The Physician’s Guide To Investing – A Review

I love to see physicians who write about finance, especially practicing physicians who give physician-specific advice. As near as I can tell, there are only three such books [Update before publication- there are actually five] on the market – The Physicians’ Guide to Personal Finance by Jeff Steiner that I reviewed a while back, my own The White Coat Investor – A Doctor’s Guide To Personal Finance and Investing, and an 8 year old book (updated 5 years ago) by cardiologist Robert M. Doroghazi titled The Physician’s Guide To Investing that I am reviewing in this post.

Having gone through the trouble to write and publish a book, I have immense respect for Dr. Doroghazi. His book represents a ton of work that seems to be done only out of the goodness of his heart, although he does sell an investing newsletter for $10 (students), $25 (residents), and $75 (anyone else). I read a few of the newsletters a few years ago and found them
full of a bunch of market-timing and active management junk and so never got around to reading the book. That was a mistake. Although the book (particularly the last section) does contain some of that type of advice, the vast majority of the book is quite good, physician-specific, and well worth the read.

Imagine a successful physician investor who had never heard of the Bogleheads decided to write a book. What would the book say? I figure it would read exactly like Doroghazi’s book. He mentions in the end of the book that he had just read Burton Malkiel’s A Random Walk Down Wall Street (despite the fact that it was published 33 years before Doroghazi’s book, well before Doroghazi’s career even began.) So he basically went his entire career without delving much into the merits of passive investing. In the introduction, he says:

> Although I have certainly experienced my share of investment failures, I have been successful enough in my personal financial management and investing to have paid my own way through college and medical school, to own my home, and vacation condominium free of debt, to have my children’s education funded, and to have accumulated sufficient assets so that I will be able to retire at age 54.

That is basically a description of the rest of the book. It is filled with advice that will help you do what he did, whether that advice has any evidence behind it or not. Clearly he comes from a different generation than I do. For instance, no one can work their way through medical school these days without debt of some kind, whether time or money. The book touches on a few personal finance issues, but mostly focuses on investing.

**Where The Book Excels**

My favorite parts of the book come in the beginning. Perhaps even better than The Millionaire Next Door, Doroghazi makes
the case for the frugal physician. His sections on thrift are outstanding, with lots of useful gems such as these:

“Considering the average physician’s income all that is required to live comfortably and retire when you wish is a little fiscal discipline and the avoidance of stupid mistakes.”

“Physicians and other professionals such as artists and athletes...make their living by having a skill or talent that results in a high [income] but does not necessarily require a high degree of business skill.”

“A physician who is the epitome of a trained professional believes he must have investments that match his medical prowess. How can one brag about... a certificate of deposit or an investment in an S&P 500 Index fund...[This statement] perfectly characterizes the mindset of the physician who most needs to read this book, but almost certainly will not.”

“I married a gold mine. My spouse is thrifty.”

“How much should you save? John D. Rockefeller suggested 50% of your income. This is not outlandish but in fact quite attainable for a high income wage earner such as a physician.”

“If you desire financial security, considering a physician’s income, it is a slam-dunk. If it is your desire to appear rich and important, with all of the luxuries, do not expect financial security.”

“If you do wish to “splurge” a little, to loosen up, do it after there is $1 million in the bank and after the mortgage has been paid.”

“You, or a family member, should mow your own lawn. A little manual labor from time to time that is smelly, hot, loud and boring is good for everyone. It helps a high-income
professional such as physician maintain perspective on what the vast majority of the other people in the world must do to make a living.”

The other area in which the book excels is in warning doctors about the financial services industry. He has an entire chapter entitled “Don’t be the mark” as physicians so often are. There is another chapter called “The Perniciousness of Fees” which is well worth the price of admission to the book, giving the usual arguments best explained by John Bogle.

Problems With The Book

The first problem with the book is that it is composed of over 200 pages of 9 or 10 point font. I have pretty good eyes, and it’s a good thing. I also have a long attention span for financial books, which is also a good thing. I fear those who most need the information in this book will never get through it. I think it could easily have been much shorter and still contained all the most important information. Lots of his advice is very “grandfatherly” and will rub readers the wrong way, causing them to dismiss a lot of the good advice. The author, like John T. Reed, comes across as very curmudgeonly. However, I find it easy to look past all of that. What I cannot look past, however, is best encapsulated in this quote:

The more you read, study, and the harder you work, the better your chance of attaining your primary goal – financial security. Spending 10 or 15 minutes a month on your investments is not sufficient time to expect to realize a 10 to 15% return on your money.

Regulars readers know that I could not disagree with this statement more vehemently. Not only does additional time and effort not necessarily boost returns, but it can be detrimental. Some of the best investors are practically
oblivious to the things that Doroghazi suggests you spend time
learning about each day. I also dislike the statement because
it implies that an investor should expect returns of 10-15%.
The truth is that investors should plan on lower returns. If
you put all of Doroghazi’s statements together (save 50% of
your income and make 15% off of it) then I cannot for the life
of me figure out why he couldn’t retire before age 54. I
figure a physician who earns $250K a year, saves $125K a year,
and pays perhaps $50K in taxes (thus living on $75K) and earns
15% on his investments should be able to retire within eight
years. Heck, if he could guarantee 15% returns on his
investments throughout retirement, he could probably retire
after 4 years. It just doesn’t add up. If this is really
Doroghazi’s plan, he should have easily been able to retire at
40 or 45.

There are entire chapters of this book dedicated to market
timing, technical analysis, active management etc. Here’s a
list of some of them:

- Invest in what you know
- Make your own investment decisions
- Tips: Real opportunities or useless information
- Areas where caution is essential or that should be
completely avoided
- Yes or No
- When to buy
- When to sell
- How to identify real investment opportunities
- Stocks and Bonds
- Real Estate
- Other types of investments
- Obtaining investment information
- Investment Strategies of the Pros
Each of these chapters is so contaminated with market timing and active management misinformation that it would be difficult for an investment novice to separate the wheat from the chaff. Don’t get me wrong, there’s lots of good stuff in there, but you’ll need a solid background in “Boglehead-type” books in order to realize that the author is advocating some ideas that are likely to be detrimental to your investing success and are certainly not evidence-based. His investment strategies are clearly more influenced by Peter Lynch than Jack Bogle. I suspect if he would calculate an accurate return taking into account his own time spent on investing, that his returns would be abysmal. That’s fine for those of us who enjoy investing as a hobby, but hardly a strategy that can be recommended to the vast majority of physician investors.

Conclusion

Overall, I recommend you read the book, but it should not be the only, or even the first, investing book you read. I’m obviously biased, but I think you’ll be better off reading my book or even Dr. Steiner’s book first. However, any physician-specific personal finance or investing book actually written by a practicing physician is well worth your time, effort, and money. Buy at Amazon today!

Have you read the book? What did you think? Comment below!