Doctor’s Eyes Only – A Review

Disclosure: I have no financial relationship with the authors of *Doctors Eyes Only* or with their financial advisory firm. But I was sent a free copy of the book.

Doctor’s Eyes Only is a 9 inch, 217 page book written by Tom Martin, Paul Larson, and Jeffrey Larson. Paul is the CEO of Larson Financial, which bills itself as the nation’s largest financial advisory firm exclusively for physicians. The firm has offices located in 11 states, including mine. The book is set up as the “Finance Course You Never Got In Med School.” My review of the book is pretty critical, but only because I hold this book to a particularly high standard since it is aimed squarely at physicians and written entirely by advisors who state they exclusively serve physicians. I really do think the positives of the book far outweigh the negatives, and it is worth your time and money. ($21.56 on Amazon right now.) In fact, I confess I learned a half dozen things I didn’t know prior to reading the book, and plan to do some posts about them in the future. One thing about reading financial and investing books is that the first few are high-yield, but the law of diminishing returns kicks in pretty fast.

Too Much Advertising

A financial advisor writing a finance/investing book faces a very serious temptation to set the book up as an extended advertisement for their services. Many well-known advisors turned authors such as Ferri, Swedroe, Bernstein, and
Schultheiss do a remarkably good job of minimizing this effect and writing for the do-it-yourself audience (the main readers of finance books). The authors of this book, however, did not resist this temptation very well. In fact, you can skip the introduction and the entire last chapter, since they’re basically just an ad for Larson Financial. Oh sure, they mention it’s possible to invest on your own, but then make it sound not only immensely time-consuming, but almost immoral to waste your time doing such things instead of practicing medicine or spending time with your family. Just about every chapter contains at least one admonition to hire Larson Financial to advise you, which gets old pretty quickly.

**The Finance Course You Never Had In Med School**

Between the introduction and the chapter about how to find a good advisor, the book follows the outline I’d follow in designing an introductory course on personal finance and investing aimed at physicians.

1. Cash Flow
2. Debt Management
3. Risk Management
4. Investing
5. Education Planning
6. Tax Management
7. Estate Planning
8. Asset Protection
9. Practice Management
10. Employee Benefit Plans

So far, so good. Unfortunately, the first 3 1/2 chapters aren’t particularly good and contain a few pieces of what I consider erroneous advice, so many readers may mistakenly stop reading before getting to the much better final 6 1/2 chapters.

**The Bad Chapters**
The Cash Flow chapter begins with the unsupported statement that a typical doctor wastes $3 Million due to bad financial decisions (I wouldn’t be surprised if that were true.) Then the authors launch into a strange discussion of the “three phases of your financial life”. The first one is the “lean years.” I think we’ve all been there. Phase 2 begins “once the high-interest debt is paid back.” I guess I skipped the lean years after all if that’s definition of leaving them. But I do agree with the authors that there is a critical stage in the first couple of years out of training where you set yourself up for failure or success based on how you handle your new found income. Phase 3 magically begins at the arbitrary net worth of $1 Million. The rest of the chapter is a good discussion of spending your money on that which will bring you the most happiness. I had a beef with one chart in the chapter, which indicates you need to save 36% of your income for 20 years in order to comfortably retire for 30 years. There was no discussion at all of the assumptions taken to arrive at those numbers, which are all important in any financial projection. I suppose the idea is that doctors can’t do that kind of math so they should hire a planner to figure it out. Showing how a physician can make a chart like that for himself would have been a much better use of the space in this chapter.

The next chapter on debt management contains a decent overview of student loans, although I was disappointed to see no mention of the IBR or PSLF programs, which I considered a pretty significant oversight. It also discusses mortgages. I was rolling on the floor reading the example where the doctor has a $450K mortgage, a $200K home equity loan, a $600K mortgage on the lake home, a $200K home equity line on the lake home, and a $250K mortgage on the Florida home. Look…if you owe $1.7 Million in mortgages, the least of your worries should be how to deduct your home equity interest. Imagine trying to service $1.7 Million on the average physician income
of $200K at the ~6% rates used in the example. The interest alone would be approaching 2/3rds of your net income! This chapter could have really benefited from a rule of thumb suggesting you don’t take out mortgages that are more than 2X your annual gross income.

