Wealth preservation for Anesthesiologists

"Go confidently in the direction of your dreams. Live the life you have imagined."

—Henry David Thoreau

As a successful anesthesiologist, you are fortunate to have the means to achieve many of your life's goals. But for most of us, money can also be a source of stress when we've got more questions than answers about it. Anesthesiologists are extremely well-versed in caring for others. But what about taking good care of your own financial wellbeing?

In your profession, disciplined process, evidence-based expertise, and structured strategy have become the ingrained skills you and your colleagues depend on to inform the critical decisions you make every day. There are still no guarantees, but after years of education and decades of practice, you know how to give each patient their best odds for achieving a successful outcome with minimal pain.

Now, imagine what it would be like to bring this same approach to your financial wellbeing. Finding the optimal path here may not be as easy for you. After all, you've dedicated most of your life to protecting others, with little time left to develop the skills needed to accumulate, invest, and preserve the financial rewards you've earned during your stellar career.

Good news! As just described, you probably already have the mindset to make excellent decisions about your wealth. Now all you need is a collaborative partner:

- Someone with specialized experience to augment your own
- Someone whose interests align with yours toward a common goal
- Someone who will be there for you, upfront and ongoing

In short, you could use someone to help you ***invest in yourself***, not simply to amass more and more, but to achieve your very specific financial goals.

For example, you may long to enjoy a particular lifestyle in retirement. Or send your children and grandchildren to top universities. Maybe you dream of exploring the world or making a difference through charitable giving. Most of us have many financial goals—some short-term, some long-term, and some that reach beyond our lifetimes.

Regardless of your specific goals, this paper will provide you with a thoughtful, comprehensive process for accumulating—***and preserving***—the wealth you need to achieve all that is important to you.

You have worked hard for your money. How can you ensure it serves you well? Read on.

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Chapter 1

A comprehensive approach to an anesthesiologist's financial life

	Professional Adolescence	Professional Maturity	Full Financial Freedom
Target Ages	30 to 40	35 to 60	55 to 90
Milestones	Build financial foundations	Wealth accumulation and advanced planning	Wealth harvest and preservations

Fitting financial planning into a busy life

As you well know, you don't just wake up one morning and become an anesthesiologist. Like any medical career, it takes years of education, training, licensing, and certifications before you really hit your stride. Throughout, you lead a busy life, with multiple priorities and competing demands.

Then there's your money. At the end of the day, you are also often the chief financial officer for your family—or at least a co-CFO, sharing in the decisions that will determine your financial future.

Once again, there is a great deal to consider here. Because once you reach professional maturity (see table above), you can expect to reap substantial financial rewards. According to 2020 U.S. Labor Bureau statistics, the annual average wage for anesthesiologists during their career was $271,000. For those practicing in physician offices (which was a significant majority of you), it was a little higher, at $283,000.

As your career matures, you can probably expect your earnings to more closely resemble the data reported in a 2021 Medscape Anesthesiologist Compensation Report, where average annual compensation was reported as $378,000 per year (down from $398,000 in 2020, likely due to the COVID-19 pandemic). If you're a partner in a practice, there's also the possibility of an eventual sale of your ownership interest as you exit, potentially generating an even greater windfall.

To strike and manage a sensible balance between your assets, debts, spending, and preserving, you need what every successful CFO has:

- A sound understanding of your family's financial challenges and opportunities
- A comprehensive strategy for addressing both, through integrated investment management, financial planning, and advanced planning
- A dependable team to help you implement your strategy, and monitor your progress toward your various goals

Along the way, you've probably made some personal investments, and are contributing to a retirement plan. You may have created a will or trust (although it may have been a while). You might already have a life insurance policy or two tucked away somewhere. That's a good start. But without a comprehensive plan to guide the way, issues accumulate over time:

- Disjointed investments, disconnected from your financial goals
- Tax inefficiencies taking a toll on your net worth
- Missing or obsolete beneficiaries in your wills, insurance policies, and retirement plans
- Irrelevant estate plans
- Critical gaps or costly overlaps in your insurance coverage (esp. inadequate disability insurance, should an accident or illness derail your career)
- Delayed debt resolution (especially student loans) and haphazard budgeting

Eventually, it becomes harder to find your way toward full financial freedom—the kind you'll use to retire, or otherwise sustain your ideal lifestyle. And, while any windfall ownership profits along the way would likely be welcome news, you've still got to determine how, or if, your existing lifestyle may

change as a result, and how to restructure your wealth accordingly. Even when they're desirable, major life transitions can be surprisingly stressful on you and your family.

The retirement equation

Let's talk about retirement. Do you hope to retire on the early side, ease into it gradually, or remain fully employed for as long as you're able?

A 2017 analysis of when anesthesiologists retire found the mean age was 63.3. Reasons varied, but the most-often cited included the toll of being on-call, followed by insufficient personal or financial reward. Even those who continued to work past average retirement age often shifted to part-time employment about 40% of the time.

