Empowering Physicians with Financial Literacy

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Most doctors complete their medical training without sufficient knowledge of business and finance. This leads to inefficient financial decisions, avoidable losses, and unnecessary anxiety. A big part of the problem is that the existing options for gaining financial knowledge are flawed. The ideal solution is to provide a simple framework of financial literacy to all students: one that can be adapted to their specific circumstances. That framework must be delivered by an objective expert to young physicians before they complete medical training.

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Most doctors complete their medical training without sufficient knowledge of business and finance. This deficiency leads to suboptimal decisions that can harm household or business finances; vulnerability to inept or dishonest advisors; and anxiety, which can have a paralyzing effect on decision-making, and can also harm personal relationships (doctors' relationships are strained as it is; adding money matters to the list only makes relationship issues harder to overcome).

THE NEED FOR FINANCIAL LITERACY

Doctors should view financial literacy as a matter of necessity and urgency. Instead, many procrastinate or take only half measures. The harsh reality is that doctors face more financial challenges than ever:

- Increasing specialization means more years of training, which, in turn, delays earnings (putting doctors farther behind college peers who begin earning salaries much sooner in other professions);
- Increasingly complex regulations make it more challenging to launch and manage a medical practice;
- Heightened competition places tremendous pressure on private practices;
- Fraud continues to harm small and large medical practices;
- Earnings have decreased for many specialties as private practices have been merged or acquired (often by lower-paying hospital systems); and
- Wealth management has become more complex (and hence more confusing and intimidating).

In the face of such challenges, one would think the medical community (i.e., medical schools, teaching hospitals, medical societies) would be highly motivated to equip graduates with every skill needed to succeed, including financial literacy education that meets reasonable standards of objectivity and expertise. But to date, no systematic solutions have emerged. Instead, we have a smattering of partial, ad hoc remedies, which include relying on books, discussions with mentors, participating in blogs, and attending financial advisor seminars.

Reading Books

Although a good book can be an excellent introduction to those seeking knowledge, there are at least two drawbacks. First, most books on financial literacy and investing are written by providers of financial services. These financial advisors and insurance agents are well aware that writing a book can help establish them as "experts." Thus, there is always lingering doubt regarding the objectivity of the content. Second, books often raise more questions than they address. The educational benefit is diluted when there isn't anyone available to answer those follow up questions. The typical financial advisor/author isn't interested in answering questions for free. She or he wants to convert follow-up interest into paying clients.

Listening to Mentors

Hoping to prepare their students for real-world challenges, senior physicians may dispense their own financial advice. Such efforts are well-intentioned, but can backfire. Often the mentor draws passionately on his own experiences (typically lessons learned the hard way). But those historical circumstances and experiences are rarely identical to those of their eager students. Hence, the strongly worded advice (often blanket statements that overlook nuance and subtlety) may be completely wrong, however well-intentioned.

Sadly, there can also be less honorable motives. One doctor recommended that a colleague use a contractor he knew to be guilty of criminal negligence. Why did he provide the recommendation? Because he was too embarrassed to admit having been fleeced by the contractor.

The bottom line is that your medical gurus and peers are great doctors, but it's too much to expect them to be true experts in other fields that require full-time commitment. Finance and economics are not rocket science. Any physician easily has the intellectual capacity to gain this knowledge, but I've yet to meet one who has enough time to do it comprehensively, objectively, and with the energy to remain current on ever-changing regulations and best practices.

Participating in Blogs

Increasingly, doctors (physicians and dentists) share wisdom and knowledge using blogs. These are also generally well-intentioned efforts. The challenge, again, is that it's impractical to stay current on financial literacy knowledge while holding down a full-time job as a medical provider. I've seen very popular blogs providing incorrect advice, including blanket statements reflecting only superficial understanding. Blogs also attract numerous comments with questionable educational value.

