Rick Ferri’s masterpiece defense of index funds. I find Ferri more readable than Bogle and Malkiel, his predecessors in this argument. If ever there were a rabid proponent of passive investing, Rick would be it. I once asked him why he keeps writing the same book over and over and he answered, “Because Wall Street keeps telling the same lies over and over.” Every investor ought to read at least one of Rick’s books early in his investing career. All About Asset Allocation is another favorite.

The Quest for Alpha
Still not convinced? Or just prefer Swedroe to Ferri? Here’s another explanation of why hunting alpha in the stock market is probably a fool’s errand. Larry Swedroe is one of the good guys out there. A proponent of passive investing who loves to dabble into alternative asset classes, his wisdom will help your nest egg grow.
Investing for Adults

These short books from William Bernstein should NOT be the first thing you read on investing. But if you’re looking for a more in-depth exploration of important investing and portfolio design ideas, look no further. I recommend them all. They include *The Ages of the Investor*, *Skating Where The Puck Was*, *Deep Risk*, and *Rational Expectations*.

The Only Guide to Alternative Investments You’ll Ever Need

Want to invest in gold? Hedge funds? Indexed annuities? Don’t before you take a look at this book by Larry Swedroe. Some “alternative” investments have a role in your portfolio, but most do not. Find out which is which. Great book to read before venturing away from a basic Boglehead-style index fund portfolio.

Your Complete Guide to Factor Based Investing
One more from Swedroe, this one for the DFA and other “factor-based” investing crowd. Should you tilt your portfolio to small, value, momentum, or profitability? Read this book to get the “Pro” case. Read Bogle’s Common Sense on Mutual Funds for the “Con” perspective.

The Truth About Buying Annuities

Reviewed here, this is a gem written by Steve Weisman, a true annuity expert. Finally, a book about annuities that makes these complicated beasts seem simple. The biggest strength of this book is that it is written by an expert in the field, but an expert who DOESN’T sell them. If you have an annuity and are wondering what to do with it, are considering getting one, or if you invest through a 403B, you owe it to yourself to read this book ASAP.

The ETF Book

Want to learn about ETFs? Here’s the best book. Again by expert Rick Ferri, you can learn that despite the fact that there are thousands of ETFs, you should only consider investing in a very few of them.
The Website Investor

Looking for something new in the way of alternative investments? How about a quiver (portfolio) of income generating websites? Reviewed [here](#), this book by Jeff Hunt is the best one I’ve found so far on this subject.

Recommended by readers:

- [Protecting Your Wealth In Good Times and Bad](#)
- [The Most Important Thing](#)
- [The Affluent Investor](#) (Reviewed [here](#))
- [The Only Guide to a Winning Investment Strategy You’ll Ever Need](#)
- [A Random Walk Down Wall Street](#)

Investing - Behavioral

How to Think About Money *

This one, by author, columnist, and WCI conference speaker Jonathan Clements is one of the best financial books I’ve ever read. It was so good I am literally jealous that I’m not smart or talented enough to have written it myself. The only reason it isn’t at the top of this list is because it is a bit more of an advanced book, that helps you get perspective once you know the basics. Reviewed [here](#). I almost put this into the personal finance book category, but this category was a little light and it certainly includes a lot of behavioral finance
Why Smart People Make Big Money Mistakes

This classic by Belsky and Gilovich details the role that behavior has in your financial life. There is a lot more than math to investing and finance. Behavior can have just as large of an effect, and often larger. Personal finance is both personal- the behavior aspect and finance- the math aspect.

Your Money and Your Brain

This one is by WSJ columnist Jason Zweig and is subtitled How the New Science of Neuroeconomics Can Help You Get Rich. If you can get control of your brain and your relationship with money, wealth is almost guaranteed.

Predictably Irrational

This one is not 100% finance focused, but points out all the ways in which we are not the completely rational homo economicus that is generally assumed by economists.
The Five Mistakes Every Investor Makes and How to Avoid Them

Subtitled, Getting Investing Right, this is a great beginning investing book that is particularly strong on the behavioral investing aspect. His chapter on “The Ultimate Mistake” (not spending the money you spent your whole life saving) is particularly excellent. Reviewed here.

The Great Depression: A Diary

This one is quite different from the others and will be loved by history buffs. This is a real-time journal from an attorney as he passed through the Great Depression including all kinds of financial notes about the prices of stocks, the overall market, main street businesses around him, and real estate. If you want to know what going through a serious downturn as a high-income professional is like, I know of no better book.

Recommended by readers:
To Be Added

Mortgages and Real Estate Investing

Best Practices for the Intelligent Real Estate Investor
There are tons of crummy real estate investing books out there. Most of them are 50% motivational, 40% bogus, and 10% useful. This book is no Rich Dad Poor Dad. Written by real estate investing expert (and real estate guru debunker) John T Reed, this one just throws out the motivational and bogus stuff and tells it like it really is. The book is subtitled “How to Profit From Skill and Boom Markets and Protect Yourself From Down Markets.” Don’t expect get-rich-quick no-money-down garbage here, just real advice from someone who has really done it, the slow, methodical, and realistic way. This was not Reed’s first book, but it is probably his best book. It is a sophisticated look at the fundamentals of real estate written after he had already written 22 other books on the subject and spent a career in the field. You may not be able to buy this one on Amazon, but Reed sells them directly on his site. His “beginner” book is called “How to Get Started in Real Estate Investing,” but I think this one is a better read for the beginner.

**What Every Real Estate Investor Needs to Know About Cash Flow**

Authored by Frank Gallinelli, this book covers 36 key numbers or calculations you really need to know if you’re serious about real estate investing. I cannot recommend it more highly. Everything you need to know about cap rates and net operating income and what they mean is in this book.

**How to Save Thousands of Dollars on Your Home Mortgage**
I read this book while shopping for my fourth mortgage. I sure could have used this information the first three times. It’s pretty surprising how complicated mortgages can be. Considering it is the largest purchase you’ll ever make, don’t you think you ought to spend a little time making sure you get a good deal? You can easily lose everything you gain in savvy negotiating over the price of a home by getting a lousy deal on a mortgage.

**How to Manage Residential Property for Maximum Cash Flow and Resale Value**

This is another of John T. Reed’s excellent real estate books, subtitled “How to Maximize Your Income and Minimize Your Expenses and Hassles.” See? Even the title is no-nonsense. Amazon says, “Providing solid, basic information on managing rental units and making money at it, a guide to property management offers tips on recruiting and supervising assistant managers, maximizing income, setting up a bookkeeping system, and saving on payroll taxes.” Sounds boring huh? But boring investing is good investing. If you want some get-rich-quick motivational book, there are plenty of those out there.

**Why Physician Home Loans Fail**

Written by long-term blog advertiser Josh Mettle, and reviewed [here](#). Read this book before getting a “doctor” mortgage loan. Read all about the horror stories other physicians have had while trying to buy a house across the country before they even finish training.

**Recommended by readers:**

[The Book on Rental Property Investing](#)
Maximizing 199A Deductions

Stephen L. Nelson, CPA has written dozens of books including Quicken for Dummies and QuickBooks for Dummies. Stephen knows more about the 199A pass-through business deduction than anyone I know and this is the best book out there on the subject. It’s not cheap ($150) but it’s a lot cheaper than missing out on this deduction that could be worth tens of thousands to some docs and other business owners.

Taxes Made Simple *

Subtitled “Income Taxes Explained in 100 Words or Less,” this classic by CPA and Blogger Mike Piper is probably the best primer out there on the income tax. It might not teach you every little trick you need to know, but it’ll give you a great overview and won’t waste your time.

J.K. Lasser’s Your Income Tax 2018
I used to recommend Taxes for Dummies, but the last edition was in 2009, and tax law changes too frequently to recommend an 8-year-old book. If you’re looking for a comprehensive “how to do your taxes” kind of reference, this one will work better than Piper’s. If you can read this cover to cover, you’re going to be very wealthy some day. That kind of discipline is pretty rare.

**The Overtaxed Investor**

The best book on the market when it comes to investing-related taxes, Demuth can make a terribly boring subject interesting and even funny. Reviewed [here](#). This one is written by James Lange, who should be far more popular than he is as a financial author. While this delves into many aspects of the tax code, it really specializes in the use of retirement accounts and minimizing estate tax. While many authors get their recommendations about retirement accounts wrong, Lange nails it time and time again with well-done calculations and clear graphs and charts. CPA/JD James Lange is a recognized expert on retirement accounts and trusts. Highly recommended, although best if read slowly.

**Independent Contractor, Sole Proprietor, and LLC Taxes**
Another inexpensive, easily read book on taxes from Mike Piper. This one hits a subject that many doctors want to learn more about.

**Aggressive Tax Avoidance for Real Estate Investors**

This is another no-nonsense book from John T. Reed. Although aimed at Real Estate Investors, there is an awful lot in here about taxes that you might find useful. One of the best sections explains how an audit works and what it is like to go to Tax Court with and without an attorney. It is subtitled, “How to Make Sure You Aren’t Paying One More Cent in Taxes Than the Law Requires.” If that’s your goal, read this book! Again, you might not be able to find this one on Amazon for a reasonable price, but you can probably order directly from Reed.

**Recommended by readers:**

*Every Landlord’s Tax Deduction Guide*

**Contracts and Practice Management**

**The Final Hurdle: A Physician’s Guide to Negotiating a Fair Employment Agreement**

Not cheap, but the best book on the subject in my view. Chapter 5 alone on valuing a practice buy-in is worth the price of admission. I don’t expect I’ll ever write a book on this subject because I couldn’t do as good of a job as author and healthcare attorney Dennis Hursh.
Physicians Guide: Evaluating Employment Opportunities & Avoiding Contractual Pitfalls

This is a great book. Unfortunately, it is out of print either temporarily or permanently. Go ahead and take a look by clicking on the link, but don’t be surprised if there are only a handful of copies available from third-party sellers and they all want $600 for it. I’ll sell you my copy for 1/4 of that if you want! It includes these features:

- How to assess the micro, medial, and macro organizational cultures
- How to determine if there is enough volume to support your practice
- Ensure that your pay is competitive and understand how it is calculated
- Ensure that you have “tail” coverage that is paid for by your employer
- Mitigate the unwanted impact of an “equitable share” of call
- Forecast the long-term ramifications of upfront money
- Protection from standard termination covenants
- How to capture the “spirit” of the agreement

The Business Side of Medicine

Filled with tons of practical tips, this book is almost like a mini-MBA, but just the stuff you need and none of the stuff you don’t. Highly recommended. Plus way cheaper than the two books above!
**What They Don’t Teach You in Dental School**

A short, no-nonsense guide to starting your own dental practice. 95% of it is applicable to physicians and other small businessmen. Reviewed [here](#).

**The Physicians Comprehensive Guide to Negotiating**

This one also suffers from a fairly high price and limited availability, but it is excellent if you can get your hands on a copy. It is specific to doctors and has over 200 examples showing you what to do and not do. Get what you deserve by using these techniques.

**Contract Issues for Emergency Physicians**

Limited availability on Amazon, but you may be able to get it cheaper at the ACEP Store. I paid $10 for my copy. It was definitely worth that. As I write this post it was available for $27, but I’ve also seen it listed for $200. I wouldn’t pay that much. But it’s EM specific, so a great read for a senior EM resident.
Recommended by readers:

How to Be a Rock Star Doctor (Reviewed here)

Estate Planning and Asset Protection

Living Trusts for Everyone

Subtitled “Why a will is not the way to avoid probate, protect heirs, and settle estates,” this book wonderfully explains why pretty much every doc ought to have a living (i.e. revocable) trust in place at their death. 117 short pages explaining why you need a trust instead of a will. If you don’t think you need a trust, read the book.

Make Your Kid a Millionaire

Subtitled “11 Easy Ways Anyone Can Secure a Child’s Financial Future,” this is a gem of a book that you don’t hear about very often. It describes all kinds of ways to help your kids get a leg up financially. It discusses all the kiddie type accounts such as Coverdell ESAs (Education IRAs), 529s, UGMAs etc. and contains lots of creative ways to take advantage of the extra decades of compound interest your kids have available to them. While not one of the first books you should read, if you find you enjoy learning this stuff, this is a great one to add to your collection.

Retire Secure: Pay Taxes Later
This one could have gone in both the Tax section and the Estate Planning section because it is so good with both topics. The entire second half of the book is all estate planning, and perhaps the best book on the subject I’ve read yet. Written by CPA/JD James Lange, a recognized expert on retirement accounts and trusts. Highly recommended, although best if read slowly. Reviewed [here](#).

**Silver Spoon Kids**

Subtitled “How successful parents raise responsible children.” I know this is a concern for our family, and I’ll bet it is for many of you. Learn how to give them every advantage you can without spoiling them. Reviewed [here](#).

**Recommended by readers:**

To Be Added

What do you think? What books would you add to this list? Put your recommendations in the comments section with a 1-2 sentence description of why you think it should be on the list. Comment below!

**Studying for the Boards- Peer**
IX Vs Rosh Review Vs Board Vitals

[Editor’s Note: A couple of weeks ago I mentioned a new affiliate partner I have, ELFI, a student loan refinancing company known for low rates. The ELFI link and WCI deal ($325 cash back) are now live, so if you’ve been waiting for this one, now is the time! Also, if you are going to the ACEP Scientific Assembly at the end of the month, you can come meet me on Monday night (Oct 30th), get a free copy of my book, and some free food, but you do have to RSVP.]