At the other end, Americans are generally living longer. By 2060, life expectancy is projected to increase by about six years, from 79.7 in 2017 to 85.6 in 2060[2].

In other words, even if you have a good, long runway during your mature career, it can still be daunting to accumulate enough wealth to enjoy decades of full financial freedom—especially if you happen to run up against one of the market's inevitable periodic downturns at just the wrong time.

Five major areas of financial concern

Retirement aside, even if you're *willing* to work longer, you may not be able to. There may be internal pressure in group practices, with preset mandatory retirement ages. Or your health may not hold out as hoped for. Or other unexpected curve balls may alter your plans.

The point is, there's no time like the present to plan for your ideal future, while allowing enough flexibility to roll with any punches or payouts. For many anesthesiologists and their families, five major areas of financial concern contribute to their wealth planning:

[2] https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1145.pdf

1

Preserving your wealth.

Your aim is to build an optimal investment portfolio consistent with your personal financial goals and risk tolerances and to create a tax-efficient strategy for creating the cash flow you need throughout your career and into retirement

2

Enhancing your wealth.

Your goal here is to balance your wealth preservation parameters with your need and/or desire to accumulate additional wealth by participating in the market's expected long-term premium returns.

3

Transferring your wealth.

This means finding and facilitating the most tax-efficient way to pass assets to heirs and beneficiaries in ways that meet your wishes.

4

Protecting your wealth.

This includes protecting your wealth against catastrophic loss, creditors, litigants, identity thieves, and similar threats. For anesthesiologists, this also includes preparing for any illnesses or accidents that could derail your highest income-earning years.

5

Giving your wealth away.

This encompasses all issues related to fulfilling your charitable goals in the most meaningful way possible.

None of these stands alone. Wealth protection, for example, is often intertwined with wealth transfer. And charitable giving often aligns with goals in the other areas.

For maximum effect, we need to manage each area individually, while actively considering how the others combine to form your overall financial picture. We call this **wealth management**. Compare it to patient care, where each member on a medical team contributes their specialized expertise to the united goal of overall health.

The wealth management approach

To further illustrate wealth management (WM), we refer to this formula[2]:

$$WM = IC + AP + RM$$

The first element of wealth management is **investment consulting (IC),** or managing your investments over time to help achieve your financial goals. Through investment consulting, we address the first key financial concern—wealth preservation.

Investment consulting requires us to first deeply understand your greatest financial goals. We then design your investment portfolio around them, incorporating your time horizons and risk tolerance. After that, we regularly review your portfolio in the context of your financial circumstances, so we can ensure your financial goals and personal investments remain aligned with your true intent.

The second element of wealth management, **advanced planning (AP)**, examines and manages all the interests beyond your investments. What else is essential to enjoying your best financial life? We place these interests into four major categories:

1. Wealth enhancement
2. Wealth transfer
3. Wealth protection
4. Charitable giving

These align with the four remaining key financial concerns we described above, giving us the opportunity to address them in a systematic, comprehensive manner.

Relationship management (RM) is the third element of wealth management. To effectively address your range of overlapping, frequently complex financial concerns, your wealth manager builds deep relationships among and across three groups.

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[2] John J. Bowen Jr. *Breaking Through: Building a World-Class Wealth Management Business.* 2013. http://www.cegworldwide.com/downloads/ebwp/eread/BT/CEG_Breaking_Through_ebook.pdf

The first and most obvious group is you and your family. Only by understanding everything that makes you tick can we help manage your needs effectively over time.

Second, because no one person can do it all, we maintain a select network of financial professionals we call in on a case-by-case basis to help address specific needs.

Finally, we work closely with your other professional advisors, such as your attorneys and accountants. This collaborative approach lets us leverage your existing relationships within their areas of expertise, while integrating their services with your total wealth interests.

Chapter 2

Removing the emotion and tuning out the noise

In this chapter, we'll go over the essential investment principles we recommend for building and preserving durable wealth. This involves earning the market's expected returns while managing the risks involved. Just as you do during a medical procedure, the trick is to:

- Maintain a clear focus on your desired outcome.
- Stick to rational, evidence-based protocols for achieving your goals.
- Learn how to ignore the misleading distractions.

On the surface, these steps may sound simple enough. And yet, far more investors fall short of them than achieve them. To understand why, let's first take a look at how NOT to invest.

When it comes to investing, there are distractions galore. We are inundated daily with information from every direction! As an investor who wants to make astute decisions about their portfolio, the sheer volume of financial data and commentary bombarding you can make it difficult—or even impossible—to sift out what is genuinely useful. There's just too much noise.

Unfortunately, it is easy to get caught up in all that noise. Instead of proceeding thoughtfully, we often base our financial decisions on emotion. We give more weight to information that validates our existing beliefs. We chase hot stocks and market sectors, while shunning undervalued investments poised to rise. We underestimate market risks, and then panic when they occur. These, and countless other behavioral biases trick investors into losing their way along the way.