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For example, a recent post by a doctor seeking advice on how to invest an inheritance garnered close to 100 comments. Over 90% of the responses urged him to spend the money on some combination of booze, strippers, poker, and blackjack. Setting moral judgments aside, having to sift through so many unhelpful comments dilutes the educational benefit for those seeking real, meaningful knowledge. Finally, some successful bloggers have capitalized by accepting money from advertisers or providers of financial services. This is a very slippery slope. Acceptance of sponsors with commercial agendas inevitably calls into question the objectivity of the content.

Attending Financial Advisor Seminars

Hospitals and private practices often allow financial advisors or insurance agents to deliver so-called educational seminars on the premises. In reality, these typically turn out to be thinly veiled marketing sessions. In many ways this is an example of letting the fox into the henhouse. It's an approach with limited upside but considerable downside for attendees (i.e., they may learn something, but they may also be taken advantage of under the guise of implied endorsement by the hospital). So why does this practice persist? For several reasons:

- As noted earlier, there is the hope that someone may actually learn something.
- Events are free and provide food (medical students and residents rarely turn down a free meal).
- Administrators can mentally check off the box that financial literacy education has taken place—although, as noted earlier, this is often more wishful thinking than reality.

DEFICIENCIES OF CURRENT OPTIONS FOR OBTAINING FINANCIAL LITERACY

Some serious deficiencies in each of these options were already documented earlier in this article. They also have one other deficiency in common: each is an isolated effort that doesn't fit into a systematic, organized, pedagogically proven structure. Options 2 and 3 are also highly dependent on a single passionate person, the mentor or blogger. When that person retires or loses interest, the entire effort, however successful to that point, ends.

Because these approaches are not comprehensive, they do not equip students with an overall framework for making decisions. For example, a book rarely gives the hands-on experience and confidence to finalize decisions.

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Unfortunately, it is very common for people, physicians included, to make financial decisions reactively rather than proactively and in isolation rather than as part of a bigger plan. For example, they suddenly feel vulnerable and rush out to buy insurance, or they receive an inheritance and hastily try to deploy it into investments. The superior alternative is to formulate a comprehensive and consistent financial plan *in advance* (i.e., proactively). In medicine it's always better to be proactive. That is why doctors recommend exercise, healthy diets, regular checkups, and bicycle helmets. The same logic applies to financial decisions.

When you have a solid understanding of your own financial circumstances and a comprehensive plan, you no longer have to scramble to make decisions in a vacuum—you have a context within which to make those decisions.

Let's consider some examples. You realize that your disability insurance may not be properly fine-tuned, or you are debating between term and permanent insurance, or between renting and purchasing a home. Last year you read a book on financial planning, but most of what you read has faded from memory.

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So you turn to your mentor for advice, or you post a question on a blog, or you ask a question during a lunch seminar offered by a local financial advisor. The respondent provides a snappy answer. It sounds authoritative. But he or she doesn't know that you are contemplating divorce, or considering a job at a hospital in a different part of the country, that your elderly parent will likely require assistance, that your child has been diagnosed with a learning disability that may affect college attendance, or that you inadvertently withheld some relevant information regarding your current income and expenses or assets and liabilities. The upshot is that the snappy response you received is likely to be at best incomplete, and at worst dead wrong. This is also the fundamental problem with finance gurus on television. They greet their audience with toothy smiles, amiably chat with callers, and then dispense advice with dramatic flair. But drama is not a responsible substitute for relevance. There is no way they can provide solid advice based on a 45-second conversation.

Ad hoc decisions may make you feel in control, but you are most likely making suboptimal decisions and leaving money on the table. Inefficiencies lurk everywhere: in your default 401(k) or 403(b) allocations, your insurance deductibles, a lack of investment diversification, unnecessary expenditures, undiagnosed risk exposures, poorly drafted estate planning documents, incorrect tax filing selections, emotionally driven investment decisions, and more.