For about three months this summer I was pretty grouchy. If you didn’t notice it in my comments or emails, I’m glad, but my family certainly did. Why was I grouchy? Because it was time for me to take the ABEM ConCert Exam in order to maintain my emergency medicine board certified status. This test is very similar to the original qualifying (written) EM board exam, but it has been 11 years since I last took a high-stakes multiple choice test. Since my hospital medical staff requires me to maintain board certification, I had to pass this test if I wanted to keep practicing. In reality, you can fail it once or twice, but the last thing I wanted to do was spend all my available time for months studying for it AGAIN next year. Plus, I didn’t want to shell out another $1,850 to take the 5 hour computerized test at a local Pearson testing center. And
pay hundreds of dollars for preparation materials. Which brings us to the subject of the post–preparation materials.

**PEER IX Review**

A well-known resource in Emergency Medicine is put out by the American College of Emergency Physicians and called PEER IX. PEER stands for Physician’s Evaluation and Educational Review and this is the ninth version of it as it gets updated every couple of years. It is basically a 460 question bank with a free pre-test. ACEP charges its members $295 ($0.64 per question) for this resource but throws in the last version (PEER XIII, another 350 questions, lowering the price to $0.36 per question) for free. So the first thing I did was take the free pre-test. I scored something like 64%, which basically sent me into panic mode since a passing score on the ConCert exam is 75. However, I confess that I was immediately suspicious that the pre-test questions were harder than the actual questions on the exam in order to get me to buy PEER IX. More on that suspicion later. There was also a written companion to the question bank, for another $118. While I hate “doctor pricing”, that was better than the other review book I used for the original exam that currently costs $400. I passed on both of the books this time and shelled out my $295 for the question bank.

I did the entire PEER IX question bank, ending up with a score
of 75% correct. I also did a few of the PEER VIII questions. Overall, I think the PEER IX questions were the most similar in style and length to the ones on the actual exam, although the writers of the questions say they have no association whatsoever with the writers of the actual test. I did find the questions to be significantly more difficult than the ones on the actual exam.

Now, when using a question bank, the quality of the explanations of why some answers were right and some answers were wrong is pretty important. The idea is that you want to avoid having to go to another resource to look something up as little as possible. In this aspect, I found the PEER IX explanations adequate most of the time. They were certainly better than the PEER VIII explanations, which I found so bad that I moved on to the next question bank instead of doing most of them. Here’s an example of what you get with PEER IX:

An 84-year-old woman presents following an episode of dyspnea and near syncope. A systolic crescendo-decrescendo murmur is noted on examination.

Which of the following therapies should be avoided?

<table>
<thead>
<tr>
<th>Therapy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitalls</td>
<td>8%</td>
</tr>
<tr>
<td>Lisinopril</td>
<td>3%</td>
</tr>
<tr>
<td><strong>CORRECT ANSWER</strong></td>
<td><strong>Nitroglycerin</strong></td>
</tr>
<tr>
<td>Statins</td>
<td>0%</td>
</tr>
</tbody>
</table>
That’s pretty nice. You get a comprehensive explanation of the right answer, a brief explanation of the wrong ones, and usually a few extra tips below in the Peer Point and Peer Review sections, although those usually just include info that was in the comprehensive explanation above. But compare that to what you get with PEER VIII:
That’s it. Not nearly as comprehensive as the explanations with PEER IX. There were also lots of references included with the PEER resources, but frankly, that was a waste. I mean, who’s going to go look that stuff up? If I have a question about a subject, and the explanation provided wasn’t adequate for me to refresh my understanding, I’m just going to look it up on UpToDate or even Wikipedia. This isn’t cutting-edge research we’re doing here, it’s studying for the boards. I’m not going to the original literature.

Another annoyance I had with PEER was the CME system. While they do give you free CME with it (up to 150 hours) they only let you claim it after a practice test if you scored at least 75 on the practice test. Well, since I averaged 75, I clearly didn’t get a 75 on every test. So I didn’t get to claim anywhere near 150 hours, not that I’m running short anyway, but still. Very annoying. In the end, I claimed 15 hours for it but spent far more time than that with the database.
After finishing PEER IX, I still had over a month until the exam so I looked around at what I was going to study next. I was intrigued by a private company called Rosh Review. Founded by Adam Rosh, an emergency physician in 2012, it enjoys a pretty good reputation among emergency docs studying for their written tests. But Rosh Review offers a little more than just EM questions. They also have FM, Peds, Peds EM, PA, and NP questions. So I emailed Adam and said, “Tell you what, if you let me use your database free for a couple of months, I’ll include it in a review I publish on my blog.” He graciously gave me access. Which is good, because being the cheapskate that I am, I really didn’t want to spend another $419 (30 days) or $449 (90 days) for it.

In reality, I probably would have spent it if I had to and been glad that I did. I’m not sure what motivated Adam to start this business, but he clearly took a look at PEER IX, saw the problems with it, and figured he could do a better job, offer a great resource to the EM community, and make a buck on the side. I think he succeeded admirably. Let me explain why:

With PEER you get 460 questions (or 910 if you count PEER VIII) with some “adequate” explanations. With Rosh Review, you get 2,141 questions ($0.21 cents per question) with perhaps the most beautiful explanations on the planet. I mean, I saw pictures of conditions I don’t think I’d ever seen pictures of before. Wanna know what Koplik spots look like? Rosh will show you. These explanations were gorgeous. Let me show you what I mean:
Which of the following is true regarding hyperosmolar hyperglycemic state?

A. Cerebral edema is a common complication due to rapid hydration
B. Elevated serum potassium is commonly seen
C. It is associated with a significantly higher mortality than diabetic ketoacidosis **Correct Answer**
D. It is caused by increased insulin sensitivity

Correct Answer (C)

Explanation:

Hyperosmolar hyperglycemic state is defined by progressive hyperglycemia and hyperosmolarity that generally occurs in debilitated patients who have poor access to water; poorly controlled or undiagnosed type II diabetes; and commonly, a precipitating medical event. The condition is characterized by severe hyperglycemia with serum glucose usually >600 mg/dL, an elevated calculated plasma osmolality of >315 mOsm/kg, serum bicarbonate >15 mEq/L, an arterial pH >7.3, and serum ketones that are negative to mildly positive. Because it is associated with concurrent illness, the hyperosmolar hyperglycemic state has a much higher mortality rate than diabetic ketoacidosis has.

Peer Comparison

- A: 22%
- B: 17%
- C: 58%
- D: 3%
Pretty impressive huh. I like it when they tell me how many of my peers are getting the question right (and which wrong answers they’re choosing), but PEER did that as well. But what I really liked was that every question in the database had a little bonus question down below, the “One Step Further” question. So in reality, it wasn’t just 2,141 questions you were getting, but rather 4,282! That’s just 10 cents a question!
But as you can see, the explanations are way above and beyond what you’re going to see anywhere else. It was very rare for me to need to go look up something in another resource while using the Rosh Review question bank. This is the real strength of Rosh.

Another great feature was the ongoing feedback about your progress.

It tracks your progress as you go along to see if you’re getting smarter. I don’t know how I aced the first two tests I took, but I became more consistent as I went along. Don’t pay any attention to the last 8 tests or so. That was Whitney playing around with it the night before I took the test. This was my favorite screen:
Not only does it track your progress as you go along and give you your overall percentage correct, but it also projects your ConCert score and your probability of passing. I thought this feature was really cool and very reassuring. I ended up doing about 700 of the 2141 questions with an overall average of 82% and it was projecting my score to be 91 by the time I was done. But that gave me a lot of confidence going into the test that I was going to be just fine.
Not only can Dr. Feinauer climb El Cap, but he can get 98 on his ConCert Exam too!

What didn’t I like about Rosh Review? Well, it’s the most expensive of the bunch to start with. I mean, you can cheap out and just get it for a month, but I can assure you that you aren’t going to get through all 2,141 questions in that time period. Plus, it doesn’t give you free CME. You have to spend another $100 to get 100 credits. Granted, that’s still pretty cheap CME, but you’d think if you were dropping that kind of money on software that they could throw in the CME credits for free. I found the questions to be the easiest of the three databases I used, but still slightly harder than the actual exam. Obviously Rosh agrees given that even at the end most of my scores were in the 82-86% range and they were projecting me to get a 91. That was pretty darn accurate, given that my final test score was 93. I was pretty happy with that, since it was higher than my original written boards score. At least until my climbing partner told me he got a 98 despite studying less. Punk. Incidentally, Rosh was all he used, but at least he had to pay for it!

[Update 6/2018: Adam Rosh tells me they’ve increased the database to 5,000 questions, dropping the cost per question to $0.10.)

**Board Vitals Review**

*Board Vitals* is an affiliate partner that has been with me for over a year with a few scattered ads. In that time period, I haven’t managed to get a single one of you to purchase their services. That’s really too bad, not only because I haven’t made a dime, but also because they offer a great database.
In fact, they offer dozens and dozens of databases for physicians, nurses, students, podiatrists, dentists, pharmacists, PAs, NPs, and even naturopaths. There is everything from the USMLE and COMLEX to pediatric neurology, radiology, and sleep medicine. I count 132 different tests you can prepare for using a Board Vitals question bank. Obviously, I was only interested in one of those, so I asked for a freebie in hopes that I could eventually get some of you to check out this sweet resource. They graciously granted me access to the database for a couple of months, although just like with Rosh Review, didn’t get to give any input toward this review and in fact didn’t see it any sooner than you did. I did the Board Vitals questions at the same time as Rosh Review, both after PEER.

The emergency medicine database contains 623 questions and goes for $249 for a month, or $429 for three months. That works out to $0.39 or $0.69 per question. That’s not quite the value (price per question) you get with Rosh Review, but it is better than you get with PEER (assuming you get through the database in a single month). And who really has time to do 2100+ questions anyway? At $249, it is the cheapest of the three databases. Unless you want the CME, which will cost you another $200. Knock 10% off all those prices if you go through the links on this page.

I found the questions to be the hardest of the three databases and far harder than the test itself. In fact, they predict that if you can get at least 61% on their database that you’ll pass the ConCert exam. But they had some questions that were real doozies. Like stuff I would call the Poison Control Center to ask. And that the toxicologist would have to look up in a book to give me an answer. They had quite a few questions on medication side effects that were particularly challenging as well. There were also a few questions that seemed like they had been stolen from their databases for other tests. For example, the vignette would read about how the patient came
into the urgent care or into a clinic. Those questions left me wondering why I was taking care of them if they just walked into a clinic. But overall, good solid emergency medicine questions. Nice and hard and humbling. The explanations were not Rosh quality, but adequate and about on par with what you get from PEER. Take a look:

This is pretty typical of what you see with Board Vitals. A tough question, perhaps on the edge of what is really expected of an emergency physician to know. It lets you know how many people got it correct, although doesn’t tell you what other test takers were guessing like PEER and Rosh do. In this case, 78% of exam takers got it right, which I found surprising since I missed it.

As I worked my way through the database, I was surprised by how many questions less than half of the takers got right. In some cases, only 25-30%. I felt good about myself, since I got many of those right, but I was worried that there were
apparently many emergency physicians missing them. Which made me think that maybe those questions were being presented to other test-takers as part of other databases, thus explaining the low % correct.

They also give you a nice timeline (like Rosh but unlike PEER):

This report was nice to see as well:
Just like Rosh, it will break it down for you by category in case you only have time to do the categories you really suck at, but I was mostly interested in the top line. I think in the end I got 79% of the database correct. That put me at the 68th percentile as the median score was 69%. And again, since they predict you need 61% to pass the ConCert, that made me feel pretty good.

**The Bottom Line**

In the end, I liked different things about each database, so it is hard for me to give you one recommendation over another.

I think the PEER questions were most like the ones I actually saw on the test. But they don’t do anything flashy, the explanations are merely adequate, and they charge you quite a bit for the number of questions they’re giving you ($0.64 per question). But you do get the CME for free, even if you might have to take the tests twice to actually claim it!

**Rosh Review** is the premium product in the space. Way more
questions (more than I did between all three databases in three months) and gorgeous explanations. But they also charge like it, at $449 for three months plus another $100 for CME. It offers maximal value at $0.21 per question, assuming you can get to all those questions in three months. It is pretty clear that Adam Rosh is an emergency doc, as this is a pretty EM-focused business.

**Board Vitals** is the discount product on the market at the low, low price of $249 (minus 10% if you use the links on this page.) It offers good value at $0.39 a question ($0.35 if you use my links) and is definitely going to motivate you to study given the difficulty of its questions. The questions aren’t quite as applicable to the exam as the other two databases, but there are still areas that showed up on the exam that the Board Vitals database prepared me for and the other two did not. Board Vitals also has the huge advantage that it isn’t just an EM focused product. While Rosh is branching out, they’ve got a long way to go to catch up to Board Vitals as far as other specialties go.

In the end, which of these you buy should come down to what you’re looking for. If you want it all, just buy all three databases. I was glad I used them all. They all helped me raise my score. Sure, it’ll cost you a cool $1,000, but when the test costs $1,850 to retake and when you consider the value of your time, that really isn’t all that much money.

If you’re looking for a deal, well, you get over 600 questions with Board Vitals for just $224. If you’re either not planning to study much or doing most of your studying using a course or a book and just want to take some practice tests, that should be adequate.

If you want to pick something in the middle, you won’t run out of questions going with Rosh Review or you could combine Board Vitals with PEER to again get plenty of questions for not much
more than you pay for Rosh.

If CME credit is really important to you, PEER is likely your best bet since the CME is included, but you can get it from any of the three databases for a little more money.

If convenience is your main concern, it’s hard to go wrong with Rosh Review. You make one purchase where you get plenty of questions, a good predictor of how you’ll do, CME credit at a reasonable price, and almost all the information you need to study without having to purchase another resource.)

Thanks again to Rosh Review and Board Vitals for giving me free access to your fantastic question banks and your service to the medical community.

What do you think? How did you study for the EM boards? If you’ve used more than one question bank, which one did you like best? If you’ve used Rosh or Board Vitals for another specialty, how did you like it? Comment below!