To help you understand how emotion can lead you to investing mistakes,

let's look at what happens when you hear about a popular stock (or SPAC, cryptocurrency, IPO, hedge fund, or whatever is the popular and/or exclusive pitch of the day).

If you are like many investors, you may not buy into a popular run right away, especially if you've already had the unpleasant experience of losing money on an investment. Instead, you may decide to follow it for a while to see where it goes.

Sure enough, it starts to trend upward. What's your emotion then? Optimism. This might be a money-maker. If it continues its upward trend, more emotions kick in: greed, elation, and "FOMO" (or Fear of Missing Out). You decide to buy the stock that day.

You already know what often happens next. Shortly after you buy in, popular demand begins to wane, and the price starts to drop. You are flooded with new emotions: fear and regret. You are afraid you have made a mistake. You promise yourself: If the stock just goes back up to the price I paid, I will never make the same mistake again.

Now let's say the stock continues to drop. Yet another emotion—panic—takes over. You decide you no longer care about making money; you just want out. You sell the stock at a huge loss. What happens next? New information emerges and the stock surges once again. The cycle begins anew.

The emotional curve of investing

People may struggle to separate their emotions from their investment decisions. Following a reactive cycle of excessive optimism and fear may lead to poor decisions at the worst times.

In short, emotions are powerful forces that repeatedly cause you to do exactly the opposite of what you should do: You unintentionally end up buying high and selling low. Even if you get lucky when chasing after a popular trend or fleeing a scary one, a rollercoaster ride is no place for creating durable wealth. Not only can chasing past returns cause serious damage to your portfolio, it's impossible to align your haphazard trades with your carefully crafted financial goals. And that's not even considering all the pointless emotional energy you spend along the way.

Source: DFA

Fortunately, there is a much better approach. By consistently applying sound investing principles to your portfolio, you can more readily tune out the noise and reduce the emotional distractions. This is not unlike the approach you take during medical procedures, where rigorous processes and procedures help minimize potential missteps and misjudgments.

These same principles will empower you as you move toward achieving consistent, long-term wealth preservation. In particular, successful investing has a great deal to do with understanding how to participate in the market's expected long-term growth, while managing the related risks involved. We turn to this concept next.

Chapter 3

Four important lessons for balancing investment risks and expected returns

1.

If capital markets are to function, investors must be rewarded for taking systemic risks.

Whenever markets are volatile (which is more often than not!) it's tempting to say, *"It's too risky now. I'm going to wait until things are more certain before I invest."* Unfortunately for investors, that strategy not only creates extra stress, it often leaves your best available returns on the table.

Why? Systemic risks and reward are inextricably linked. Thus the adage: *no risk, no reward*. By "**systemic**," we mean risks that are baked into the very nature of investing, versus the risks you can (and should) avoid, simply by adhering to a sensible investment strategy. There's no expected reward for taking on ill-advised risks.

For example, in healthcare, aging is a systemic risk. While you're alive, there's no avoiding it. But you can manage, and hopefully improve on your lifespan by minimizing avoidable risks, such as smoking, or taking up tiger-taming as a hobby.

Likewise in investing, the key to long-term success is to manage the risks that offer an expected payoff, and avoid the ones that offer little or no expected reward in exchange.

Decades of academic inquiry informs us which inherent investments risks offer an expected payoff, and which are best avoided. In summary:

Skip avoidable risks with no expected return, such as:

- **Market timing:** Trying to dodge in and out of rising and falling markets in the emotional rollercoaster ride described above.
- **Stock-picking:** Trying to guess which specific securities are going to "win" and "lose" next.

Manage systemic risks with positive expected returns, as illustrated here:

Dimensions of Expected Returns

Expected returns are driven by prices investors pay and cash flows they expect to receive

DIMENSIONS POINT TO SYSTEMATIC DIFFERENCES IN EXPECTED RETURNS

EQUITIES

Market
Equity premium—stocks vs. bonds

Company Size
Size premium—small vs. large companies

Relative Price[1]
Value premium—value vs. growth companies

Profitability[2]
Profitability premium—high vs. low profitability companies

To be considered a dimension of expected return, a premium must be:

- Sensible
- Persistent
- Pervasive
- Robust
- Cost-effective

[1] Relative price as measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios.

[2] Profitability is a measure of current profitability, based on information from individual companies' income statements

Source: DFA

2.

The market is a discounting mechanism. Current risks are factored into expected returns.

But w*hy can*'t investors expect to regularly profit through clever stock picking or expert market timing? It's because there are market mechanisms in place that prevent these avoidable risks from offering an extra reward.

How so? Bottom line, current perceived risks are already reflected in stock prices. If you see a news story about an investment risk, so has "the market," which means the risk is already priced into any future trades. Therefore, odds are stacked against any attempts to consistently profit from breaking news.

