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HEALTHY INVESTMENT ADVICE FOR HEALTH ADVISERS

Written by [Richard Romero](#) | Apr 2, 2015 |

Investments for the later years in life are moves that many business owners make in order to attempt to maximize the long-term benefits for both their family and their own well-being. Although investments are a popular way for physicians to make use of their funds, investment advisors say that there are red flags to be aware of and strategies physicians can utilize in order to protect their portfolios and achieve gains on their investments.

Marc Singer, senior partner with Singer Xenos Wealth Management explains that in the investment management industry, physicians are known to not be the most savvy of investors.

“In working with physicians now for about 30 years as a wealth manager, my hypotheses is that the reason that they have been taken advantage of is not because they are unintelligent, but because of their medical training,” Singer says.

Singer says that medical training is very uniform and physicians are trained to rigorously trust in other specialists.

“The neurosurgeon consults with the cardiologist, or vice versa, they believe each other. The problem is that they look at other professionals, and intrinsically trust them as professionals. That’s the disconnect; because somebody selling them underwater swampland is not an investment professional,” Singer says.

He says that some physicians have trouble understanding that people that represent themselves as investment professionals may not be so, and therefore, have very often been taken advantage of because of this false trust.

Singer says that the average physician begins earning money in their early 30s, and very often in debt. Singer says this creates a chain reaction of feeling the need to make up for lost time, taking very high risks in investments and seeking much higher returns than are reasonable to earn.

“Physicians very often are induced to investments thinking they will earn 15-25 percent; of course that’s just totally unrealistic,” Singer says.

Singer says that for physicians, the best investment strategy is to just keep the investments simple.

“You don’t need to do anything unique or different than anybody else to get very reasonable investment returns. Set reasonable long-term expectations, such as 7, 8 or 9 percent,” Singer says.

Singer says if a physician is willing to put time and research into making an investment, they can make the decision on their own. Otherwise, he says they can invest with the help of an experienced financial advisor.

“It’s whatever they are more comfortable with. If they are not willing to put time in it, they should go with a professional,” Singer says.

Philip Herzberg, Miami certified financial planner with The Lubitz Financial Group and President of the Financial Planning Association of Florida says that physicians are no different in their risk capacity than anybody else in the investment field. **Herzberg** says that investment behavior varies from one physician to another.

“It’s all individualized. It’s all customized to the physician and their family’s needs. Some physicians may have a pretty extravagant lifestyle. In that case you would need to make sure you have income or cash-flow coming in to match or exceed expenses,” **Herzberg** says. “It’s important that you are able to outlive your retirement income or savings. From a planning standpoint, it’s pivotal to achieve certain goals, such as preserving your wealth and leaving money for your kids and spouse.”

Herzberg says that when it comes to physicians and other affluent people making investments, many of them have a ‘follow the herd’ or “Fear of Missing Out (FOMO)” mentality. According to **Herzberg**, one way to break free of this mentality is that a physician must make sure they understand in laymen’s terms what they are getting themselves into before the initial investment.

“I would never invest in anything that I don’t understand,” **Herzberg** says. “If you’re sitting there and the adviser can’t explain it to you in simple enough terms so you understand what you are getting yourself into...a physician needs to question that, and they shouldn’t invest in it themselves.”

Herzberg says a physician always wants to have their ‘antennas up’ and perform their own due diligence prior to entering an investment.

If some professional comes to you and is talking about certain products, it's okay to examine it carefully and then evaluate the risk and the possible rewards.

"If some financial professional tells you 'this structured product is guaranteed' or 'almost a lock to generate an 8 to 10 percent return'...then that's got to be a red flag for a physician or consumer," Herzberg says.

He adds that no professional should be guaranteeing returns on investments. However, they can promote past returns with the warning that they are not indicative of future returns.

"If something sounds too good to be true, it probably is, and that's the bottom line," Herzberg says.

Herzberg advises that an extra step in education and awareness for investing physicians is to utilize the advice of a fee-only financial planner or registered investment adviser.

"One of the many attributes of an independent registered investment advisor is that we have a fiduciary obligation to do what is in the client's best interest. A lot of financial services professionals have advisory certifications and have passed certain testing, but they also are affiliated with broker dealers and they don't have that same exclusive obligation that we do in this platform which is fee-only," Herzberg says stressing that fee-only, independent registered advisers do not work off of commission.

Rick Brooks, director, chief investment officer of Blankinship & Foster LLC, registered investment adviser further explains why physicians should work with an advisor to optimize their investment behaviors.

Brooks says that people interested in investing get very excited about unique opportunities that are only available to them. Most of the time these are legitimate investments but frequently, they are not. Brooks refers to these opportunities as the 'Have I got a deal for you at the 19th hole' kind of thing.

"We had an attorney hire us to tell him 'no,' because he'd lost so much money at the 19th hole on can't miss partnership opportunities," Brooks says adding that a lot of those types of deals are legitimate investments with lousy ideas behind them.

Brooks strongly advises that Physicians run these investment ideas past an objective third party observer. Brooks says that although physicians are brilliant in their field, being a brain surgeon does not make one a real estate mogul.

"There are things that intelligent people will miss when they work outside their expertise," Brooks says.

Much like Herzberg, Brooks advises that physicians work with somebody who operates under a complete fiduciary standard who is not being paid by a product provider, investment syndicator, but who is only being paid by the client.

Brooks says to avoid taking the advice solely from the individual who is promoting the investment.

“A lot of limited partnerships offer 6-10 percent commissions to the people suggesting them. You are not going to get an objective opinion from somebody who is getting paid 10 percent to sell it to you,” Brooks says.

Brooks says when seeking a credible adviser, the first place to look is the website of the National Association of Personal Financial Advisors. He also stresses to find a fee only adviser, not fee based.

“That’s one of those nuances that people in our industry get real worked up about but it’s important. Fee only means ‘I am only being paid by my client.’ Fee based means ‘the client pays me but I can take commissions also,’” Brooks says. “It’s one of those things that muddies the waters.”