Alternative Financial Medicine- A Review
Kenyon Meadows, MD is a radiation oncologist and an author who submitted a guest post a while back. He sent me a review copy of his book, Alternative Financial Medicine, subtitled High-Yield Investing In A Low Yield World a while back and I told him I would review it. Be aware that Dr. Meadows has purchased advertising on the site, although this is not a sponsored post (as will be easy to see if you read through it.) Books links on this page, like every book link on the site, is an affiliate link, meaning I get paid if you buy stuff at Amazon after going through these links. (Don’t worry, it doesn’t cost you any more.)

Alternative Financial Medicine is a 118 page self-published book that reads like a 40 page book and is sold on Amazon for $14.95 at the time I wrote this review. He is obviously targeting physicians with the name and the content of the book.

Book Structure
It consists of 9 short chapters, 7 of which discuss various “high-yield” investments. These include:

1. Peer to Peer Lending
2. Peer to Business Lending
3. Mortgage Lending
4. Crowdfunded Real Estate Investing
5. Distress Mortgage Notes
6. Hassle-free Rentals
7. Student Loan Investing

The book has an “incomplete” feel. It is very much a compilation of his personal experiences with each of these types of investments. However, given that most of these are very new, and even a full-on high-yield advocate like Meadows hasn’t had very many round trips through these types of investments, there is little objective data or theory behind it. However, given the limited data and books on the subject, this might be about as good as it gets. Certainly my posts on these subjects have that same incomplete feel and so when I do recommend investments like these, I do so with great caution and many caveats.

What I Really Like
My favorite part of the book was the premise behind it and behind these types of investments. In today’s low-yield world, we have investment authorities (not to mention the most pessimistic of Bogleheads) prophesying crummy returns from both stocks and bonds going forward for at least a decade. I mean, if you’re really only going to get 2% nominal from bonds and 2% real from stocks, you can see the appeal of investments promising returns of 8%, 10%, 12%, or even more. Especially now as my portfolio begins to rely more on asset allocation and the future earnings that asset allocation provides than on my ability to save more money, I become more and more interested in investments that seem to be able to offer returns that are 5% higher than the rest of my portfolio, even if it comes with markedly more risk, offers far less liquidity, and requires more due diligence.

Dr. Meadows states his criteria:

> It was important for me to come up with criteria by which to evaluate and potentially participate in certain asset classes. Number one, I wanted high yield, generally defined as at least double the official inflation rate. I therefore chose 5 percent annual returns as my minimum threshold. In reality, most have a track record of returns in the high single-digit to low double-digit range (8 to 12 percent). Number two, I wanted risk that was uncorrelated with the equities market, meaning the next time stocks took another precipitous decline, my investments wouldn’t necessarily go down in parallel.
Who wouldn’t want higher returns and lower correlation to the rest of the portfolio? We all would. And this is why I find these investments intriguing. Boglehead-style investing (a mix of broadly-diversified, low-cost, passively-managed stock and bond mutual funds invested in the most tax-efficient manner possible) compares very favorably against picking stocks, picking actively managed mutual funds, technical analysis, or timing the market. But how does it compare against some of these other types of investments, many of which are only available to accredited investors and many of which weren’t available a decade ago. Well, nobody really knows. There is no data and there are precious few of us who have done both. The information that is out there is anecdotal at best. Well, add Meadow’s anecdotes to the collection.

What I Didn’t Like

This was hardly a dispassionate look at these investments. Dr. Meadows comes across as an advocate and a cheerleader, which makes the book seem like a one-sided analysis at best. For example, in the Peer-to-Peer Lending chapter he tells about Renaude Laplanche, the founder of Lending Club, and his brilliance. But there is no mention of LaPlanche’s accounting “irregularities” that came to light prior to publication of the book. Later in the chapter, he talks about how he considers Peer to Peer Loans as a “new type of savings
account.” The difference in risk between even a diversified portfolio of peer to peer signature loans and an FDIC-insured savings account is monumental.

To be fair, he does cover the risk aspect later in the chapter, but I think a savings account comparison is totally inappropriate, not only due to the massive difference in risk, but also in the amount of time and effort required to implement a strategy using his recommended $25 per borrower. He gives no discussion of the difficulty of liquidating a portfolio of these notes, other than “I count on holding the note for the stated duration when I make an investment through this platform.” So make sure you stop buying them 3-5 years before you want the money to spend or invest elsewhere. As another example, the chapter on crowdfunded real estate has no discussion of platform risk or fees, which are hardly insignificant.

Overall, the book is short, inexpensive, easily read in a single sitting, and gives a broad overview of your options along with personal anecdotes about his own investments. It gives you real, first-hand information from someone who has been there and done that as much as anyone has. What it lacks in data and theory, it makes up for in honesty and openness.
Am I convinced to ditch “Boglehead-style” investing for higher-yield investments? No, and this book didn’t move me any closer to being convinced. But I am interested enough to dabble a bit with a small percentage of my portfolio. My experiment with 5% of my portfolio in Peer to Peer Loans had mixed results (not bad, but not as good as promised). Now I have investments with a handful of online syndicated real estate companies (again not a huge percentage of the portfolio), and so far have had an experience similar to that described by Dr. Meadows - higher returns, low correlation with the rest of my portfolio, and plenty of cash flow. We’ll see how it goes and I’ll keep you up to date. In the meantime, check out Alternative Financial Medicine to get another doctor’s take on these newer investment options.

What do you think? Have you read the book? What has your experience in high-yield investments been? Comment below!

Reviews of If You Can, The 13 Word Retirement Plan, and The Index Revolution
Well, here we are at the end of the week. We’ve covered a lot of ground this week. If none of the books we reviewed this week appeal to you, be sure to check out my list of recommended books. We hit some physician specific books on Monday, some books aimed at more advanced readers on Tuesday, an “alternative” investment book on Wednesday, niche Social Security books on Thursday, and now today we’re going to cover some books on the basics. In fact, our first book is one of my favorites by one of my favorite authors, William Bernstein, MD.

If You Can

If You Can is perhaps the best first investment book for a millenial 20 something. Not only is it short, very readable, and correct, but it is also free (my favorite price.) Plus, when I recommend it I get to take advantage of the fact that it gives homework assignments which are basically a book or two for each of the five chapters. So those who read it really have to read several books, instead of just one, to do it correctly. Dr. William Bernstein, neurologist turned financial theorist, was one of the biggest influences on my personal finances when I started reading financial books more than a decade ago. As he went along from one book to another, he made each book more simple than the last, from The Intelligent Asset Allocator to The Four Pillars of Investing to The Investor’s Manifesto. Even the “adult” books were purposely
kept quite short. This book goes one step further—nothing but the basics here.

It is subtitled “How Millennials Can Get Rich Slowly” and is a 16 page PDF, and 2 of those 16 pages have fewer than 10 words on them. Seriously. That’s it. You can do it. If you are one of those people who can’t read a financial book because it is so darn boring, you can read this one. Here’s how he introduces it:

Would you believe me if I told you that there’s an investment strategy that a seven-year-old could understand, will take you fifteen minutes of work a year, outperform 90 percent of finance professionals in the long run, and make you a millionaire over time? Well, it is true, and here it is: Start by saving 15 percent of your salary at age 25 into a 401(k) plan, an IRA, or a taxable account (or all three.) Put equal amounts of that 15 percent into just three different mutual funds:

- A U.S Total Stock Market Index Fund
- An International Total Stock Market Index Fund
- A U.S. Total Bond Market Index Fund...

[But] the most important word in this book is “IF” … because, you see, it’s a very, very big if. At first blush, consistently saving 15 percent of your income into three
index funds seems easy, but saying you can become comfortably well-to-do and retire successfully by doing so is the same as saying you’ll get trim and fit by eating less and exercising more…. Dieting and investing are both simple, but neither is easy.

The “chapters” in the book are five “hurdles,” which are:

1. Even if you can invest like Warren Buffett, if you can’t save, you’ll die poor.
2. Finance isn’t rocket science, but you’d better understand it clearly.
3. Those who ignore financial history are condemned to repeat it.
4. We have met the enemy, and he is us.
5. The financial services industry wants to make you poor and stupid.

Amazingly, those five sentences sum up Bernstein’s first three books quite nicely! If I go on any longer about this book, I might as well just publish it here as a blog post. If you haven’t yet read it, do it today, then pass it on to someone you care about.

**The Thirteen Word Retirement Plan**
doing this financial writing thing for much longer than I have. The Thirteen Word Retirement Plan is his version of an ideal first book for a beginner investor. He subtitles it “A Simple Roadmap for Joining The Top Ten Percent.” Obviously not physician specific (in fact he aims this at the “average” American making $55k), but that can be a good thing. It’s only available on Kindle ($4.99) but as a Word document it is only 45 pages long, so you can get through this one too. Or if you can’t, well, at least you can get through all thirteen words which are, without further ado:

$5,500 annually into an IRA or 401(k) invested in cheap target retirement funds

It’s not exactly the same as Bernstein’s plan, but it’s awfully similar, and that ought to tell you something. In chapter one, he sets your expectations. He shows how $5,500 a year will turn into $365K after 30 years or $497K after 35 years. Then he points out that only 14% of retirees retire with a nest egg larger than $365K and only 10% retire with a nest egg larger than $497K. So there you go, $5,500 a year gets you into the top 10% by the time you retire.

Chapter two explains why people fail at this simple task- they make the task too complicated, they misunderstand that they need to earn for 30 years, but spend for 60 years, that many people treat retirement savings like death (including five stages of grief), and they get bummed out by the difficulty of carving out 10% of their income a year. He offers great suggestions to help you avoid being bummed out, like the fact that between the match and the tax deduction, you don’t have to save nearly as much as you might think.
Chapter three explains why you should be using a 401(k) or IRA and why those retirement accounts are so valuable. Chapter four explains why you SHOULDN’T be using a Roth IRA. I love a little controversy, but he’s right. If you’re only making $55K a year, don’t ever expect to make any more, and are only saving $5,500 a year, you’re going to come out ahead with a tax-deferred account. This chapter also nicely includes the exceptions when a Roth account may be better. I love that Nelson “gets” the math on this, because many people don’t.

Chapter five tells you to keep your costs low because they matter a lot. That’s important, but I’ve already beaten it to death around here. If this is the first time you’ve heard that, I’ve failed you. Chapter six talks about target retirement funds, and why they can be awesome for those who save $5,500 a year. That’s not most readers of this blog (I hope) but it might be many of their friends and family members. Chapter seven talks all about “percentages”, like your savings rate, expected returns, the 4% rule, and other important rules of thumb in personal finance. This information is basic, but critical, and lacking in far too many personal finance and investing books.

Chapter eight includes 12 “tricks” to find money to save. Many of these apply to physicians just as well as the middle class and include things like a match, tax deductions, delaying Social Security, and making your IRA contribution early in the year. Chapter nine talks about “awkward questions” like “Can I rely on Social Security?” and “What if my household can’t save $5,500 annually?”

All in all, this one might be three times as long as Bernstein’s, but it also contains three times as much high yield stuff. They both make excellent books for a beginning
investor. If that is you, start reading. For less than $5 you can get two of the most easy to understand and highest yield investing books available anywhere.

The Index Revolution

The third book we’ll be reviewing today is *The Index Revolution* by investing legend Charley Ellis, with the foreword by another investing legend, Burton Malkiel. Although this is a real book, unlike the above “books” that are closer to pamphlet length, it is small (5×7 inches) and only 240 pages long and assumes that you don’t know much, if anything, about investing. If you have not yet been convinced that the best way to invest in publicly traded stocks is to buy low-cost, broadly diversified index funds, this book will convince you. The other two options—picking stocks yourself or hiring someone else to do it, not only introduce unnecessary, uncompensated risk and manager risk, but are very unlikely to increase your returns. This fact is mostly empirical, because it isn’t intuitive, and sometimes it takes a few books for you to really believe it. That must be why there are so many that continue to be published to basically demonstrate that fact. Despite the fact that Bogle and Malkiel wrote about it in the 90s, there are a plethora of books that continue to come out, perhaps most recently Ferri’s *The Power of Passive Investing* and Swedroe’s *The Quest For Alpha*.

However, Ellis’s book is a lot easier to read and understand than any of those other books. It is subtitled “Why Investors Should Join It Now” and is comprised primarily of two parts. The first part is his story, entitled “My Half Century Odyssey” of how he became a proponent of index fund investing. Then he begins the second part pointing out that
the world has changed. It isn’t that active investing didn’t use to work, nor that it doesn’t work because active managers have no talent. It is primarily that active managers are too good and there are too many of them doing it. They have basically eliminated all the available alpha. They can no longer overcome their own fees. The remainder of the book, aside from the appendices, is 10 Good Reasons to Index. If you understand and believe all of these reasons just from reading the table of contents, you probably don’t NEED to read the book, but it still provides good reinforcement. Here is the list:

1. Indexing outperforms active management (do you need any more reasons?)
2. Low fees are an important reason to index
3. Indexing makes it much easier to focus on your most important investment decisions (I love this one.)
4. Your taxes are lower when you index
5. Indexing saves operational costs
6. Indexing makes most investment risks easier to live with
7. Indexing avoids manager risk
8. Indexing helps you avoid costly trouble with Mr. Market
9. You have much better things to do with your time (so true.)
10. Experts agree most investors should index

Even the appendices of the book are good. The first talks all about “smart beta” (hint- Ellis wouldn’t think much of Swedroe’s recent book on Factor Investing.) The second is a “how-to” guide about how to get started indexing. The third gets into the nitty-gritty about index fund management. Here are some quotes from the book to give you a flavor for it:

*For those who choose active management, getting started means committing to a long series of detailed and often difficult decisions—some large, some small, many fraught with*
uncertainty and risk, and many coming at inconvenient times. By contrast, the basic indexing decisions are simple and, once made, stay decided until the time comes for a change in your long-term investment strategy because your goals have changed in an important way.