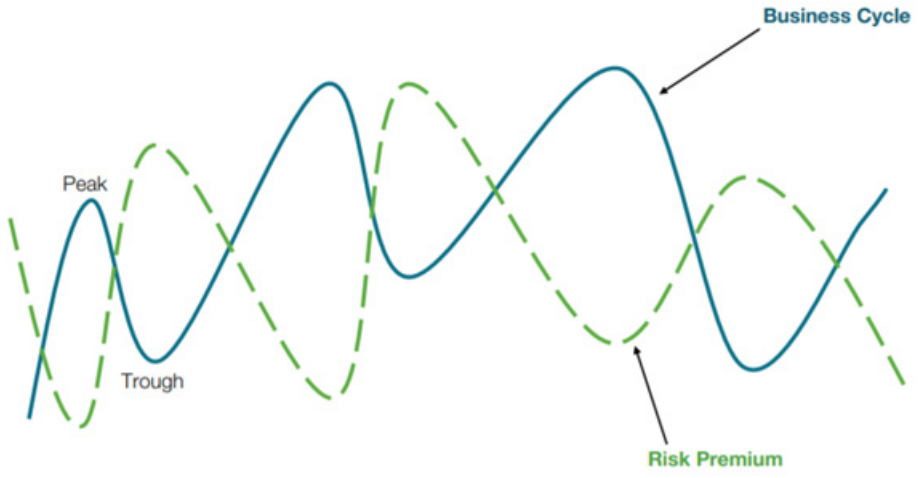
Instead, we suggest developing a long-term strategy based on your needs, diversified broadly (to manage the market's systemic risks), and rebalanced periodically to keep you on course toward your personal financial goals.

3.

Risk is higher and prices are lower during recessions.

Market risk premium is countercyclical

In the illustration below, the risk premium is the additional return an investor requires to compensate for any systemic risks borne. The business cycle is a repetitive cycle of economic expansion and contractions. The peak is the high point at the end of an economic expansion until the start of a contraction. And the trough is the transition point between economic recession and recovery.



Many investors assume that stock returns follow the business cycle. According to this view, the stock market would offer a higher expected return premium in a strong economy, and a lower premium in a weak economy. (The

“market premium” refers to the return of stocks over Treasury bills.)

In reality, the market premium tends to run counter to the business cycle, as shown in the illustration above. The premium is a function of how investors perceive their equity risk exposure relative to “risk-free” assets such as cash or T-bills. During recessions, as company earnings fall and investors become more risk averse, stock prices adjust downward, which raises future expected returns. The possibility of earning higher returns compensates investors for choosing stocks over cash.

Conversely, investors will accept a lower expected return when they regard stocks as less risky relative to cash (i.e., a lower market risk premium). This typically occurs when the economy is expanding and the outlook for company earnings is strong. As more investors choose to hold stocks, market competition drives up stock prices relative to company performance, which reduces future expected returns.

We advise against attempting to time the business cycle. We can only see these economic cycles in hindsight, while stock prices reflect the market’s view of future expected performance. As new information becomes public, stock prices adjust to provide equity investors an expected return that matches perceived risk. Investors are best served by diversifying across many stocks, maintaining a long-term perspective, and applying discipline throughout and across various business cycles.

This is a critical concept. When everyone is negative—when the news is negative and when things just seem awful economically—stocks offer their highest future expected returns. This brings us to our final point....

4.

The future expected return of risky assets should be higher during market downturns.

Fast-rising markets offer their own sets of challenges, tempting investors to chase after random high-fliers instead of sticking to their disciplined plans.

That said, market downturns arguably test investors' mettle the most.

These markets are also where the biggest advantage of adhering to an evidence-based investment strategy often shines. Consider this anecdote from Dimensional Fund Advisors' Executive Chairman David Booth, as he reflects on the timeless lessons he's learned over the past four decades in finance:

> "It can be difficult to stay the investment course during periods of extreme market volatility. At the end of March 2020, the S&P 500 was down nearly 20% for the year. Record amounts of money exited from equity mutual funds and went into money market accounts. Those investors who stayed out of the equity market missed out on the subsequent 56% gain in the S&P 500 over the next 12 months. We will all remember 2020 for the rest of our lives. It serves as an example of how important it is to maintain discipline and stick to your plan."
>
> *-David Booth*

So, the next logical question goes something like this: "I now know to sit tight through volatile markets, and to use global diversification to manage my risks, expected returns, and portfolio volatility. How do I apply these broad strokes to create and sustain my ideal investment portfolio? "

We'll take a look at that next.

Chapter 4

Success drivers for preserving your wealth

If you examine your own life, you may find it is often your simpler, steadier good habits that lead to the best outcomes.

Successful wealth preservation is no different. However, as we have just seen, it is easy to be sidetracked by complex daily distractions that are more likely to derail your financial journey than speed you on your way.