THE IDEAL SOLUTION

The ideal solution is to provide a comprehensive framework of financial literacy that students can adapt to their specific circumstances (proverbially, teach them how to fish instead of throwing a few fish at them). Included in that framework should be a critical mass of basic knowledge. That critical mass need not be very extensive or painful to achieve. It simply needs to give a basic understanding of the big picture, providing context within which to make decisions. One of those decisions can be to hire a capable advisor.

The financial literacy education framework that follows is based on my personal experience delivering a broad selection of financial and business literacy solutions to doctors, including extensive debriefings of those audiences. The sample includes physicians at several hospitals, extends across various medical specialties, and spans professional development stages (i.e., medical/dental students, residents, fellows, attending physicians, private practice employees and owners, and wizened doctors holding senior posts at medical schools and hospitals).

ELEMENTS OF A COMPREHENSIVE FINANCIAL LITERACY FRAMEWORK

- Strive to deliver a total of three courses on personal finance: (1) toward the latter part of medical school; (2) near the end of residency; and (3) near the end of fellowship. That is, ideally, students should be exposed to this material three times. Repetition is important for the subject matter to take root properly. The content of the three courses should be adapted to address the immediate needs of attendees based on their stage of professional development
- Deliver a course on business finance toward the latter part of residency. Programs whose graduates are destined for academic medicine may not need to offer this, although some basic business knowledge can prove useful for just about anyone, including physicians interested in administrative roles in academic medicine programs.
- A full personal finance course should extend over 8 to 10 hours and should cover all the major concepts, including such topics as investing, insurance, asset protection, contract negotiations, home purchases, college savings, and more.
- A full business finance course should extend over 8 to 10 hours and should cover all the major concepts, including forming the management team, securing real estate, formulating a business plan, assessing technology solutions, hiring and managing staff, financial management, billing, and so on.
- Use an objective and expert instructor. The instructor could be a senior doctor who has studied the objective material, embraced it, and can deliver it comprehensively, or an external expert, as long as he or she does not have a conflicting agenda (i.e., does not make a living selling financial products or services). An MBA degree is not an automatic qualification for personal finance knowledge. In fact, most MBA programs focus on corporate skills, not personal finance.
- Use objective teaching materials. If an employee of your organization is handling the teaching, the materials should come from a credible source (i.e., borrowing

presentation slides from a financial advisor may not meet objectivity/credibility requirements).

- Deliver the course in a classroom setting, with all the seriousness, dedication, and professionalism you'd want to find in a great course on your favorite medical subject.
- Make attendance mandatory. This will ensure that students take the course seriously.
- Subsequent to the training, provide ongoing access to experts, so that questions can be answered in timely fashion. Questions and answers can be exchanged through e-mail correspondence with the instructor, or through participation in a blog that is committed to an educational experience.
- Courses may be delivered remotely by videoconference, although our experience has shown that face-to-face is the more compelling choice. Access to recorded videos allows students to review material at their convenience.

The ideal framework just described may be difficult to launch initially. Less ambitious implementations are better than nothing.

The teaching is especially effective when students have an opportunity to implement what they have learned quickly. I've had students who (immediately after our sessions) called insurance agents, financial advisors, and other experts, and finalized decisions they'd been putting off for months and even years, including securing life and disability insurance, making changes to investment portfolios, opening up retirement accounts, refining entrepreneurial business plans, making personnel changes at work, selecting group insurance policies, and tightening controls to thwart fraud. This real-world, hands-on dimension drives the messages home and converts class discussion into life-long wisdom.

CONCLUSION

Medical professionals should be properly equipped to make constructive financial decisions for themselves, their families, and their private practices. The best time to gain critical knowledge for decision-making is before such decisions become urgent. Money-related decisions are fundamental to our society. Financial literacy empowers doctors by giving them control over their financial assets and helping them to make proactive decisions about their financial futures. Proper financial literacy helps set up doctors for success.