Perhaps most important, some of [the academic work showing the value of indexing] has strongly suggested that certain elements of investment activity may not be particularly useful or not worth the cost. Can you think of any group that hasn’t resisted the idea that their contribution may be worth less than they are being paid?...I feel sorry for a lot of these guys. They were trained to do things a certain way and have spent years working hard to do it in that familiar way. Now, suddenly, they’re beginning to discover that what they’ve been doing all their lives hasn’t worked and they’ve been doing everything the wrong way. Think of the psychological shock these guys must be going through. Sometimes I wonder how they manage to get up in the morning.

The stunning reality is that most actively managed mutual funds fail to keep up with index funds that match those active funds’ chosen benchmarks. The problem gets worse as the time period gets longer. (This is important because while they may change specific investments or managers, most investors will be continuously investing one way or another for the next 20, 30, or 40 years or even longer—and much longer when including the investing years of their heirs. The point on low success rates is made dramatically in a table showing the 10 year rate of beating an index fund in various asset classes ranging from 12-42%. The 20-30 year data, of course, is even stronger.)

Take a look from a different perspective and you’ll never again think...that fees can be fairly described as “only 1 percent.” Since you already have your assets, the right way to quantify investment fees is not as a percentage of the assets you have, but as a percentage of the returns that the
investment manager produces. This simple first step into reality changes fees from a low “only 1 percent” to (assuming the consensus of 7 percent future returns on equities) a substantial 14 percent. This surely warrants deleting the four-letter word only. And that leap of insight turns out to be just the first toward a full understanding of investment management fees. Since all investors can invest via index funds...the true cost of active investing is the incremental fee above indexing as a percentage of the incremental return above investing...actually the grim reality...is that a majority of active managers, after fees, fall short of the index they chose as their target to beat, so for those managers, incremental fees as a percentage of incremental returns are over 100 percent—or infinity.

One of my favorite parts of the book was when Ellis explains how and when AUM fees came to be. Prior to the Great Depression, the main way investment managers were compensated was by hourly fees, since most were attorneys running trusts. One firm decided to charge fees based on dividends and assets under management. Then, when asset size fell in the Great Depression they switched to AUM only, and were commended for doing so as evidence of professional integrity. Ellis says:

Though they never do, every investment manager should celebrate that day with song, feasts, and much dancing. Changing the basis for fees from hours to assets would, in time, transform the economics of investment management. What had previously been at best a modestly compensated profession would, in time, become the world’s most highly paid professional business.

One more quote:

Investing is a continuous process like refining petroleum or
manufacturing cookies, chemicals, or integrated circuits. If anything in the process is “interesting,” it’s almost surely wrong. That’s why the biggest challenge for most investors is not intellectual; it’s emotional....the hardest work is not figuring out the optimal investment policy. It’s maintaining a long-term focus...and staying committed to an optimal investment policy.

Overall, The Index Revolution is an excellent book for those wavering in their faith about index fund investing, or who have never developed that faith in the first place. A committed Boglehead may find a few nuggets of wisdom and pearls of truth there, but little of what it teaches will be new. But the book isn’t written for committed Bogleheads. It’s written for investors who have not yet joined the index revolution, and so it is an excellent option for a relative beginner who needs a good CFE book for this year.

Buy If You Can Today! (Free PDF here.)

Buy The Thirteen Word Retirement Plan Today!

Buy The Index Revolution Today!

What do you think? Have you read any of these books? What did you like or dislike about them? Which one do you think is the best one for an investor who has read fewer than 3 financial books in his life? Comment below!

The Two Best Books On Social
It is day four of Continuing Financial Education week. Today we’re going to discuss two exceedingly boring books. I’m very sorry. They’re both extremely well done and written by talented authors, but the subject matter is worse than nephrology and pulmonology combined. Imagine nephrons in your alveoli. That’s what I’m talking about. What is this utterly dry, overpoweringly boring subject? Why, Social Security of course. There are not a lot of books on the market on Social Security. That’s because the authors who attempted to write them fell asleep every time they wrote a paragraph.

The Two Best Books On Social Security

1. Social Security Made Simple by Mike Piper

Seriously though, you should read at least one of these two books at some point in your life. The ideal time is probably in your early sixties, but if you’re curious, you could muddle through one or both of them before then. The first book is Mike Piper’s Social Security Made Simple. Mike is a genius, by
the way. He has managed to take this complicated, boring subject and make it very easy to understand, and tolerably interesting. It is best if you pick up the book with a specific question in mind. The ideal question is “When should I (and my spouse) claim our Social Security benefits?”

Mike wisely kept the book short, just 129 pages (including the appendices) in a 5 inch by 8-inch book. Despite the brevity, it is quite comprehensive (despite Mike’s claim that it “is not intended to serve as a 100% comprehensive guide to every aspect of Social Security.”) It begins with four chapters that explain how Social Security works. As you read it, you get the sense that this is all really important for you to understand. But if you’re not reading with a specific question, you never quite get the sense that you will remember all of the little rules, and even if you did, they’ll probably be changed before it comes time for you to make any important Social Security decisions. So why is it so important to read? Mike explains in the introduction:

> It’s common for retirees to make decisions regarding their Social Security benefits that cause them to miss out on tens of thousands of dollars (or sometimes even hundreds of thousands of dollars) over the course of their retirement.

So it is obviously really important stuff. Reading it helps me to understand how you guys all feel reading personal finance books. But trust me, as I’ve told you before, it’s worth it to read this stuff.
Chapter one is two pages on my Kindle. It shows you how to qualify for Social Security benefits (hit age 62 and earn 40 credits.) Chapter two is seven pages. It explains how retirement benefits are calculated. If you ever wondered, Mike can tell you how. But most importantly, he gives you the takeaways, and this is where the books excels. For example, the takeaways in chapter 2 are:

1. Social Security replaces a higher portion of wages for lower earning workers than for higher-earning workers and

2. There’s a maximum possible Social Security retirement benefit (Few people reach that maximum though, because doing so would require that you earn the maximum earnings subject to Social Security tax for 35 different years.)

Chapter 3 is 6 Kindle pages and explains the spousal retirement benefits and chapter 4 is six more pages and explains widow/widower benefits. That brings you on to part 2, “Rules for Less Common Situations.” This includes the rules if you’re divorced (6 pages), child benefits (4 pages), the rules if you have a pension from a job that didn’t require you to pay Social Security taxes (4 pages), and 6 pages about what happens if you keep working after taking Social security early (earn too much and your benefits are reduced.)

Part 3 is the meat of the book- when to claim your benefits. Chapter 9 discusses the decision for single people and chapter 10 for married couples. Then he discusses the restricted application strategy in chapter 11. Thankfully, Mike updated this book in November 2015 when changes were made to this strategy. But if you’re not already 62, forget it. Chapter 12 discusses how to account for an age difference between spouses. Chapter 13 discusses a strategy I’ve heard Dave
Ramsey recommend- taking your benefits at 62 and investing it. I agree with Mike that the fact that you need a 4-5% real return to come out ahead with this strategy makes it a bit unwise for most.

The final part of the book, Part 4, has some other miscellaneous topics such as how to check your earnings records (4 page chapter 14), how Social Security is taxed (4 page chapter 15), how Social Security should affect your asset allocation (3 page chapter 16), and a few “do-over options” (4 page chapter 18) like withdrawing an application and suspending benefits. I enjoyed Mike’s idea of splitting your portfolio into two parts- one to get you until you claim Social Security, and the other to be used throughout retirement. Brilliant!

The conclusion is really useful, where Mike gives Six Social Security Rules of Thumb. They’re worth reproducing here (not a direct quote as a few of the comments are my summary of his rule.)

Rule # 1 The longer you expect to live (or the more worried you are about running out of money if you do live to have a long retirement), the better it is to hold off on taking benefits.

Rule # 2 For an unmarried person trying to decide between
claiming early and late, the break even is age 80.5. Once you know the life expectancy of a 62 year old is age 83, you will probably realize you should wait to claim.

Rule # 3 In a married couple, having the person with the higher primary insurance amount delay benefits increases the amount the couple will receive per month as long as either spouse is alive.

Rule # 4 In a married couple, having the spouse with the lower primary insurance amount delay benefits only increases the amount the couple will receive per month while both spouses are still alive.

Rule # 5 The restricted application rule can give you a few years of “free” benefits, but not if you’re not already 62!

Rule # 6 The higher the after-inflation rate of return you can earn on your investments, the better it becomes to take Social Security early and invest the money. As a result, if inflation-adjusted interest rates are very high (they’re not right now) or if you have a very high risk tolerance…you may be better off taking the money early.

Kudos to Mike for tackling this important, although boring subject. I confess I didn’t read the entire book. I don’t think you should either. But I do think you should read the chapters applicable to you. With any luck, you can make the correct decision on claiming your Social Security benefits without having to read any more than about half the book!

2. The Little Black Book of Social Security Secrets by James Lange
Our second book today, *The Little Black Book of Social Security Secrets*, is by another of my favorite authors, James Lange, author of *Retire Secure*, and is subtitled “Couples aged 62-70 Take Action Now, Retire Secure Later.” This book is even shorter than Mike’s (61 pages of a 5 x 3-inch book) and is aimed squarely at those who can still do the File and Suspend/Restricted Application strategies. He rushed it out this Spring to get it into the hands of those who needed it, but if you weren’t already 62 when 2015 turned into 2016, you can skip chapters 4, 5, and 6. The rest of the book is short enough and cheap enough that is still probably worth your while, but this was definitely the meat of the book. However, Lange adds some detail not found in Piper’s book, specifically when looking at how your Social Security benefits can work together with Roth conversions. The bottom line is it can often be worth delaying Social Security and making Roth conversions in the meantime.

Mr. Lange’s conclusions are worth reproducing here:

*If you apply at age 62, or as soon as you are eligible, your benefits starts lower and stays lower for the rest of your life.*

*COLAs magnify the impact of early or delayed claiming.*

*Delaying taking benefits becomes more advantageous the longer you live, but it is frequently a game changer for the surviving spouse.*

*The Apply and Suspend (also called File and Suspend) strategy adds significant value for married couples.*

*The Apply and Suspend technique is being phased out and qualified couples must apply by April 29, 2016 to take*
advantage of this strategy.

The Restricted Application or the Claim Now, Claim More Later strategy is another way married couples can get more from Social Security.

Since the survivor gets the higher of the two Social Security benefits, a good strategy is to plan for at least one benefit to be as high as possible.

A series of Roth IRA conversions combined with the best Social Security strategies is a powerful combination....

Please review all of your options with a qualified professional (not your local Social Security office) before signing on the dotted line, because your financial future depends on it.

Although Mr. Lange’s book is now a bit outdated, it is so short and cheap I’d probably read it along with Mike’s if I was facing this decision any time soon.

**Buy Social Security Made Simple today!**

**Buy The Little Black Book of Social Security Secrets today!**

What do you think? When do you anticipate claiming Social Security? Why? Have you read one or both of these books? What did you think? If you’re older, did you learn about File and Suspend and Restricted Application before it was too late? Comment below!
Review of The Website Investor

Here we are moving into day 3 of Continuing Financial Education week. Sometimes I read a book (and review it on this site) because I think it would be a great book for you, my loyal readers, to read. Other times I read a book because I want to learn something myself. I read a lot of non-fiction, both for pleasure and for business purposes. Over the years I’ve taught myself a ton about personal finance, investing, writing, publishing books, and internet entrepreneurship. So when I found this book about investing in websites, I actually paid good money for it ($10 on Kindle) and read it. My main interest, to be honest, was to try to determine the value of my own internet business. But the more I got into the book, the more interested I became in investing in (buying) websites built by other people as a source of semi-passive income.
A Website is a Business

In the same way that some people buy franchises and other people buy real estate, one can buy a portfolio or quiver of websites. At the end of the day, there are really only three investments. The first is something that you hope will appreciate in value, such as gold but which has no business value. The second is a loan, where you give someone or something money and they pay you interest for it, such as CDs or bonds. The third is an equity investment, where you are a full owner or a part owner of a business, and as the business succeeds, you reap the rewards. The stock market, at its most elementary level, is simply a place where you can buy and sell portions of successful businesses. But lots of people dislike the fact that those businesses are revalued all day long as it makes them feel like their money is in a casino, even if they don’t actually go into the “casino” for years at a time. So they prefer to invest in something they have a little more control over. The most hard-core of these folks denigrate stocks and bonds as “paper assets” and prefer “hard assets” like real estate, despite the fact that owning part of an apartment complex is just as much a “paper asset” or “hard asset” as owning part of Amazon. They’re both just businesses. One you may have more control of than the other, but over the long run you’re going to do as well as the business does.

Enter The Website Investor: The Guide To Buying An Online
Website Business for Passive Income. Real estate people like investing in real estate because they know real estate. Now I know a little about the real estate business, although I’m no guru. One thing I have discovered is that while I appreciate the returns and low correlations of real estate, I don’t actually enjoy buying, selling, and managing real estate. Nor am I particularly good at it. But you know what also has good returns and low correlation with the stock market that I know well, am good at, and actually enjoy? Internet entrepreneurship. So while it makes sense that a real estate guy would have a little higher allocation to real estate in his portfolio, it also makes sense that I would have a higher allocation to websites!