Threaded together, they connect you to one of investment's (if not life's) greatest insights. *The Wall Street Journal* financial columnist Jason Zweig said it well when he observed:

> "Successful investing is about controlling the controllable. You can't control what the market does, but you can control what you do in response. In the long run, your returns depend less on whether you pick good investments than on whether you are a good investor."
>
> *-Jason Zweig*

This insight is so important, Zweig gave it top billing in his personal website's Statement of Principles.

So, what makes you a "good investor"? As Zweig suggests, it's about embracing the best investment practices that are ***within your control***—such as aligning your investment portfolio with your personal financial goals, minimizing unnecessary investment expenses, and sticking to your personalized plan over time. In so doing, it becomes easier to see past all the pointless daily noise, to the market's more timeless ability to generate lasting wealth.

To stay on track, consider the following best practices as you make your decisions. Alone, each is a pearl of investing wisdom. We advise establishing six good habits to guide your investment decisions:

1. Create a Road Map

By clarifying your big milestones and investment goals, you will be ready to close the gap between where you are now and where you want to go.

Only by knowing exactly where you are now and where you want to be in the future can you identify what you need to get you there.

Start by assessing your current situation. Determine your net worth, your investable assets, and any other financial resources you may have. Next, clearly define your investment goals. These could include college expenses, retirement, travel plans, and so forth. Specify what you will need and when you will need it.

With these issues clarified, you will be ready to address the gap that exists between where you are now and where you want to go.

This straightforward step is a critical part of any planning process. We recently helped a late-career anesthesiologist and his wife clarify their retirement goals in terms of income and lifestyle. Then we were able to create a checklist of issues that needed to be addressed between where they were currently and the anesthesiologist's retirement in five years. This process brought their thinking into focus and helped them prepare psychologically for the new life stage of retirement.

Determine how much of your income you can put toward your goals. Estimate the rate of return you will need to achieve on your investments to reach those goals. Consider how much risk you are willing to take and align your strategy accordingly. Select the investment vehicles you will employ to build your globally diversified portfolio as described above. Then, implement your plan.

2. Leverage Diversification to Manage Risk

There is a rule in real estate that the three most important things are location, location, location. My rule in investments is that the three most important things are diversify, diversify, diversify." — Nobel Laureate and Economist William Sharpe [source]

Some investors tie up too much investment capital in a single position, such as their employer's stock or an inherited security. Even though they understand they are probably taking on too much risk, they don't do anything about it. They justify holding it out of loyalty, or because of the large capital gains tax they would incur if they sold. Or they imagine the company's stock is about to take off. Often, investors develop a false sense of comfort—"familiarity bias"—mistakenly believing the stock could never let them down. Until it does.

Others understand the basic concept of diversification: Don't put all your eggs in one basket. That's a simplistic view, however, which can entrap you if you misinterpret what it really means. Many investors believe that they have effectively diversified because they hold a number of different stocks or stock funds. But often, their many investments share similar risk factors, such as belonging to the same industry or asset class. They'll be in for an emotional roller-coaster ride when the similarities all rise and fall in tandem.

Truly diversified investors—those who invest across a number of different asset classes— can lower their risk without necessarily sacrificing expected returns. Recognizing it's impossible to be certain which asset classes will perform best in coming years, diversified investors take a balanced approach and stick with it over time and market "moods."

3. Seek Lower Volatility to Enhance Returns

Basic math informs us, when all else is equal between two portfolios, the one with lower volatility will offer a higher compound return, and a less stressful investing.

If you have two portfolios with the same average or arithmetic return, the one with less volatility will have a greater expected compound rate of return. That's why you want to design your portfolio with no more volatility than you need to pursue your financial goals.

Why is this the case? Assume you are considering two mutual funds. Suppose both had the same average arithmetic rate of return of 8 percent over the past five years.

You might expect both to have the same ending wealth value. However, this would be true only if both had the same degree of volatility. If one fund was more volatile than the other, the compound returns and ending values would be different. This illustrates the mathematical fact that, all else equal, lower volatility offers higher compound returns.

You can see in the chart below how this works. Here, two comparable investments have the same arithmetic rate of return, but very different ending values because of differing volatility.

Less Volatility = Greater Wealth

The Impact of Volatility

Impact on a Hypothetical $100,000 Portfolio

	Year 1 Return	Year 2 Return	Average Return	Compound Return	Value at End of Year 2
Portfolio 1	50%	-50%	0%	-13.4%	$75,000
Portfolio 2	10%	-10%	0%	-0.5%	$99,000

4. Diversify Globally to Enhance Returns and Reduce Risk

While the U.S. financial market is the largest in the world, it still represents less than half of the total investable capital market worldwide.