The risk management chapter covers insurance basics and has a nice section on risk retention groups and captive insurance companies. Unfortunately, at the end of the book it delves into the “benefits” of using permanent life insurance as an investment vehicle. It even goes so far as to suggest that residents should buy term insurance that can later be converted to permanent insurance.

Chapter 4 is a long discussion on investing. I didn’t like a chart that seemed to equate cash value life insurance with a Roth IRA as an investing account. Nor did I think they treated pre-tax investing accounts fairly. The suggestion was that you’d pay the taxes you skipped up front later, which is probably not true for most doctors as your effective tax rate in retirement is almost surely going to be less than your marginal tax rate during your career (especially given the relatively small amounts most docs I know are actually saving). The authors didn’t seem to have a firm grasp of this concept throughout the chapter. I also didn’t like the suggestion that variable life insurance is better for doctors than a taxable investing account. At least they discussed ways to make the insurance policy less bad.

The Good Chapters

At this point in the book, I was really disappointed and not looking forward to writing this review at all. In fact, I put the thing down for a couple of weeks. When I picked it back, I was either in a much less critical mood, or more likely, the book really started to improve. The last half of the investing chapter is a great explanation of the importance of investing passively, and discusses the problems with real
estate investing, hedge funds, private equity, and physician specific investments like surgical centers and labs. The chapter even talks about the backdoor Roth IRA, which is understood far too rarely by physicians. This part of the chapter alone is probably worth the price of admission.

Chapter 5 is a short, but sweet discussion of education planning (for your children) and approaches that doctors often take toward this process. Chapter 6, on tax planning, is pretty good and offers a lot of good suggestions, but feels too much like an ad for MedTax, Larson’s tax planning arm. Even the subtitle “Stop giving the IRS 60% of your income” is kind of a scare tactic. If you’re paying 60% of your income in taxes, not only do you not do any tax planning, but you can’t even do math. Even if you included state and payroll taxes, no American physician is paying 60% of their income in taxes. I can’t even think of a way to get your marginal rate to 60%, but I suppose it could be possible due to phase-outs.

The estate planning chapter is well-done, but shouldn’t contain much new information for regular readers of this blog. Chapter 8 was one of my favorite chapters- Asset protection. There’s a great chart about which states to avoid for malpractice reasons and a discussion of the pros and cons of the common, as well as some of the not-so-common, asset protection strategies including family limited partnerships, equity-stripping, and using multiple jurisdictions. This is not a chapter you’re going to find in a typical finance or investing book.

The practice management chapter discusses hiring, firing, communication, and leadership. There is also a link to a free “bonus chapter” on contract negotiation (Unfortunately, you have to provide your personal information to Larson Financial
to receive this 2 page worksheet of questions to ask at your
employment interview). I learned the most from the chapter on
employee benefit plans. This is a wonderful discussion of
ways to structure your business to benefit you most and retain
your employees. It also talks about how you’re probably
liable to a lawsuit if the 401K you offer your employees
offers actively managed mutual funds. The chapter has a
beneficial section on using Health Reimbursement Accounts (not
a Health Savings Account) and group disability and life
insurance plans to your advantage. As mentioned earlier, the
book finishes, like most of this type, with a short chapter on
how to choose a great financial advisor (i.e. call the
authors’ firm.)

All in all, Doctor’s Eyes Only is worth your time and money.
It’s definitely not the book I would have written, but if you
can look past a few instances of what I consider bad advice
(all mentioned above), as well as numerous instances of
blatant advertising, you’re likely to learn a great deal about
issues that should matter a lot to you, all in a quick, easy
to read format. There are very few finance and investing
books out there aimed directly at physicians, and despite its
problems, this could be the best one so far.