Whenever possible, it is best to learn from the mistakes of others rather than your own. For example, I’ve made the mistake of using a commissioned financial advisor who sold me crappy, expensive, loaded mutual funds; I’ve bought whole life insurance (still hadn’t broken even after 7 years), and I’ve incurred unnecessary taxes in a taxable account due to not fully understanding the kiddie tax laws. Luckily, these mistakes pale in comparison to financial errors made by some of our colleagues. A recent thread on Sermo revealed a lot of the mistakes other physicians have made before you, and I’ve detailed them below in this and the other 3 posts in this series. Consider this a financial “Morbidity and Mortality Conference.” Painful to listen to sometimes, but better than having to make each mistake on your own. Add your experiences as a comment at the end of this post.

Addendum: I originally posted this within a couple months of
starting the blog. It has remained one of the most popular pages on the entire website, so I thought I’d give it a revamp, splitting up the original super-long post into 4 separate posts, making it easier to read, and categorizing some of the mistakes. Don’t worry though, all 175 mistakes are still here.

**Getting Ripped Off**

1) Working with a “financial planner” who specializes in working with physicians and almost got me into whole life insurance

2) Overpaying for legal advice ($3500 to review an employment contract)

3) Buying a universal variable life insurance policy as an “estate plan”

4) Investing with Bernie Madoff

5) Listening to brokers/financial planners/coin dealers

6) Not realizing that the goal of brokers is to take your money and make it theirs

7) Giving OTHERS control of substantial sums of MY money

8) Hiring an expert to manage my money. This guy charged 1% per year on the balance. Got a call from the fraud division of the FBI and they seized all my money. After about 2 yrs sweating got it back without interest. Taught me to learn about investing. I decided I may not be a pro, but I won’t steal my own money

9) Investing (before I learned about personal finance) through a professional who gave “free” advice steering me to load mutual funds and life insurance with high fees

10) Listening to an attending during med school for stock pick
advice

11) Paying a lawyer to do my tax returns for 10 years . . . He charged $10,000 for a return that a national tax preparation company does for $1,500 or less

12) Allowing myself to get talked into a variable annuity when I was a chief resident. Bought it at roughly market peak; it sank w. market in 2001-2002; paid lots of charges and surrender charges when I got rid of it three years later to buy my first house, and due to nature of variable annuity, I didn’t even get to write the losses off on my taxes…. Stay away from those RIPOFF variable annuities; get a tax-deferred or even taxable account like everyone else

13) Relying on money managers for too great a percentage of my net worth… It’s best to learn enough to oversee a lot of your assets on your own

14) Bought front loaded mutual funds

15) Getting ripped off to the tune of 11 k for a real estate closing by my lawyer who charged by the hour. Took his fees right out of the mortgage check before I ever saw it

16) Buying time share, buying variable annuity, buying whole life insurance and depending on brokers to make financial decisions

17) Stock tips from friends, relatives, or cab drivers should be avoided at all costs Those free financial newsletters are just scams. What they touted are probably their own holding which they will sell when your rush to buy them pushes up the stock price transiently before they fall off the cliff

There is a common theme here and it is one I tackle frequently on this blog. You need to be very aware of how, and how much your advisors are paid. This includes financial planners,
stock brokers, insurance agents, realtors, attorneys, accountants, and investment managers. As a general rule, people don’t go into these fields for the same reason firemen and kindergarten teachers choose their jobs. There is no Hippocratic Oath among financial professionals. It is your job to understand how much you’re paying and whether that is a fair price. Understanding how the person advising you makes their money also helps you understand their conflicts of interest. Learn everything you ever wanted to know about financial advisors here.

Insurance Issues

1) Not buying disability insurance

2) Mentioned a few divorce-related situation depression issues resolved in the past on a disability insurance application

3) Not getting OWN-OCCUPATION disability insurance on the first day of residency

4) Bought too much useless, expensive insurance

Well, no one said they wished they’d bought more life insurance. Of course, there’s a real survivorship bias there. All those dead guys who should have bought more aren’t here to tell us. Buy plenty of the insurance you need and avoid the insurance you don’t. Learn more about buying insurance here.

Personal Finance Issues

1) Using credit cards

2) Buying too big of a house

3) Should have listened to Dave Ramsey and completed his course about 8 years earlier
4) Spent too much on a wedding

5) Credit card debt in med school

6) Marrying a fiscally irresponsible spouse

7) Spending $600 to replace the clutch on a $1000 car then donating it to charity 2 months later

8) Sending my kids to a private college in the future (50K a year, what a waste!)

9) Quitting one job before I had another (thankfully savings helped me through that transition)

10) Buying a used jeep and not noting it was burning out its engine from an oil leak

11) Signed up for AOL when it first came out. Had automatic recurring credit card charges of $24.95 a month for over 14 years (wife paid the bills) for essentially nothing that you cannot get for free now. Just stopped it when our credit card had to be changed. Be aware of recurring automatic charges

12) Not saving as much as possible early in my career to take advantage of compound interest

13) Allowing lifestyle to creep upwards with increasing financial success

14) Keeping the house in the divorce – I had to spend $76K repairing it to then short-sell at a >$200K loss. I’ll be paying on the loan I had to take for the repairs for the next 15 years

15) Giving my daughter a credit card (for “emergencies”) when she entered college in Boston

16) Not starting 529 plans for kids early enough, not investing aggressively enough
There you have it. A lot of accumulated experience that may save you thousands. Add your experiences to the comments below.

These are mistakes made every day by millions of people. They aren’t particularly specific to doctors, but doctors certainly make them as much or more than other people. Spend less than you earn, be wise with your cash, and if, heaven forbid you get divorced, take the 401K, not the house.

This is the end of Stupid Doctor Tricks Part 1 of 4. Continue on to Part 2. Or better yet, leave a comment below noting one or more of your own financial errors. Too many of us feel that talking about money is taboo, so we just keep making the same mistakes over and over again. Share your experiences and let others benefit from them, just as you’ve benefited from seeing others’ mistakes.