How to Invest in Websites

So how do you invest in websites? Well, like any other new activity you want to do, it is probably a good idea to read a book about it. And this book, by serial entrepreneur and full-time website investor Jeff Hunt, is a great place to start. Like any other business, a website has product, customers, profits, and expenses. It can also be valued using standard business principles. However, there are lots of unique aspects to an internet business that don’t apply so much to other businesses, like search engine optimization, whether it qualifies as a Google News site, domains, and hosting. It is also open all the time to the entire world and extremely scalable, aspects that I absolutely love about these types of businesses.
The book begins with some introductory content to get you excited about the concept. It is a bit like real estate books that way, because like real estate, and unlike index funds, investing in websites is going to take at least a little work and the amount of work you put in will have real effects on your return. Then the first chapter discusses why buying websites may be right for you, and just how passive the income might be for you.

The second chapter goes through the various websites and brokers where you can buy or sell a website. Chapter three helps you narrow down your search and consider the niches and purposes of the sites you are interested in. The fourth chapter gets into the various business models of websites. This is old hat to those of us working in this world for years, but could be new to you. But consider the ways this website makes money- we sell a product (the book), we sell ads to people who want you to know about their business, and do affiliate marketing (for example if you refinance your student loans through links on this site, not only do you get the specially negotiated WCI deal [usually something like $300 in cash back,] but we also get paid for “making the sale.” Or if you buy this book from links on this page, Amazon gives us 70 cents.) In addition, the website allows me to line up other related work, such as being paid to speak or write.
How to Evaluate a Website

Chapter five is the reason I bought the book. It is all about evaluating the website. I wanted to see what the book said about what my website was worth. I’ve basically tracked it the last few years as being worth 2 times the passive income it generates in a year. According to Mr. Hunt, that was reasonable, but there is a huge range. Obviously, something is only worth what someone else is willing to pay for it, and every website, like every piece of real estate, is unique and an appropriate level of due diligence should be done.

Since websites have a passive and an active component, it is important that you are a good fit for the active component. Hunt suggests you ask these questions:

Am I willing to do the work this website requires to maintain or grow its earnings?

Am I interested in the subject area of this website?

Do I have the right skills and desire to do the kind of work required? If it requires marketing, copywriting, programming, cold selling, administration, design, email writing, analysis, or research, can I do those things? Do I want to?

Am I comfortable with the level of risk inherent in this website? Do I even know what those risks are?

Is there anything objectionable about the website, its products, its customers, its suppliers, or the seller?

Do I completely understand how this website gets its traffic and earns its revenue?

When it comes to valuing a website, Hunt says that “sites with long, consistent revenue streams are more valuable than those with short sales histories.” He also notes that “depending on
what kind of website you are evaluating, estimating the cost of time investment may be critical or may be unimportant. Website owners are notorious for underreporting the amount of time they invest in their websites."

He discusses how to do a mini-audit of the financials of a website, as well as its traffic sources. This entire chapter is packed with “how-to” information for those serious about buying a website.

Chapter six talks briefly about evaluating the potential to increase the traffic and revenue of the site. Chapter seven talks about buying websites in other countries, and the unique challenges and opportunities available there. Chapter eight talks about flipping websites.

**How Much to Pay**

Chapter nine is all about valuation, i.e. how much you should pay, or expect to be paid, depending on which side of the transaction you’re on. Hunt explains his method:

> I determine the price I’m willing to pay for a website business based on three factors:

1. **The risk profile.** This is a high, medium, low risk assessment that reflects the stability of the business and probably life span.
2. **The average monthly net income.** Revenue minus expense equals net income. For very seasonal businesses, this needs to be averaged over a full year...
3. **The future potential.** Future potential includes every change I might make to the website that has the potential to increase revenues or reduce risk.

Website valuation is almost always expressed in net income earnings multiples, so if a site nets $1,000 per month and sells for $24,000, it is said to have sold for 24X earnings.
If it continues to earn $1,000 per month, then the payback period on the investment is twenty-four months. Admittedly, I have aggressively pursued the purchase of sites at low multiples. I’ve often tried to get my money back in less than a year, and I have succeeded on many occasions. But the truth is that it is increasingly difficult to do this. The vast majority of sites sold at low multiples have a high-risk profile.

Hunt then gives you the two most important charts in the book. The first teaches you how to determine whether the site is high, medium, or low risk. A high risk site depends on organic search and social media for traffic. A low risk site uses paid ads and a proven email list. A high risk site requires highly specialized staff. A low risk site can use low cost, easy to find and train staff. A high risk site sells a single product that is easy to duplicate and unproven. A low risk site sells multiple, difficult to duplicate products to a proven market. A high risk site has no formally tracked financials, but a low risk site has a fully controlled process. And of course, there is some risk that depends on the buyer. If you are inexperienced in the niche, the site is higher risk than if you are experienced.

The second chart says a high risk site is worth a multiple of 6X-14X monthly earnings, a medium risk site is 12X-24X, and a low risk site is 18X-48X. So at most, you shouldn’t expect your site to be worth more than 4 times your annual earnings, and no less than 1/2 of your most reliable, passive, annual earnings. So what is WCI worth? I have no idea, and neither does anyone else, but somewhere between $250K and $2.6 Million. So if someone wants to offer me $3 Million, I’d probably take it. In some aspects, it is a high to medium risk site (most traffic is organic search and direct traffic and the staff is awfully specialized and the product is readily
In other aspects, it is a low risk site—multiple products, proven market, and a fully controlled financial process. One would also have to replace my labor. I can’t imagine finding someone willing and able to do what I’m doing on this site for less than $100K a year. So let’s call it $200K. So if I bake it all in, subtract out my costs, and call it a medium risk site, it is probably worth something like $700K, and I’m not willing to sell it for anything near that.

Chapter ten discusses the auction (most sites are bought in an auction) and negotiation. Chapter eleven talks about the handoff, and chapter twelve discusses what to do when you first acquire a new site. Chapter thirteen finishes the book talking about how our world is becoming increasingly more mobile (i.e. people access the internet more and more from mobile devices and that creates serious risks and opportunities for an online business.)

Overall, this is definitely a niche book. Most WCI readers aren’t going to be interested. But if you have even a little bit of interest in online entrepreneurship, this book is for you. If nothing else, it will help you to realize that you can be a business owner and an online entrepreneur without having to start and build your own website. And if you’ve got $3 Million laying around, I know of a great site for sale.

Buy The Website Investor: The Guide To Buying An Online Website Business for Passive Income today!

What do you think? Would you consider investing in a quiver of websites? How much active work would you be willing to put in? What do you think of Hunt’s valuation method? Comment below!
Welcome back for day two of Continuing Financial Education week here at The White Coat Investor. On tap today are two excellent, although not necessarily physician-specific, books written by popular and talented personal finance writers Phil Demuth and Jonathan Clements.

The Overtaxed Investor

Up first is *The Overtaxed Investor* by Phil Demuth. I’ve referred to this one in the [free monthly newsletter](#) and in a [post](#) earlier this year and it has been discussed on the [forum](#) a bit as well. It’s a bit longer than most of the books I review, clocking in at 279 pages, not including the notes at the end. The thing I like about Demuth’s writing is that it is very readable. He’s actually funny, at least if you think jokes about taxes are funny. He explains the origin of the book in the preface, after his client told him that the client paid no taxes on a recent six figure capital gains distribution:
Great Caesar’s Ghost! I had no idea a wormhole existed inside the tax code so that someone could pay nothing on a six-figure capital gains distribution. I naively assumed that tax rates were continuous and connected to reality. I needed to educate myself on this topic, but I could find no readable, up-to-date book on taxes for investors. This left me with no choice but to write the damn thing myself. Believe me, I didn’t want to. If you had bothered to write one, it would have saved me a lot of trouble.

The book is all about reducing investment related taxes, so don’t expect anything about how to claim more of your expenses as business expenses and that sort of stuff. But with regards to investment related taxes this book is the best (perhaps only) book on the market. In the first chapter, he teaches you how to be a Tax Alpha Dog. He spends the first four pages detailing all the taxes you pay. By the time you get to the end of that list, you’ll be so hopping mad that you’ll read the rest of the book. He also explains why it’s tough to just hire a CPA to deal with this:

Sadly, my clients rarely have a good word to say about their accountants. As one succinctly put it, “I point out his mistakes, and then he charges me $350 an hour to fix them.” To be fair, I think we may be expecting too much from these beleaguered chaps. We dump shoeboxes of receipts in their laps on April 14 and expect them to work miracles. This is not a recipe for success.

He then suggests you go meet with your accountant in November, or even do your taxes yourself once:

Here is another novel thought: try doing your own taxes, at
least once. I don’t mean fire your accountant—are you crazy? No, you need him. I mean get Turbotax or H&R Block tax software and actually enter the information yourself and see how the whole thing works. You will lose your tax virginity. This will let you collaborate more intelligently with your tax planner going forward.

The rest of the first chapter is dedicated to the idea that you need to pay far more attention to the tax “tail” than the investment “dog” than most investors do “because investment returns are speculative, but investment expenses are certain.”

Chapter two goes over tax-free accounts, tax-deferred accounts, and taxable accounts. My only beef with this chapter is he falls into the two common asset location trap where high return assets go into a tax-free account and lower returning assets go into tax-deferred. He tried to address it in the “objections” section at the end of the chapter, but I felt it was done inadequately (“Investing is not an exact science!” was basically the answer to the important objection.) A relatively minor beef in a lengthy book.

Chapter three is all about the various legal means investors use to reduce their taxes. Excellent stuff. He even gets into Oil and Gas, MLPs, and real estate. Chapter four discusses the stages in life and how your tax outlook changes as an
investor. While I’m glossing over these chapters in this review, either of these alone is worth the time and money you’ll spend on this book. Of course, like any tax book, much of it may soon be out of date, especially with the changing of the guard at the White House.

Chapter five is dedicated to one of Demuth’s pet topics, investing with zero dividends. He tries to make a case for buying individual stocks that don’t pay dividends. I felt this was unsuccessful. I don’t think the tax benefits outweigh the uncompensated risk you’re taking on, not to mention the massive hassle required to achieve any sort of diversification with individual stocks. I mean, you’ve got to be really anal about investment related taxes to complain that a 5 basis point total stock index fund is so tax-inefficient that you’re going to try to run your own mutual fund instead. If you want to make the book shorter, this is the chapter to skip. Or you can side with Demuth in this argument (What!? Reasonable people can disagree on the best way to invest?) I won’t think any less of you.

Chapter six is all about estate taxes. It is short, but well done. The perfect length for the topic.

Overall, this is a very important book, and Demuth is right that it wasn’t available before he wrote it. I highly encourage you to not only pick up a copy, but to read it! I’ll certainly be referring to it as I plod my way along toward completing my own book on tax reduction for physicians.

How To Think About Money
This is another excellent book that I sent a few tweets out about earlier this summer when I read it. Both of these books are so good I feel terrible about lumping them both into one blog post, but such is life. You know a book is good when Bill Bernstein writes the foreword, and the latest from WSJ columnist Jonathan Clements doesn’t disappoint. In fact, How To Think About Money might be the best financial book I’ve read in the last 5 years, certainly for me now with where I am at in my financial life. I confess right now that Jonathan Clements can do no wrong in my eyes. Even if I found out he was a cattle rustler on the side I would still think the world of him. In this book, he gives us the “big picture.” He helps you to get your mindset right about your money- to use it to make your life and those of others better and happier, but also keeping it in its appropriate place.

I was delighted to read the foreword where Bernstein mentioned me briefly, and in the middle of one of the most important paragraphs in the book:

Academics tout the idea of so-called consumption smoothing: borrowing heavily when you’re young then paying off those debts when you’re old, so as to maintain a constant standard of living throughout your life. This is a really, really dumb idea, since it ignores habituation: Get used to the Beemer and business class when you’re young, and by the time you’re middle-aged you’ll need a Bentley and private jet. My medical colleague and fellow financial author Jim Dahle advises newly established doctors to continue “living like a resident” for several more years after starting practice. That’s good advice for just about everyone else too.

Who doesn’t like a book they’re mentioned in? Clements
introduces (and sums up) the book in this way:

There are those who think the goal of investing is to beat the market and amass as much wealth as possible, that street smarts and hard work ensure investment success, and that the road to happiness is paved with more of everything. And then there are those who get it. I realize that sounds horribly arrogant. But in truth, those words are born of the humble realization that very few of us will beat the market, that saving diligently is the key to amassing wealth, that money buys limited happiness and that much of the time we are our own worst enemy.

Chapter one is all about how to buy happiness. I cannot recommend it more highly. Well worth the price of admission. I just want to quote page after page here, but here are a few nuggets:

Money can buy happiness, but not nearly as much as we imagine.

We place too high a value on possessions and not enough on experiences.

Spending money on others can deliver greater happiness than spending it on ourselves.

We’re often happier when we have less choice, not more.

Working hard toward our goals can bring great pleasure—but achieving our goals is often a letdown.

Raising children isn’t nearly as life-enhancing as many parents claim.

Satisfaction through life appears to be U-shaped, with reported happiness falling through our 20s and 30s, hitting bottom in our 40s and bouncing back from there.
Other insights are less surprising: Those who are married, or who are surrounded by friends and family, tend to be happier. Ditto for the self-employed and those who exercise regularly. We also get a lot of pleasure from helping others. Meanwhile, commuting, ill health, unemployment, and financial problems can bring unhappiness.

We all have different happiness “set points” that are genetically determined. This set point might account for 50 percent of an individual’s happiness level. Circumstances—our age, income, whether we’re divorced—might determine another 10 percent. What about the remaining 40 percent? That’s up to us. We can influence our level of happiness by how we choose to lead our life.

I’ve got 5 times as much as is in those quotes that deserves to be cited in this review, just from chapter one. That’s how good it is.

