

# Why I Won't Be Your Financial Advisor



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I receive multiple requests a month to be somebody's financial advisor. I routinely turn those requests down for a number of reasons that I thought might make for an interesting post. I'm going to combine this list of reasons with a description of a financial advisory firm I hope to see appear in the next decade.

## **I'm Not Licensed**

The easiest reason to turn people wanting to hire me as their advisor down is because I'm not licensed to be a financial advisor. I only have two licenses, one to practice medicine and one to drive, neither of which I do on this site. And they're both specific only to a single state. That's why this site is purely for entertainment and informational purposes, rather than constituting actual formal financial advice.

## **Lack of Formal Credentials**

When I write about financial advisors, I generally recommend

they have one of the highest credentials available in the field such as CFA, CFP, ChFC, or CPA/PFS. While there are good advisors that don't have these, and bad advisors that do, for me a designation like this represents a commitment to your profession as well as a minimum level of education. I don't have any of these, so if I really wanted to be a financial advisor, it would be pretty hypocritical of me not to go and get them.



One of my Venture Scouts 900 feet above the ground on Hot Flash, Red Rock, NV

### **I Already Have Two Jobs...and Plenty of Income**

Frankly, I barely have time to do both of my jobs now and consider cutting back on shifts and/or hiring additional help for WCI every month. I certainly don't need to add on another job. In fact, I would really like some more time with family and my non-professional pursuits. One of my jobs offers me the ability to trade my time for money at a very high hourly rate and to really make a difference in the lives of others. The other I enjoy so much I would do it for free (and basically did so for two years.) Is it possible I could make a slightly

higher hourly rate providing financial advice than practicing medicine? Sure. But at this point in life, I'm more interested in doing something I enjoy than in making slightly more money.

### **I Really Enjoy Aiding the DIYer**

Generally, those who come to this site, read my book, send me emails, and post comments are people who wish to be heavily involved in the management of their personal financial lives and their own portfolios. All they really need is a little more information to be able to accomplish much of their needed financial tasks. So I function more as a teacher, enabling them to become independent learners, and I really enjoy that. On the other hand, the type of doc who typically wants to hire a full-service advisory firm, and who gets the most value out of it, just wants "a money guy to take care of everything." While that job certainly provides value, and pays well, I'm not really interested in it.

### **Scalability is Critical For Me**

Dave Ramsey (appropriately) [gets lots of criticism](#) from financial advisors. One of his favorite responses is "I helped more people in the last hour than you will in your entire life." He's right. While I'm nowhere near as well-known as Dave, keep in mind an individual financial advisor typically only has 20-100 clients. Yet I have over 4 million page views per year on this site. Thousands of people bought (and presumably read) my book. I can see financial education for medical students, residents, physicians, and other high-income professionals moving forward by leaps and bounds and am confident that I am a large part of that movement. I think that's pretty awesome.



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A second reason for the existence of this website is to feed my entrepreneurial spirit (i.e. make some money.) As I mentioned above, if I want to trade time for money I have a very good way to do that. Emergency physicians (particularly partners in a democratic group like I am) may enjoy the highest hourly pay of any physician specialty, and if not, it's close. What my day (? night) job does not provide me, however, is a way to make money while I'm sleeping. This blog works 24/7/365 and is completely scalable. There is no reason it can't have 40 million or even 400 million page views per year or pay me ten times or even 100 times what it does now.

### **Internal Conflict Between What Docs Need and The Best Way To Run A Business**

Most of the really successful (meaning richest) financial advisors have learned one of the greatest truths in the financial advisory world- that what is best for the advisor is not best for the client. As one advisor remarked to me, "AUM fees are the best kind of passive income there is." The best way to make a lot of money advising physicians is to find doctors who have a lot of money, don't have a lot of debt, have a high income, and who are not fee-sensitive and charge them high AUM fees. I have great respect, as an entrepreneur, for advisors running their firm that way. If they are skilled

and work hard, they are often financially independent at an age younger than their clients were upon earning their first attending paycheck.

But the phrase "[Where are the customers' yachts?](#)" seems appropriate. The docs who need the most advice are those with high student loan burdens, negative net worths, and low incomes. The advisors would argue that if they weren't providing more value than their fees, the clients wouldn't pay those fees. But I think it is patently obvious that when doctors realize just how much they're paying, many of them become very interested in doing more of those tasks themselves, or at least hiring a less expensive advisor. I find paying an hourly rate, even a high one, is a far better method of paying for financial planning. The main reason is that the client keeps more money and the advisor takes less of it. I prefer a flat annual fee for investment management, for the same reason. Advisors may argue that since the best advisors want to also be the richest, you get better advice by paying more money, but I find that a fairly self-serving, hollow argument. The bigger issue is that those types of fees, aside from generally being lower overall, are not scalable (i.e. more money each year for the same, or even less, work). And that takes away a decent chunk of my motivation to do that type of work. I like helping people, but there are limits to my sainthood.

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## **The Firm I Would Like To See**

In fact, the more I think about those issues, the more respect I have for [Jack Bogle, aka Saint Jack](#). While [the real story is slightly more complicated](#), when faced with the choice of building a business that would make him rich or one that was best for his investors, Mr. Bogle chose to give “his” company away to his clients. I think it would be awesome to see, and even assist in, the appearance of the [“Vanguard”](#) of physician financial advisory firms. Said firm would pay fair, and probably very high, salaries to its administrators and advisors. But they would be salaried, rather than having a scalable income. The firm would be owned by the physicians and run at cost. This would prevent the high fees and, most importantly, most of the financial conflicts of interest that advisors face.

Word would travel quickly among physicians and it would grow so quickly that it would rapidly become the largest firm of its type in the country. It might even put many advisors out of business, and certainly prevent a bunch of them from ever opening their doors. Its biggest challenge is likely to be dealing with its rapid rate of growth and maintaining a sufficient number of highly qualified individual advisors, no matter how high the salary. But in the end, it would be far better for the clients than our current hodge-podge of for-profit advisory firms fighting amongst each other to get to a critical mass of clients and assets under management. Critics may call it “socialist” but those same criticisms can be (and were) leveled at mutually owned insurance companies and mutual fund company, most of which are now among the strongest financial institutions in the country.

The hardest part would be finding talented people willing to put in all that work knowing that the financial reward for

doing so would be limited by design. I certainly don't have the time nor motivation at this stage of my life to bring this sort of company into existence, not to mention I have a financial conflict of interest against doing so (advisory firms pay me money [to advertise here](#).) But if you are interested in starting a firm like this, you can count on a lot of support from me!

What do you think? Would you rather be a financial advisor than a doc? Why or why not? Would you hire a mutually-owned advisory firm to manage your money? Why or why not? Comment below!