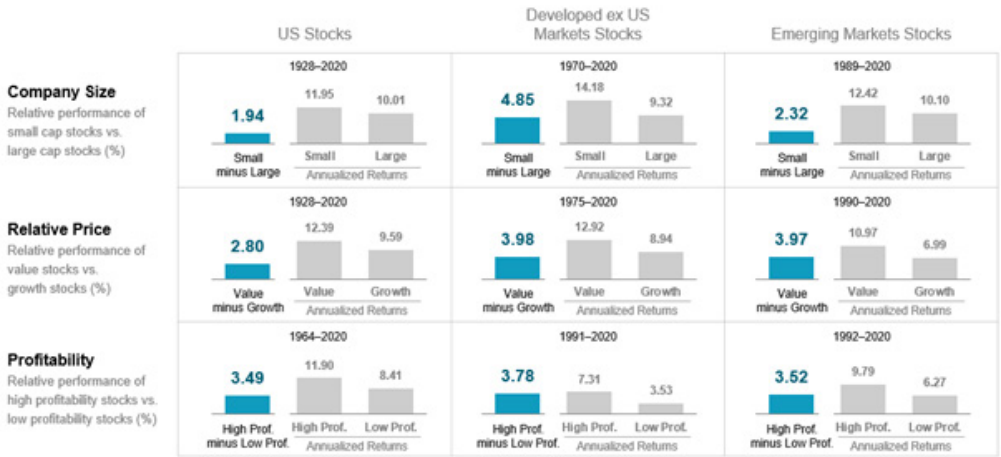
Investors in the U.S. tend to favor U.S.-based stocks and bonds. In fact, investors around the globe usually prefer their own country's holdings. This is called "home bias." Most of us are simply more comfortable keeping our investments closer to home.

Global diversification is the antidote to home bias. While individual stocks exhibiting similar risks have the same expected rate of return, they do not necessarily get there in the same manner or at the same time. Since American and international equity markets do not always move in tandem, investing across both increases diversification.

In short, global diversification increases your exposure to additional opportunities to grow and manage your wealth, while reducing your portfolio's overall risk. The chart below illustrates the rich range of returns and potential benefits found around the world.

Dimensions of Expected Returns

Historical premiums and returns (annualized): US, Developed ex US, and Emerging Markets



Information provided by Dimensional Fund Advisors LP. Past performance is no guarantee of future results. Actual returns may be lower. In USD. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. MSCI indices are gross div. For US stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional US Small Cap Index minus the S&P 500 Index. Value minus Growth: Fama/French US Value Research Index minus the Fama/French US Growth Research Index. High Prof minus Low Prof: Fama/French US High Profitability Index minus the Fama/French US Low Profitability Index. For developed ex US stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional International Small Cap Index minus the MSCI World ex USA Index. Value minus Growth: Fama/French International Value Index minus the Fama/French International Growth Index. High Prof minus Low Prof: Fama/French International High Profitability Index minus the Fama/French International Low Profitability Index. For Emerging Markets stocks, indices are used as follows. Small Cap minus Large Cap: Dimensional Emerging Markets Small Cap Index minus MSCI Emerging Markets Index. Value minus Growth: Fama/French Emerging Markets Value Index minus Fama/French Emerging Markets Growth Index. High Prof minus Low Prof: Fama/French Emerging Markets High Profitability Index minus the Fama/French Emerging Markets Low Profitability Index. S&P and S&P/TSX data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. MSCI data © MSCI 2021, all rights reserved. See "Index Descriptions" in the appendix for descriptions of Dimensional and Fama/French index data.

5. Identify a Traveling Companion

"We don't expect people to fly their own airplanes or take out their kids' appendixes, and yet we expect them to manage their retirement portfolios. In my careers I've done all three, and investing is by far the hardest." – William Bernstein, MD, PhD

Building your financial road map may sound daunting. No wonder many busy, thriving medical professionals turn to a financial advisor to assist. In fact, closely examining your current situation and creating a detailed investment plan should be the first steps any financial advisor takes in working with you.

Regardless of whether you create your road map yourself or consult with a financial advisor to assist, it will serve as a steady reminder of your goals and the clear-eyed decisions you have made to move toward your goals. Especially during times of market tumult, when emotions are running high, this will help you maintain your deliberate approach.

If you choose to work with a financial advisor, consider a wealth manager who can assist you with your financial concerns beyond simply investments. In the next section, we will look at questions to ask prospective advisors, so you can make an informed decision.

6. Track Your Progress

Review your progress at least annually to determine whether you are still on track, or you need to make any adjustments in response to personal or market-driven changes.

To check your progress, you (or your advisor) should ask and answer these questions:

Have there been significant changes in your life since the last progress report, and/or do you expect any soon?

Examples include family events such as a marriage, divorce, births, or deaths; career events such as a graduation,

job change, or retirement; and financial events such as receiving an inheritance, updating your estate plans, or changing insurance coverage. These and other events may warrant adjustments to your investment plan to reflect your evolving financial goals.