Chapter two, Bet On A Long Life, talks about how we are likely to live a long time and the financial implications of that. He points out that the retirement age needs to climb and that this will be driven by lower investment returns, rising inflation, cuts in Social Security, or some combination of these and other factors that put financial pressure on older Americans and prods them to stay in the workforce longer. I love his advice to college students:

When I talk to college students, I don’t tell them to follow their dreams. Instead, I tell them to focus on making and saving money. I even suggest that they might deliberately opt for a less interesting but higher paying job, so they can sock away serious sums of money. All this might sound deadly dull and horribly reactionary. Aren’t those in their 20s meant to pursue their passions, before they become burdened by the demands of raising a family and making the monthly
mortgage payment? Underpinning this is an implicit—but rarely examined—assumption: that pursuing our passions is somehow more important in our 20s than in our 50s. I think this is nonsense. In fact, I think just the opposite is true.

Clements points out that

There is a reason the world’s gardens are full of benches that nobody ever sits on. As distant relatives of our hunter-gatherer ancestors, we aren’t built for leisure or built to relax. Rather we are built to strive. We are often happiest when we are engaged in activities that we think are important, we are passionate about, we find challenging, and we think we are good at.

At this point in the book, I asked myself, “Self, why are you such a terrible writer? Why can’t you write like Clements?” Darn that guy. I’m so jealous of his talent. If I had written a book as good as this one, I would consider my life’s work complete.

Chapter three is all about behavioral finance and teaches you how to rewire your brain for financial success.

There are all kinds of rational reasons to be a good saver: By socking away money early and often, we can avoid a lifetime of financial anxiety, enjoy decades of investment compounding, buy ourselves the financial freedom to pursue our passions and ensure a comfortable retirement. Meanwhile, as we learned in chapter 1, spending less today isn’t any great sacrifice, because much of our spending delivers little happiness.

Appeals to rationality, however, are no match for our lack of self-control and our instinct to consume as much as possible today. What to do? Consider a two-part strategy. First, we
should make it possible to save by keeping our fixed costs as low as possible. We’re talking here about recurring expenses such as mortgage or rent, car payments, groceries, utilities and insurance premiums. In particular, we should focus on the sum we devote to housing and cars….Second, we should make saving as painless as possible [by automating investing.]

He also mentions a truism that I have found (and preach often – “Grow into your income as slowly as you can”) and that Bernstein mentions in the foreword:

By being frugal early in our adult life, we will enjoy the pleasure of a gradually rising standard of living. If we start out in economy, but eventually we can afford to fly first class, sitting at the front of the plane will seem like a treat. What if we start out in first class? It won’t seem all that special–and, when our skimpy retirement nest egg forces us to the back of the plane, sitting in the cheap seats will seem especially grim.

So true, and it reminds me of this awesome bit by Louis CK (profanity and crudeness warning) about flying on a plane.

Chapter four is about “thinking big” and what he means by this is to use your paycheck to bring financial order to your life.

Amassing enough for a comfortable retirement is our life’s greatest financial task: During our working years, we need to take the income from our human capital and use it to amass a heaping pile of financial capital so that one day we can live without the income from our human capital. To achieve this goal, we might need to save 10 to 15 percent of our pretax income every year for 30 or 40 years. Yet retirement often gets short shrift, in large part because we are so focused on immediate goals and so bad at planning for the distant future.
Clements says that he would like the distinction between working and retirement to get a whole lot murkier and that retirement should be redefined as an opportunity to take on new challenges without worrying about whether those challenges come with a paycheck. Now where have I read that before? He also talks about the appropriate use of debt— a reasonable mortgage is okay, a reasonable amount of student loans is okay if they increase our earning potential, but have all your debt paid off by the time you retire. I agree.

Chapter five is all about not losing your wealth, not only quickly (through financial catastrophe) but slowly through investment costs and taxes, and I would add, inflation. He talks about focusing less on the odds of success or failure, and more on the consequences. I agree.

Maybe we can get through life successfully with no health or disability insurance. Maybe we will be okay with a handful of hot stocks or a few heavily mortgaged rental properties. Maybe we will win again and again at Russian roulette. But all it takes is one loss, and our happy financial future will die a quick death.

So true, and we all know someone who has fallen prey to that.

This post is far too long, now that I’ve tried to give you a taste of not just one, but two awesome books. Do yourself a favor. Buy them both and actually read them. You’ll be healthier, wealthier, and wiser for doing so.

**Buy The OverTaxed Investor Today!**

**Buy How To Think About Money Today!**

What do you think? Have you read either book? What did you like and dislike about them? What do you do to limit your investment taxes? What have you done to improve the ways you think about money? Do you focus on happiness when spending?
Welcome to Continuing Financial Education (CFE) week here at The White Coat Investor. This week seems like a wonderful time to focus on continuing financial literacy. Many of us will have a little extra time to read while traveling for the holidays, and New Years resolutions will soon be coming up. In addition, many people start purchasing gifts on Amazon about this time of year, so you might as well pick yourself up a book while you’re at it.

After your initial financial education (typically done the last year of residency and the first year or two out) of reading a handful of good financial books, blog posts, and internet forums, I recommend you read one good financial book per year (in addition to continuing to follow the blog for
This week I’ll be reviewing seven financial books on the site. I’ve actually gotten really far behind on book reviews this year. The problem with reviewing a book on a popular blog is that every time you do it, you get sent five more books by authors hoping you will review their book! Then you check what you actually earned from people buying the book through the links in your post and discover that you did all that work for a grand total of $4.73 and you realize this is not a profitable way to run an online business. (Unless readers also decide to buy a big screen TV while picking up the book.) So, while I like reading books, and I like doing book reviews, I’ve got to limit how many I do or else I’ll never have a chance to read anything but financial books, I’ll never write anything but book reviews, and the site will never generate much profit! But I think it’s something useful to do from time to time, and this week you’re going to get a big dose of reviews of some fantastic recently published books.

The books this week were selected from books I’ve been sent over the last year or books that I actually purchased from my own interest. I chose them because I thought they were books that readers would enjoy and learn from. So the fact that I’m reviewing them at all is an endorsement, no matter what negatives I might mention!

The Doctor’s Handbook
Today we’re going to review two physician-specific financial books written by physicians. The first is *The Doctor’s Handbook*, by Tennessee neurosurgeon Gregory Corradino, MD, MBA. The MD came a long time ago, as he had been practicing for 25 years when he wrote the book in 2015. The MBA came just a few years ago, in 2012. He now runs a physician coaching business called *Success Strategies for Physicians*, although if the book is an ad for the business, it’s a pretty soft sell as you have to get to the last page before you learn about it.

The first thing you notice about the book is that it is really thin. For better or for worse, you won’t spend much time reading this one. I count 60 pages, not counting the two page introduction, but the book is relatively small, is double-spaced, and there is plenty of white space in there. So, while I think calling something quite so short (I mean, some of my blog posts on whole life insurance are longer than this book) a “handbook” is a little odd, that doesn’t mean what is in there isn’t good, high-yield stuff.

The first chapter is a tale of two doctors, one who didn’t pay much attention to building a business and a career and one who did. Obviously, the one who did came out ahead and the message is that you want to be that doctor. Each chapter ends with “action steps” and this chapter’s action step is “there is more to success than practicing medicine.”

In chapter three, he discusses the importance of having an overall strategic plan for your career. I like his discussion of his own mistakes- picking the wrong practice for him not just once, but twice when he came out of residency. Those job changes were complicated by the fact that he purchased a house right away. He also says,
“In addition to business planning, personal strategic planning can and should encompass personal finances such as debt management, savings, high dollar purchases (house, cars) and investment strategies….That’s not something many doctors are particularly adept at, hence the reputation that many physicians enjoy of being poor financial planners….Due to doctors’ reputation of high earnings and lack of financial forethought, we make easy targets for unscrupulous advisors….Developing more than a basic understanding of investing and financial management should be a priority for all physicians, but generally it is not, and that is a recipe for disaster.”

Chapter three also includes a valuable list of steps to go through to achieve your business and personal goals. It reads like something out of an MBA class, and I suspect that is where it came from, but there is too little of that in medicine and medical training. Going through this process once in your life will more than make up for the price of entrance to this book. Basically, it helps you align your time and your money with your values.

In chapter five, he discusses why many physicians are so terrible at networking, social events, public speaking and negotiating and what can be done to improve these “soft skills.”

In chapter seven, he talks about surrounding yourself with
winners, including partners, advisors, and a “mastermind” group. I’ve always thought the mastermind concept was kind of dorky, until I realized that is exactly what is going on over on the forum or in the comments section of this blog. In Corradino’s words, “this is a group of people that meet with the intention of helping each other achieve goals. More than simply a group meeting, a mastermind combines brainstorming, accountability, and support.” In our busy, fast-paced internet era, this works a heck of a lot better online than in person.

The book ends strongly with some great ideas about how to market your practice in the internet age, including a website, blogging, social media and even a book.

Overall, the book is a super quick read, but filled with a few very useful pearls.

**The Business Side of Medicine**

The second book I would like to review today is one I’ve been sitting on for close to a year. So apologies to Tom Harbin, MD, MBA, an Atlanta ophthalmologist, for that. It’s called *The Business Side of Medicine*. It’s not quite as interesting as Tom’s other book, *Waking Up Blind: Lawsuits Over Eye Surgery*, which details all the gory details of how a doctor went bad, and then got away with it for far too long, but is much more relevant for this site. Dr. Harbin, like Dr. Corradino, went back for an MBA after practicing for 15 years, and so much of what is found in the book reads like MBA-style coursework. That’s not a bad thing, and in fact I think is a very good thing for most physician readers.

The book is co-marketed with Student Doctor Network, whose forums I’ve been on since med school and whose *finance forum*
we co-sponsor. It is “standard” size, 177 pages and double-spaced. It is divided into five parts—getting started, learning business, early career, mid career, and late career. It is relatively light compared to my writing on personal finance and investing topics and relatively heavy on practice management topics, making it an excellent companion to my book. Most importantly, he gets it right. There is precious little in this book that I could argue with, and it deserves much more attention than it has received so far. Let’s read a few excerpts:

“My central thesis is this: there is a business side of medicine, and indeed all the professions, the knowledge of which makes you a better doctor or academic. When you begin a practice or build a research program, you become the CEO of a small business. The CEO knowledge that you were never taught makes for better productivity, better patient flow and satisfaction, happier staff and family, and a more stress-free doctor….This material is just as important as medical knowledge and should be taught at some point during professional training. It’s ignored during our training, in part because medical school leaders themselves have no clue…”

The book is filled with lots of practical tips, gems, and pearls, including how to get a job:

“Don’t necessarily be deterred by a lack of a job listing in a given area. If you have decided on a specific city and don’t see opportunities, knock on doors. Call a doctor in each group in that city.”

How to buy into a practice:

“If you pay an upfront amount, you take all the risk of patient retention and you have to pay with after tax dollars that you borrow from the bank. If you pay a percentage of income for a few years, the retiring doctor takes the risk
that you turn off the patients and he gets less. Moreover, you are paying with pre-tax dollars.”

Why non-compete agreements are not all bad:
“From the point of view of a group that wants to protect the enterprise it has built over time, a non-compete is essential. In our group, you either sign one or we find someone else.”

On living like a resident:
“You might think now is the time to buy all those things you’ve wanted: a new car, a big house, a boat…Yes, you’ve sacrificed and you’re almost there, but hold on—at least for a little while. Most young physicians have debts to pay…and you won’t net as much income as you thought when you looked at that contract.”

On financial advisors:
“You may want the help of a professional, but here you have to be careful. They all want to sell you something. Along the way they may give you good advice, but they are not attracted to you because of your personality or character. They’re in the business of extracting fees for their services and you’re no exception.”

How to write a letter to a referring physician:
“Get to the diagnosis and treatment plan quickly….think about how to make the letter easy for the reader and after a while, it will be second nature.”

How (and if) to run a meeting:
“Meet only when the personal presence of several people is essential to the meeting’s objectives. If the meeting can be reduced to a handout and no decisions need to be made, send that out and cancel the meeting….You’ll be amazed at the gratitude you engender simply by ending a meeting on time consistently.”

The final sections give excellent practical advice to those in early, mid, and late careers. At least I think so, as I can really only relate to the first two sections. But I have great confidence in Dr. Harbin after reading the rest of the book that he got it right for the late career folks too.

Overall, either or both of these books is an excellent choice for your continuing financial education book this year.

Buy **The Doctor’s Handbook: Four Foundations for Success** today!

Buy **The Business Side of Medicine: What Medical Schools Don’t Teach You** today!

What do you think? Have you read either book? What did you like or dislike? Why do you think it is important for physicians and other high-income professionals to learn business principles? Comment below!

---

**The Other Guys- A Review of Physician Financial Blogs**
I have been blogging here at the White Coat Investor since May 2011, 5 1/2 years ago. Before I started writing and especially since, there have always been a number of other blogs out there on similar subjects aimed at the same audience (doctors and other high income professionals.) I put a few out of business. A few others started their blog, then discovered mine and quit when they realized what they were trying to do had already been done. Others quit because it is a lot of work, often doesn’t pay well, and they are busy doing something else that pays well. But in the last year or so, a fair number of people have started blogs and don’t seem likely to quit any time soon. Frankly, a lot of that has to do with the fact that I actually publish what I make doing this every year, and the last couple of years I have actually made quite a bit of money. People have realized that if you put in some hard work, write some good content, and provide a little bit (or maybe a lot) of value to lots of people, that you can eventually make a doctor-like income doing it, even if it isn’t really passive income. “Since the barriers to entry are low,” they say, “why not give it a try?”

Some have realized that it isn’t quite as easy as I apparently make it look. Others have been able to take a few shortcuts by adopting the business model I worked out over several years, writing for the same publications/sites that I do, and approaching those who advertise with me. Readership, of course, takes time to build and there isn’t a lot of income in
blogging when you don’t have much readership. I’m not surprised that most of them decided, like I did, that they didn’t want to write for free and that doctors are too cheap to buy a subscription to the site/newsletter. Some are more polished writers than others, but all seem to be making an important contribution to the physician financial blogosphere.

