

# How To Get Rich

This is a post I wrote some time ago on Bogleheads.org. It is pretty basic, and really isn't specifically geared toward physicians, but it certainly applies to them as well.

## How To Get Rich



### 1) Make a lot of money

- a. Get well educated AND learn a trade/job skills/a profession that pays well. It is much easier to have a high net worth when you have a high income
- b. Don't stop learning when you leave formal schooling
- c. Work hard
- d. Be willing to take reasonable risks
- e. Consider being an [owner rather than an employee](#)

### 2) [Don't spend a lot of money](#)

- a. Start saving early. Remember that every dollar you save in your twenties and thirties is 8 times as valuable as one saved

in your fifties

b. Don't be all hat and no cattle

c. Rent your lifestyle (Don't buy a boat, a time-share, a second house, a plane etc) Keep your fixed expenses low so when hard times come you can cut your lifestyle back rapidly

d. Realize that buying a house or cars that are too expensive for you will likely keep you from getting rich. The big things matter most

e. Be prudently frugal and selectively extravagant. Be sure that you are spending your money on the things you value most



f. If you can't afford to pay cash for it, you can't afford it. The only exception is a house (because it will generally appreciate at just over the rate of inflation), where the rule is if you can't afford to put 20% down and use a 15 year fixed mortgage you can't afford it

g. Marry well, marry once, marry someone who shares the same thoughts, or with whom you can work out an acceptable compromise beforehand, on "The Big Four" (Money, Religion, Kids, and Sex) and [STAY MARRIED](#)

h. [Credit cards](#) aren't for credit; if you have paid interest at a higher rate than 3% or paid a late or over-the-limit fee more than once you shouldn't use a credit card

### **3) Make your money work as hard as you do**

a. Read at least one good basic personal finance book, one good investing book, and one good behavioral finance book. Consider *Personal Finance for Dummies*, *The Boglehead's Guide to Investing*, and *Why Smart People Make Big Money Mistakes and How to Avoid Them*.

b. Get the market return; use fixed asset-allocation, index mutual fund investing as your default strategy

c. Minimize taxes. Know the basics of the tax code, max out tax-advantaged savings accounts, and use them to your advantage

d. Keep investing expenses low

e. Understand basic financial calculations and lingo. Understand compound interest, the time value of money, financial risk, and the expected rate of return of various financial assets. Know how to use the excel functions-FV, XIRR, PMT, PPMT etc

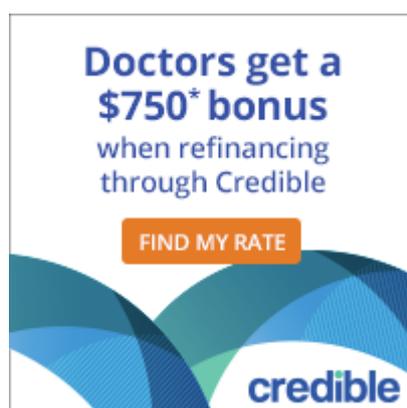
f. Simplify your financial life. Put bills on automatic payment and investments on automatic withdrawal. Minimize the number of accounts you hold and the number of investments you have as much as possible

g. Understand why your savings rate matters a lot when you're young and very little as you approach retirement. Understand why your investment return matters little when you're young, more as you approach retirement, and a great deal during your first decade after retirement. Understand the concept of a safe withdrawal rate

h. See the end from the beginning. If you fail to plan you plan to fail. Have a written investment plan you can refer to when contemplating portfolio changes.

## 4) Don't lose your money

a. Insure well against catastrophe-Life, Disability, Health, Liability, Property but self-insure whenever possible using a safe, liquid emergency fund (High benefits/limits but high deductibles/ waiting periods). Self-insure against medical expenses by maintaining a healthy lifestyle. After you retire, consider a single premium immediate annuity to insure against outliving your money and long-term care insurance to insure against having an extended period of dependence at the end of your life. Don't mix insurance and investments. Cash-value (non-term) life insurance and variable annuities are generally products meant to be sold, not bought.



b. Get rich once, get rich slowly. Good investing is boring investing

c. Hire professionals to teach you, not just to "do it for you." This includes accountants, estate attorneys, real estate professionals, and investment advisors. Be sure to bounce the advice you've received off someone with no conflict of interest in the transaction, realizing that no one cares about your financial success nearly as much as you do. If you are reasonably well-educated and interested, you can teach yourself to do your own taxes, sell your own house, and invest your own money