How has your investment portfolio performed compared to appropriate market benchmarks?

While you do want to track your portfolio's ongoing performance, be careful to avoid making apples-to-oranges comparison. For example, if your portfolio is half bonds, half stocks, it is not expected to deliver the same returns as an all-stock portfolio would. But you've diversified for a reason! Gauge performance against the various benchmarks that apply to the asset classes in your portfolio. The performance of large-company U.S. stocks or stock funds, for example, might be measured against the S&P 500 Index.

How has your investment portfolio performed compared to your personal financial goal?

In other words, has your portfolio performance met its expected rate of return? Your financial road map or investment plan should state the expected rate of return for your mix of investments. Compare this with the actual rate of return achieved by the portfolio.

What accounts for the portfolio's performance?

If your portfolio's performance is not matching your expectations, find out why. It could be caused by short-term market fluctuations, in which case patience and discipline remain your guides. On the other hand, if your personal circumstances have changed, or your portfolio is haphazardly constructed with no clear plan in place, it could signal a need to change course.

What changes, if any, should be made in the portfolio?

Again, while we believe a patient, long-term outlook is important to investing success, there are also instances in which a change of course is indicated.

Are the asset allocations in your portfolio no longer aligned with the percentages prescribed in your investment plan?
If not, it may be time to rebalance them back to plan.

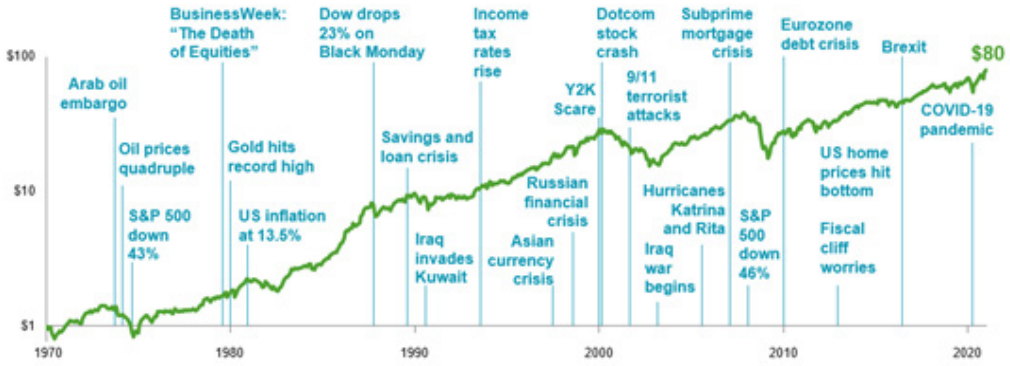
Are your most tax-*inefficient* holdings located in your tax-sheltered accounts?
If not, you may want to work on your asset locations.

Have your circumstances changed, warranting a second look at how much investment risk you want or need to accept?
If so, you may want to revise your asset allocations.

By addressing each of these questions, your regular progress report and a reputable advisor's feedback become among your most important tools for making disciplined, unemotional decisions about your investments. Make adjustments when warranted, but stay the course through the market's near-term fluctuations (which otherwise often lead people astray). As shown in the graph below, markets have rewarded discipline with long-term growth. A disciplined investor looks beyond the concerns of today to the long-term growth potential of markets.

Markets Have Rewarded Discipline

Growth of a dollar—MSCI World Index (net dividends), 1970–2020



In US dollars. MSCI data © MSCI 2020, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results.

Chapter 5

Go confidently forward

As we discussed at the beginning of this guide, a comprehensive approach to your financial life requires wealth management. This means more than just preserving your wealth by taking care of your investments. It also means addressing your advanced planning needs, including:

- Wealth enhancement
- Wealth transfer
- Wealth protection
- Charitable giving

In addition, should you choose to work with a financial advisor or wealth manager, they should do two key things: (1) use a planning process, and (2) provide access to a network of professionals.

The importance of process

While the structure of your investment portfolio is important, the process you use to manage and plan your financial life is just as critical. Without the right process to provide a framework for financial decision-making, even the best investment solutions can fall short.

Why? In short, a lack of process leads to having a portfolio that's a hodgepodge of investments, cobbled together from cocktail party tips and the "recommendations of the day" gleaned from CNBC and other financial media. Such a portfolio has no underlying rationale. And that makes it all too easy to make big mistakes—such as engaging in market timing—that can derail their financial stability, security, and ability to weather unexpected life events.

Think back to first quarter 2020, when the pandemic first gripped the world and markets responded to the fear and uncertainty about what lay ahead.

As we know in hindsight, the market plummeted precipitously in February/March, only to stage a surprisingly rapid recovery for the remainder of the year, and beyond. But at the time, even though nobody knew what would come next, there was no shortage of opinions about what to do with your money.

In that highly uncertain environment, many investors who lacked a defined process to guide their decisions ended up changing their investment strategies in a panic. For example, by selling stocks and loading up on cash at exactly the wrong time, many investors missed out on the robust stock market gains that followed.