Apple batteries, Verizon coverage, and a personal hotspot - I take more working vacations than anyone I know.

Most are surprised at the amount of encouragement I give them when they approach me. I have learned over time that blogging is far more collaborative than competitive. Sure, there might be a limited number of advertisers and every affiliate sale they get is one I don’t, but the truth is I am turning down two out of three advertisers who approach me because I am uncomfortable endorsing them. At least half of those I approve decide not to follow through anyway once they learn the price. That’s fine, almost everyone I have renews anyway. Besides, we can very comfortably live on half of what this site makes and I still have that side job seeing patients in the ED, rapidly diminishing debt, and a rapidly growing net worth. Some competition for advertisers isn’t going to affect us
personally very much. One of the more interesting experiences I had with this was a blogger who emailed me asking about a potential advertiser (that I had turned down.) He said he wasn’t sure what to do since this was his first advertiser that wasn’t advertising with me first!

The real reason I encourage other bloggers is because it enhances my mission- “To Help Those Who Wear The White Coat Get A Fair Shake on Wall Street.” The more they do to encourage and increase physician financial literacy, the less I have to do and the faster it occurs. If they get a nice side income while doing it, all the better. I encourage doctors to pursue their entrepreneurial interests, even if their business ends up looking very similar to mine. In my experience, blog readers will read as much high-quality content as can be created anyway. Without further ado, let’s do a brief survey of the physician (and other high-income professional) financial blogosphere. I hope you find some gems that you did not know about before.

**Physician On FIRE**

POF is still trying to maintain a bit of anonymity, although I don’t know how long that will last. He is an anesthesiologist who self-describes as a “family man” about my age who became Financially Independent by age 39. It didn’t do him any good, of course, since he’s still practicing medicine (maybe not for
much longer though)) and now has picked up a second job as a blogger. He started in January 2016, but has been very active with his posts, on the WCI forum, in the comments section on this site and most of the others on this list, and on social media. He featured a post about me here. His focus is primarily on FIRE- Financial Independence and Retire Early. He writes, “What sets my site apart? I started from the standpoint of financial independence. I don’t need additional dollars to live our current lifestyle, and my site has a charitable mission to donate half its revenue.” Some of his better posts include:

Guide to Retiring at 45

Money Used to Buy Me Stuff. Now It Buys Time.

Top 5 Reasons I Chose Not To Retire at 39

Dr. Wise Money

This blog is written by a radiology resident and a single mother who also seems to be trying to maintain some of her anonymity (definitely a good idea for a doc still in training in my opinion.) She started emailing me back in January 2014 and has been blogging for over a year under various names including Debt Free Doc. She sent me a guest post about hitting a net worth of $0 as an intern. She had paid off her student loans by her PGY2 year. Her writing is not terribly polished, but where she really excels is in the personal finance and extreme frugality areas. For example, I tell people to live like a resident for a few years. Meanwhile she is paying off student loans, maxing out 401(k)s and Roth IRAs, and buying investment properties as a resident. In other words, she isn’t even living like a resident as a resident. To say that she will eventually be very wealthy is a dramatic understatement. She has already written five books, including Debt Free Doctor. I am honestly amazed at her industry and work ethic. I guess that’s what happens when you don’t waste
weeks at a time in slot canyons. She always has lots of nice things to say about me like “mentor,” “hero,” and “godfather of physician finance.” Here are some of her better posts:

**8 Ways To Reduce The Doctors Price Tag**

**10 Weapons to Terminate Your Student Loans**

**All the Right Plastics in All the Right Places**

**Future Proof MD**

This one was originally called White Coat Money, until I pointed out to him (and Dr. Wise Money who also briefly had a name with “White Coat” in it) what my trademark attorney thought about that. (Please don’t start a physician financial blog with the words “White Coat” in it. Attorneys are expensive and White Coat Investor is a valuable registered trademark I intend to defend.) He is also a radiology resident. He does regular posts about his net worth (it’s still negative like most residents but is a great case study), various deals he finds, and a random assortment of other financial topics. He writes that as a resident “there are many who can share in my experience. In addition, my focus is on providing succinct digestible tips that can be consumed in a very short period of time – think of my posts as flash cards for personal finance.” Here is a sampling of his posts.

**Net Worth Update**

**Chinese Grandma Versus American Grandma**

**Why I Don’t Bet Against Warren Buffett**
Miles Dividend MD

This one is written by an electrophysiologist who loves to travel. The main focus is on hacking credit cards and getting travel associated deals. He also focuses a lot on early retirement. Actually, I don’t really know what he is focusing on these days. Despite starting with a bang in September 2013, he hasn’t published a post since November 2015. Lots of good stuff in there between those two dates though. He is nice enough to call my site the “The Best Financial Site for Doctors. Bar None.” Here is a sampling of posts:

Birds Eye View

Warning: This Post May Change Your Life

Everything You Need to Know to Manufacture Spending

Wealthy Doc

I’m told this one began in 2007, although I can’t seem to find blog posts older than the last couple of months, probably just an issue with site structure. Like POF and unlike me (because we spend too much) he is already financially independent. Blog posts tend to be pretty short, so he’s easy to follow. He did a nice review of my book here.

Ten Simple Rules of Personal Finance

Are you Financially Literate

Could You Retire Right Now?

Passive Income, MD

This one is a lot of fun too. Written by an anesthesiologist
in an “expensive West coast city” who is looking to uncouple his income from his work. The blog is about 4 months old but there is already some good stuff on it. The focus is on passive income, although he readily admits the blog isn’t so passive! One of the most fun aspects is his quarterly passive income report. He’s featured me too.

**Making Passive Income as Dr. Mom**

**The 5 Most Important Lessons I Give To My Residents**

**5 Key Characteristics of Physicians Ready for Retirement**

**I Am 1%**

This one isn’t written by a doc, but it is written by a high income professional and it’s been around for quite a while. He only posts once or twice a month, and I haven’t seen a net worth update any time recently, but there’s still plenty of good stuff over there.

**5 Things That Can Make Your Taxes More Complicated**

**How to Negotiate a Raise With Your Boss**

**Does Your Personality Match Your Career?**
The Financial Pharmacist

This one is also written by a WCI reader, Tim Ulbrich, a real life pharmacist, who decided to give professional financial blogging a whirl. I think it’s about a year old now and seems to be successful.

My Journey Paying Off $200K in Student Loans

5 Lessons My Swagger Wagon Taught Me

Why Every Pharmacist Should Be A Multimillionaire

Senior Resident

Written by Walter Nguyen, a radiologist, this blog puts out three posts a week. Only the Friday posts are about finances, but he’s been going long enough there are quite a few of those.

Actively Managed Funds (Gambling)

TIPS and REITs

Financial Advisors

The Happy Philosopher

This one is written by a physician and a WCI reader who considers it a guide to freedom and happiness. I think it is about a year old. He writes “I don’t write specifically about money and finance, nor is it specific towards physicians right now, but I am starting to write more physician specific material. As you know I’m a big advocate for creating financial independence as a means towards freedom. Money, depression, burnout, suicide: they are all intertwined in
strange ways and on the blog I hope to explore these. There are tons of blogs on the nuts and bolts of finance, but fewer that delve into the psychological aspects and ‘softer side’.

**Happy Philosopher: The Backstory**

**How Understanding The Marginal Value of Money Will Make You Happier**

**A Physician’s Guide to Working Part-Time**

**Debt Freedom Journey**

This one is written by a veterinarian about his journey to become debt free. He graduated in 2015 with $205K in debt and a salary of $69K and then just as he was about to lease a new car, he read a Dave Ramsey book. He hasn’t blogged in months as near as I can tell, but hey, it was unique in that it was a veterinarian financial blog.

**8 Money Habits of the Wealthy**

**InvestingDoc**

This one is written by a brand new attending. He seems to be slowing down already, as I only see about one post a month the last few months. I guess that blogging stuff is hard work. There’s some good stuff there though that’s probably worth a few of your valuable minutes.

**How I Spent My Emergency Fund**

**Should You Pay Off Debt Or Save?**

**My Retirement Mistake in Residency**
**Med School Financial**

This one, despite the name, is written by an attending and is a little over a year old. Posting frequency varies from a whole bunch to once a month at times.

- **Before You Buy A Home Or Sign A Lease**
- **Education Debt and the Role of 529 Plans**
- **Avoid These Investment Mistakes**

**Smart Money MD**

This one is about a year and a half old and is subtitled “Financial and Lifestyle Principles for the Busy Professional.” If you think my posts are too long, you’ll appreciate the brevity. Check these out:

- **How to Make a Doctor’s Salary and Still Feel Poor**
- **The Real Cost of Owning A Swimming Pool**
- **How to Become a Rich Doctor- Ride the Wave**

---

[CommonBond Ad] Refinance today and get a $500 cash bonus! Find my rate

*Terms and conditions apply*
Son of a Doctor

This one is written by the Pearces- he’s an attorney and an investment advisor who writes most of the posts and she’s an MFM doc who writes occasionally. It’s a nice combination and it’s about 6 months old. Richard even says nice things about me. Here’s a sampling:

5 Things You Need to Know About MLPs, REITs, and BDCs
How Investment Fees Destroy Wealth
Physician Wellness- Parent Win

Wealth Formula

This one is written by physician and entrepreneur Buck Joffrey. It’s mostly podcasts, but there is a short blog with a few posts. He leans more toward the Robert Kiyosaki school of thought than the Bogleheads one so a lot of the topics slant more toward real estate and entrepreneurship rather than tax efficiency and correlations. He emailed me saying, “We have the same mission, but our perspective could not be more different.” I disagree. I have no idea why I get lumped in as being anti-entrepreneurship when I have a going entrepreneurial concern that makes more than my physician practice or as being anti-real estate when I’ve owned real estate in many forms over the years, still own portions of multiple properties, and plan to increase my real estate holdings in the future. He just had me on his podcast last week. At any rate, I wish Buck success just as much as all the other bloggers on this list and hope he keeps it up. Here’s some good stuff:

Market Orders vs Limit Orders
The Concept of Scalability
What Is The Foreign Exchange Market?

I’m positive I’ve forgotten somebody out there, so I’ll apologize in advance. But I think this gives you a sampling of all the great resources now available for doctors. I hope you find something useful for you out there and hope to provide a little encouragement and support to these bloggers to help us fulfill our mission to Help Those Who Wear The White Coat Get A Fair Shake On Wall Street.

What do you think? Which of these blogs do you enjoy? Have I forgotten any I should have included? Why do you think so many of these have popped up in the last year? Comment below!


Now available in print, e-book, and audiobook!
Almost three years ago I self-published *The White Coat Investor: A Doctor’s Guide to Personal Finance and Investing*. I knew it was the best book in its niche (physician-specific financial information) when I wrote it because I had read all the other ones and stole all the good stuff. But it got even better after I got you, my loyal readers, involved. The initial draft, read by perhaps twenty of you, was 30% shorter, less polished, and not nearly as good as the final version that eventually came out after incorporating your feedback. In many ways, it is a crowdsourced book written by the early readers of this blog.

Since its publication, it has remained in the top five in its categories and in fact is currently one of the top 5,000 books ever sold by Amazon. It has nearly 550 reviews on Amazon and still sells about 1,000 copies per month. To say its success exceeded my expectations and is far beyond my wildest dreams is a dramatic understatement. Much of that success, I owe to you, the readers, and your sharing of its core message with your peers, colleagues, and loved ones. Dozens of you have bought it in bulk for your residency and even entire classes of medical students. (Bulk rate is $15.99 a book, including shipping and handling, for at least 25 copies. Email katie@whitecoatinvestor.com to order.)

You have asked me to put it in the *iBooks* store, and I have done so. You have also asked me to make it available as an
audiobook, and after a few months of work, the audio version is now available on Audible. In fact, due to the odd way Audible prices books, it is actually cheaper to get the audio version than the print version ($14.95 vs ~ $20.) In fact, if you read the Amazon listing carefully, you can get the audible version for $2 if you buy the Kindle version for $10. So for those of you who listen to books on your commute, on road trips, or while exercising, here is your chance to finally get to the best-selling The White Coat Investor: A Doctor’s Guide to Personal Finance and Investing.

No, I didn’t narrate it myself. The narration is by Troy Hudson, who was picked by WCI staff from dozens of producers. I did the first and last section myself, which will help you to understand why I had Troy do the rest!

In celebration of this event, I thought it would be fun to do a couple of things. First, we’re going to give away five free audiobook copies over the next 48 hours. In order to enter the drawing, simply add a comment to this post with your correct email address (if you read by email, don’t reply to the email, you need to actually click on the title of this email in the post and come to the website.) In a couple of days we’ll hold a random drawing and send the winners their download code. However, there are two rules you have to follow if you win-the first is you actually have to listen to the book and the second is that you have to leave a review on Audible. It doesn’t have to be a good review, although I would obviously appreciate it if you left a nice five star one, but leave us something. [Update 11/11/16- The drawing is now over. If you didn’t win, you can always buy on Audible!]

Second, I thought it would be fun to pull some of the “best of” from the 545 reviews of the book on Amazon. Let’s begin with some of the bad reviews, although there aren’t very many to pick from. Only 1% are 1 star reviews and only 4% are 3 star or worse.
The Poor Reviews

My favorite poor reviews are the ones that say, “The book is pretty good, but the blog is way better.” Can’t beat that. But here are a few others:

This book is a ripoff of the Bogleheads and claiming that financial advice is something special/different because it is for doctors. What a schtick. I suggest you read the Bogleheads forum and the Bogleheads Guide to Investing unless you want your financial advice from a charlatan doctor that claims to be a financial guru. His writing style comes off as patronizing typical of the know it all type of doctor.

Darn know it all doctors.

