The Story of The White Coat Investor Part 2

[Editor's Note: Friday we announced a new Online Medical Billing and Coding Course for sale. This course gives you the "offense" necessary to get paid more through better documenting, coding, and billing. For the next 4 days, it can be purchased for 10% off by clicking here and entering coupon code "WCI" at checkout.]

This is part 2 of a three part series where I tell our "origin story." If you missed part 1, I suggest you read that first. We left off yesterday at the end of medical school, where we'll pick up the story again…

Residency

While we were sad to move on, we were excited to start making the real money in residency. We rented a Uhaul and headed for Arizona. Since we still owned a place in Utah, and realized that was probably a mistake, we decided to rent in Tucson. It was harder than we thought to find a place to rent. The landlord asked for a reference. I asked if she would take one from our mortgage company. She must have really thought I was a weird doctor to be renting a dumpy two bedroom duplex. But it was biking distance from the hospital and we only had one car. Katie took a teaching job at a local middle school and I settled in for an experience. 3 years later, I walked out of the hospital with a child and a wife with a whole set of friends I don't know. The kid cost us $10. That was some good health insurance. We paid off the car loan a couple of months into residency. We decided to hold on to the student loan since it wasn't costing us anything.

In the Spring of my intern year, we went to meet with a "financial advisor" we were referred to by a fellow resident. It seemed like a good deal. All we had to do was pay $100 a year during residency and then we'd "pay more" afterwards. I learned a lot of things. I got to learn what a loaded mutual fund was (by sad experience) and how "fee-based" is not the same as "fee-only." I also developed a lot of anger at the financial services industry and new-found motivation to learn about personal finance and investing. Katie was home with Whitney by the end of my intern year and the three of us were living on my $37K salary. What free time I had was spent perusing the shelves in the finance section at the local used bookstore. I read a lot of terrible finance books. But then I started finding some good ones. And the good ones agreed with each other. Mutual Funds for Dummies. Get Rich Slowly. The Four Pillars of Investing. Maybe something by Swedroe or something by Ferri. I found Morningstar. By this point, I had figured out it was smart to invest at Vanguard, and we'd transferred our Roth IRAs there. I wandered into the Vanguard Diehards forum. It was like I'd come home. These people hated the financial services industry and loved index funds just as much as I did. I finally paid my $5 to register in order to post on the "You might be a diehard if…." thread. We heard about an Investing Policy Statement, and put one in place shortly before finishing residency. At this point, we had both the knowledge and the motivation to do well by doing good.

Military Service

Unfortunately, there was one teensy little problem. I had a commitment. And the military wanted their pound of flesh. They had paid that $922 a month faithfully. They'd bought me a stethoscope. I even made them pay out of state tuition for me. They gave me a civilian deferment in the military match (which the recruiter had somehow failed to mention) so I could match at my # 1 in the regular match. It was time to pay the piper. [When I signed on with the military in 1999](), we were still years away from 9/11 and nobody was deploying anywhere. By the time I came on active duty in 2006, every commander in all three services wanted an emergency doc to deploy with their unit. Air Force docs were going for 4 month deployments, then 6 months deployments every 20 months. The Navy guys were going for 9 months. Army docs were going for 15 months at a time. Bagram, Balad, Fallujah. It sounded exciting. Katie and I were excited about the prospect of being stationed overseas. Wouldn't it be fun to spend four years in Germany or Japan? We carefully made a rank list of the 15 places the Air Force had emergency docs and turned it in. A few weeks later, we got a call that we were going to Keesler AFB in Mississippi, the last choice on my list. What was the point of making the list at all? Then a call and an offer- go to Langley, work in a glorified urgent care part-time, and be faculty in a Navy EM residency program part-time. I covered the phone and asked Katie,

> *"Where's Langley?"*
>
> *"Virginia. Take it. Take it!"*

And off we went to Virginia instead of Mississippi. That was the first time in my life I had lived in a city that wasn't surrounded by mountains. It wasn't pleasant. I had to find new hobbies and new friends. Professionally, it had its ups and downs. I loved the teaching and nobody expected me to do research, but the volume was high and the acuity was low. Monday mornings involved 6-8 patient per hour sprints as I tried to write as many "authorization for quarters" for diarrhea, URIs, and hangovers as I could. Over the four years, I was gradually given fewer shifts at the Navy hospital and more at the much less fun AF hospital. I got to be an EMS director and a medical director. I got to make the schedule and try to solve problems. I did some moonlighting at a trauma center to keep skills up, and between those three jobs, figured out what I wanted out of my "forever" job. I knew within a few months that I wasn't going to stay in the AF for a career, but that was information best kept hidden for political reasons. We even considered signing up for another year at one point in exchange for being moved to Germany, but that carrot was snatched away only to be dangled again the next year in exchange for a two-year commitment.