In stark contrast, investors who had a defined process for managing their wealth were much more likely to have maintained their discipline and remain well-positioned for the impressive future growth that followed.

Our planning process

Our planning process usually unfolds over a series of meetings as depicted here:

Your professional network

Just as no one doctor can know all the possible ailments and treatments for a patient, no single wealth manager can have all the skills and experience needed to address the entire range of advanced planning needs. To provide clients with the required knowledge and experience, we work with networks of carefully selected financial professionals.

Typically, a wealth manager at Modera will create a core network of professionals:

- A **private client lawyer or attorney** who is skilled in estate planning, wealth protection, succession planning, and charitable giving programs
- An **accountant**, who will prepare your income tax returns and be proactive with income tax planning.
- One or more **insurance specialists**, who can help mitigate your greatest risks as a medical professional; provide gap funding where needed (such as during wealth transfer); and leverage a gamut of available insurance options for strengthening your financial stability.

These can be relationships you've already developed, or our own alliances, whichever you prefer. To address additional challenges as needed, we can also bring in additional professionals such as credit specialists, corporate tax lawyers, actuaries, derivatives specialists, and securities lawyers, to name a few.

Questions to ask financial advisors

When shopping around for an advisor, put candidates to the test by asking questions:

Will our relationship be fiduciary at all times (and will you put that in writing)?
Independent Registered Investment Advisor firms must be a fiduciary advisor across their entire relationship with you, always placing your highest financial interests ahead of any other incentives they may have. These days, other intermediaries—such as agents, bankers, broker/dealers, or "dually registered" advisors (who wear multiple hats)—may tell you their advice is

fiduciary. But they have more leniency to disclose and engage in conflicts of interest across portions of their relationship with you. Caveat emptor.
How are you paid, and what are all the costs involved in working with you? Seek a fee-only advisor who charges a transparent fee for the fiduciary advice they provide, and receives no other compensation from any other sources. While no relationship is entirely conflict-free, we believe fee-only arrangements best align your advisor's financial incentives with your own. Typical annual fees should not exceed 1% of the managed assets. (For example, fees for managing a $1 million portfolio shouldn't exceed $10,000 annually.)

What are your qualifications?
Look for credentials that reflect ongoing educational and practical knowledge and experience. Noteworthy credentials include designations such as the CFP® for financial planning, the CFA® for financial analysis, or the CPA for accounting; as well as academic degrees such as an MBA or PhD.

How many clients do you have like me in terms of asset totals, life situations and goals?
Advisors tend to segment clients into groups of people with common traits. You want to be in the group that comprises the majority of the advisor's clients. You don't want to be a one-off, because you don't want to be paying an advisor to learn on the job how to best serve someone like you.

Where do you want to take your firm down the road?
Is the firm planning to morph from a boutique operation to a mega-firm where you become more of a number than a name? Or might they be scaling down as founding partners slide into retirement? We suggest seeking an independent firm dedicated to addressing your long-term financial interests through measured growth and thoughtful succession plans.

What is your process for bringing new clients on board?
If there is no structured process, this is a problem. Your advisor should have a clear plan in place to facilitate getting to know you, and learning about your assets, goals, and risk tolerance. A desirable onboarding process might involve an extensive interview, a written questionnaire, or both.

Chapter 6

Why we specialize in serving anesthesiologists

As an anesthesiologist, you are used to tending to both the granular details, as well as the broader contributions you make to your patients' medical care. For good reason: Your patients' health depends on both.

That's how we operate, too; maintaining an intense focus on the intricacies, as well as a far-reaching, big-picture view of your financial well-being.

We feel this level of fiduciary attention we bring to each client relationship makes us a particularly good fit for anesthesiologists. As a career, your livelihood is relatively stable. For example, while the COVID-19 pandemic impacted your profession, it did not bring it to a grinding halt as it did to many others.

Anesthesiology also offers a relatively satisfying source of income for funding your lifetime goals. However, while you have the ***means*** to achieve financial freedom, it takes the right ***methods*** as well. These include ample time, an abiding interest in effectively managing your wealth, and the skillsets required to do so.

Chances are, your career leaves you in short supply on these additional requirements. So, that's where we come in. First, we'll help you define what financial independence looks like for you. Then, we'll align your wealth with your personalized vision—and keep it aligned over time.

Like you, we employ an evidence-based and process-driven approach to our profession, specifically managing wealth. We also cultivate and foster decades-long relationships. This allows us to get to know you well, assist with your heavy lifting over time, and ensure your plans remain responsive to your evolving wants and needs.

How else can Modera help you make the most of your wealth?

Those who become Modera clients have chosen what we believe we uniquely offer: compassionate, caring, customized, fee-only financial guidance. That's what you'll discover at the heart of our relationship with you.

Get in touch with us today.

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