Awful. Written for morons and nothing to add to basic financial planning advice. I would return it if I could. And that is one reason to not buy Kindle again...

I particularly enjoyed the fact that this reviewer apparently was not aware of how easy it is to return Kindle books.

Amazingly awful financial planning advice from someone who has stated that they have little formal financial training. His return from his portfolio would get him fired from any investment bank and sued by his clients for malpractice.
I have a feeling this reviewer sells either loaded mutual funds or whole life insurance.

Hats down to Dr. Dahle for saving so much money. The book was written actually to improve his wealth by educating himself and making money on sale. There is actually nothing magical or even anything new presented in a new way.

I guess on my next book I’ll put a banner on the front that says, “No Magic Inside!”

The Good Reviews

It was really tough to pick from these as there were so many kind ones.

From Alexi Zemsky:

In between emergency room shifts, and pumping out blog posts, Dahle has written a concise and readable treatise on financial planning for the physician. The results are an original, and well-documented blueprint for how to achieve wealth as a doctor. But very little of this information is specific to doctors. His advice is perfect for other high-income earners, like lawyers, engineers, etc. but it is also very useful to lower income earners. For at it’s core sound financial advice is all the same: spend less, save more, invest wisely (ie passively,) avoid taxes, and insure against disaster. Here then are five concepts from the book that taught me something cool….

From Paul Butts:

In short, if you were an investment banker prior to getting into medicine and already have hundreds of thousands in investments, this book really isn’t for you. If you’re like
most of the docs I know, though, and clueless about what to do once you finally start earning an attending’s salary, this book is for you. It covers the basics solidly and has plenty of references at the end of each chapter for further information on the topics covered. I cannot recommend it enough.

From Ken:

I’m a personal finance junkie and recently discovered the White Coat Investor online. I don’t impress easily, and count myself a devotee of Warren Buffet and John Bogle. Now add Dr. Dahle to the list. This book is one of the best personal finance books you can read anywhere. You don’t have to be a health professional despite the title, although you’ll get more out of it if you’re a non-MD who makes 6-figures or has a high net worth. He’s easy to read, follow and understand. He pulls no punches. I really enjoy his approach to life, finances and family. Count me a huge fan. A must add to any personal finance collection. Bravo.

From Joseph Craft:

This is a fantastic book. While some of the information I have learned before, I have never seen it presented so succinctly and memorably. Probably more important, Dr. Dahle simply gets it. As a mission-driven professional, he knows intuitively all the unique financial challenges, concerns and opportunities that come with the life of a doctor. I will need pointers from it again, and it is well organized to facilitate topical reference. This is the best financial advice book I have ever read. I highly recommend it.

A more recent one from Sheflys3:
I now feel that I can make good decisions with my money for the future—I felt completely lost about everything prior to reading this book. I had been aware of the website and even gone to it a few times since I’m finally starting my career after finishing training, but this helped make much more sense of all of the concepts. Retirement doesn’t seem like such a black box anymore, and I now have an idea of how to prioritize my financial commitments. Just wish I had read it in Med School to have planned even better.

If you’re still not convinced from those reviews, consider reading my own review of the book, or better yet, the first two pages, entitled, “Why You Should Read This Book.”

Then enter the drawing by leaving a comment below. If you don’t win, or if you’re reading this after the initial contest is over, you can still buy it for the low, low price of $14.95. Not bad for what may turn out to be worth hundreds of thousand to you. [Update 11/11/16- The drawing is now over. If you didn’t win, you can always buy on Audible!]

Buy The White Coat Investor on Audible Today!

Fee-Only Insurance Advisors
Chuck Hinners recently sent me a free review copy of his short book, *Insider Trading in the Life Insurance Market*, subtitled “A Smart Buyer’s Guide.” The book was quite good (I’ll have a few criticisms later as usual) but more important than a book review, the book reminded me of a concept I had vaguely heard of in the past, but really had never learned a lot about or written about. That is the concept of a Fee-Only Insurance Advisor. This is not the same thing as an insurance agent. In fact, those few people who do this work don’t actually sell life insurance. They simply advise on the subject.

I’m sure there are a few fee-only advisors who would consider themselves sufficiently smart about insurance that they could do this work for the vast majority of docs, but as long-term readers know, I’ve been both underwhelmed by the average competency of advisors, (including fee-only advisors but especially commissioned insurance and mutual fund salesmen masquerading as advisors) and disheartened by the price at which this advice is usually offered. There are a handful of people out there who are fee-only advisors where all they advise on are insurance related topics. Of those I’ve found, I’ve been impressed by their credentials. Many of them sold insurance for years. Some were attorneys or accountants. Often they’ve acquired the highest credentials available in their fields including CFP, CLU, and ChFC. They typically have years of experience.
Why would you see a fee-only insurance advisor? For the same reason you’d see a fee-only advisor about your investments. The guy selling you the insurance cannot give you completely unbiased advice about how much insurance you need, what type of insurance you need, which company to go to for that insurance, how to get rid of a policy, when to replace a policy etc. But a fee-only advisor can. When you need to actually purchase insurance, he can then send you to a solid agent knowing exactly what you need to buy. Most importantly, he can make sure your policy is a “minimal commission” policy. More on that later.

Does Everyone Need One?

Now, before you run out to find a fee-only insurance advisor, the truth is that most doctors don’t need one. All most doctors and other high-income professionals need when it comes to insurance is a term life insurance policy, a reasonable disability insurance policy, an umbrella policy, a health insurance policy, a malpractice policy, and the usual auto/homeowners policies. Where these fee-only insurance advisors really earn their fees is with cash-value life insurance policies, which are completely optional for almost everyone. But if you have one and you need advice about what to do with it, if you’re the type who might actually need one,
or if for some reason you want one, I would highly recommend getting and paying a fee-only advisor prior to buying the policy. I think the term life insurance market is sufficiently competitive and sufficiently straightforward that it’s fine to go without formal advice as long as you educate yourself a bit. Disability insurance policy commissions don’t vary all that much between policies. I think if you’re seeing a good independent agent who is clearly looking at policies from all of the big six companies and showing you why one is better than the others for your gender, state, specialty, and health, then I think you’re fine. I wouldn’t expect much good advice from a fee-only advisor on malpractice, umbrella, auto, homeowners, or health insurance policies either. So this is a bit of a niche field for the handful of people doing this.

**Insider Trading**

Let’s talk for a few minutes about [Insider Trading in the Life Insurance Market](#). Chuck Hinners is NOT a fee-only insurance advisor. Instead, he is an experienced (started the year before I was born), high-volume insurance agent who works with at least one fee-only advisor to place minimum-commission insurance policies. He has degrees in business and law and admits that unlike most successful insurance agents, “Frankly I sucked as a salesman, and shared many of my customers’ frustration with lack of disclosure by the insurance companies."

The book, despite being short (only 51 quick pages,) provides a general overview of the various types of life insurance. However, the main point of the book can be found in the preface-
“Fortunately…[in 1985 the] best insurance companies began designing life insurance that allowed agents to reduce both premiums and commissions. Most agents that bothered to learn the details thought it was a dumb idea since their commission income declined. These agents are generally all great sales people. They work very hard to get buyers to buy their products. They tell me that their sales process is generally confrontational and ends when either they or their customer gives up.”

Sound familiar? It does to me and many of my readers. Who hasn’t been “confronted” by a Northwestern Mutual agent to buy some whole life insurance by the time they’ve been out of residency a year or two? At any rate, I find this idea of a reduced-commission life insurance policy very interesting. Henners, and his favorite fee-only advisor who wrote the preface, Scott Witt, both claim that commissions can be reduced up to 85%. Now the main problem I have with the use of cash value life insurance is the low returns, which are frequently caused, at least in the early years, by high commissions. Eliminating that ought to help, no? So I read on.

How To Reduce Commissions

So how do you reduce the commissions on a whole life policy? You buy a “blended” whole life policy and Hinners loves them. What does blending refer to? It refers to mixing whole life with term life in order to reduce the commissions. According to Hinners there are actually three components to a Blended Whole Life (BWL) policy:

1. Whole life or base coverage, which can actually be kept quite low,
2. Term insurance or additional protection with either an increasing or level premium, and
3. Additional premiums.
The key to the whole scheme is that the commission on the additional premiums, or paid up whole life, is dramatically lower than the premium on the base coverage. The Bank On Yourself folks also take advantage of this fact by buying as much paid up coverage as policy. This gives you a lot more cash value in the policy early on. If your plan is to Bank on Yourself, that’s the money you can then borrow against to buy your car. If your plan is simply to get a better return on your cash value life insurance, it lowers your commission, gets your cash value up quicker, and ought to dramatically improve short-term returns and significantly improve your long-term returns on the policy. For example, Hinners says a typical million dollar whole life policy with a $16K a year premium could have a cash value of $55K after 5 years but a blended (minimal commission) one could have a cash value of $80,000 at that same point. The first policy would have an annualized return those first 5 years of -12.2%. The second, a return of 0%. Yes, I know it’s hard to get excited about a 5 year return of 0%, but as whole life goes, that’s actually pretty good, and it does eventually get better.

The Book Review

While we’re on the subject of Hinners’ book, let’s finish off a review of it. You know I think it’s a good book when I tell you every single thing I think is wrong with it. I disagree with enough in most books that I can’t include all the bad stuff in a review. So don’t take this section to think I didn’t like the book.

In the introduction, he says “you are better off keeping your policy because if you surrender it you must pay income tax on the cash value in excess of the premiums paid.” That told me right off the bat that his experience with cash value life insurance and its purchasers was dramatically different from mine. The majority of those I interact with who own a whole
life policy don’t have a gain at all. Surrendering or exchanging the policy for something else is often the right thing to do for these folks. Even with a gain, exchanging it into a variable annuity or even a long-term care insurance policy may be a better option. So that’s my first criticism of the book. I think Hinners should have acknowledged more clearly that the vast majority of whole life insurance sales are inappropriate and 80% are surrendered prior to death. I think it would have also been nice if he had pointed out the low returns issue on these policies and had a much more robust discussion of why buying term and investing the rest is the right answer for almost everyone. In fact, at one point he says he thinks the best way to buy life insurance is to get a Blended Whole Life policy. If you read carefully, however, you’ll see he doesn’t really mean it. For example, he later gives a list of those who should not buy a whole life policy including

1. “Buyers who do not have a permanent need” (who should buy term)
2. “Buyers who do not value cash value and are willing to take on the incremental guarantee risk associated with Guaranteed Universal Life policies” (most of those who have a need for a permanent death benefit.)

I would argue that’s almost everyone, so I had a hard time reconciling those statements.

“Vanguard” From An Insurance Agent?

I was extremely impressed to be reading along in Chapter 1 and see a reference to Vanguard. That would be the first time I’ve seen that in a book written by an insurance agent. He discusses it while talking about how he thinks mutual life insurance companies are better than publicly traded life insurance companies. I’ve always felt that way too- I mean what bad can come out of eliminating shareholders that expect
to be paid a decent return on their money? However, I have seen smart people argue that mutual companies aren’t always better than stock companies, and in fact may be worse on average.

Hinners’ discussion of whole life insurance was interesting as he pointed out that the illustration is not the product and that despite The Life Insurance Illustrations Regulation (which wasn’t even put in place until the 1990s) companies can still monkey with lots of things like projected mortality improvements, interest rate bonuses, and lapse supported pricing to make their illustration look better, even though their product actually isn’t!

**Universal Life, VUL, GUL, IUL, SLI**

Hinners dedicates five short chapters (2-4 pages) to each of these various types of life insurance.

His brief chapter on Universal Life is perhaps the most concise and explanatory review I’ve ever seen on the subject. He follows it with a good, short chapter on VUL. He has a very different opinion on the product than Larson Financial by the way, mostly because they are exempt from the Illustration Regulation but also because good investments like index funds are rarely found in them (although to be fair the ones Larson recommends do have them.)
I liked the chapter on Guaranteed Universal Life, my favorite life insurance product for those who have a need for a permanent death benefit. His chapters explains why I like it so much. A GUL policy with a million dollar benefit may have a premium of $6K a year whereas a WL policy with the same benefit may run $16K a year. It’s just the cheapest way to get a guaranteed permanent death benefit. No cash value to borrow in retirement, of course, but it’s not like whole life buyers get both- their death benefit is reduced by any cash value they’ve borrowed out of the policy. Hinners is also quite negative about indexed universal life insurance, as am I. He also has a nice chapter on survivorship life insurance and its role in estate planning.

Case Studies

The last third of the book are case studies, each of which illustrates a very costly mistake made by a very wealthy person in choosing the right permanent life insurance policy for his situation. The moral of the stories is that if you’re going to buy a permanent life insurance policy, you should see a fee-only insurance advisor first.

Annoying Habit

Hinners has an annoying habit in his writing. Four or five times in the book he refers to a company or two who is different from the others in a certain respect, but never actually names them. For example, in the VUL section he mentions there is one company that offers a commission free product, and I happen to know it is TIAA-CREF, but you’d never know it from reading the book. I’m not sure why he does that, perhaps so you come and hire him, because he doesn’t think it’s important, because he’s worried about some kind of liability, or because he thinks it might change and make his book out of date, I have no idea. But as someone who likes specifics, I found it annoying.
The Bottom Line

So, if you are in the market for permanent life insurance, I would suggest seeing a fee-only insurance advisor. A quick Google search found me 2 or 3, and I’m sure there are more out there. Reading *Insider Trading in the Life Insurance Market* would also be a good idea.

What do you think? Have your read the book? What did you think of it? Have you ever hired a fee-only insurance advisor? Who? What was your experience like? Have you ever bought a minimum-commission policy? How much lower was your commission than the industry standard (50-110% of the first year premium?) Just want to rant about the fact that you were sold a full commission policy? Comment below!