Who IS this guy?

Financially speaking, we were on easy street. I was making $120K a year! We had money coming out of our ears! It felt like when Katie was working as a teacher and I was an intern. We saved anywhere from 26-63% of our income during those four years. It helped that we bought an inexpensive townhouse in a not-so-nice neighborhood. Sure, some people got shot, but we didn't get shot. And people were dealing drugs but they weren't doing it from the townhouse right next door. We had a couple of more kids ($0 each!) I got deployed. It wasn't much of an adventure. I was sent to Al Udeid, in Qatar. I wasn't shot at. In fact, nobody was shot at. My chief enemies were crotch rot, runner's knee, the bench press, and boredom. Our second child didn't know who I was when I came home. At least Whitney was happy to see me. If I wasn't certain I was getting out ASAP before, I was by now. I began to save up my leave for "terminal leave," i.e. the opportunity to get out a month before my commitment was up by only using half my allotted vacation for a couple of years.

I continued to learn about finance and share what I was learning. We continued to make mistakes. Although we were smart enough to recognize a bubble and avoided buying the $750K house one of my peers bought (on the same salary as me), we still bought a house when we knew we were only going to be there for four years. We were ripped off by the appraiser who colluded with the professional investor who sold it to us too. And of course, any real estate tale that begins with buying a house in 2006 isn't going to end well. We did far more right than we did wrong and somewhere along the way, people started looking to me for financial information. I racked up 10,000 posts on the Bogleheads forum, to which the Diehards migrated mostly due to the color orange. I was making some decent money moonlighting, and socking it away in a SEP-IRA in addition to the TSP, Roth IRAs, and even a taxable account. I even gave a lecture to the residents about finances shortly before getting out of the military. That group of residents and faculty are still, to this day, one of the best groups of doctors, and people for that matter, that I've ever worked with.

By the time I got out, I knew exactly what I wanted- a partner position with a small democratic group in a community hospital in a town surrounded by mountains. We looked for jobs in Reno, Boise, Flagstaff, Denver, Portland, Anchorage, and Salt Lake City. The markets were tight, so I resorted to cold calling. Some phone interviews, and finally a live interview with my current group. They told me they were already looking pretty closely at someone. I told them that if their decision was already made, I wouldn't waste our time, but if they weren't set on the other doc, I'd fly out at my own expense to convince them to take me instead. I did. Then I was deployed again with 24 hours notice and no definite end date. I was supposed to get out in 2 months. I needed to put the townhouse on the market. The housing market was already bad enough. I didn't want to miss the Spring selling season. But off I went to Chile to build a tent hospital. Luckily, what could have been three months turned out to be three weeks, so all I missed was the Puerto Rico vacation we had planned and paid for the week after I deployed. And a better opportunity to sell the house.

We had bought it without an agent in 2006, so we tried to sell it without one in 2010. We even had it under contract for more than we paid for it. But it fell through. I was still more than happy to leave. I haven't had a bad day at work since.

Life in Private Practice

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We arrived in Salt Lake City, finally having learned our lesson about buying houses. This time we rented for a few months and began biking around the neighborhoods looking for houses. Six months later, after a frank chat with my current partners about whether they liked me or not, and some tough negotiations with delusional homeowners, we bought our dream house for a great price. Now we had two mortgages on a below-market pre-partner salary! We gave up on the "for sale by owner" and tried to sell with a realtor for a year before finally giving up and renting it out after two summers trying to sell. It took four more months to get a tenant in. Meanwhile, I had taken out a "bridge loan," low fees but a fairly high rate, in order to use our equity to put 20% down on the dream house. I had figured the townhouse would be sold soon so the fees mattered more than the rate. We had that bridge loan for 5 more years before finally selling the place. At least the IRS shared the painful loss with us thanks to our converting it to a rental.

We converted the SEP-IRA to a Roth IRA. I isolated the basis from my tax-exempt TSP money and converted that to a Roth IRA.

We started doing our Roth IRAs through the Backdoor. We paid off that student loan, 17 years later. When we became eligible for the 401(k) and then the defined benefit/cash balance plan, we maxed them out. When rates dropped, we refinanced the house. Despite numerous financial errors and interactions with financial professionals gone bad, we could see that we were making financial progress and the momentum was building.

Tune in tomorrow for part 3!

What do you think? What financial errors did you make during residency and your first few years out? Did you have a "live like a resident" period? Why or why not? Comment below!