

7 Money Mistakes Every Physician Should Avoid

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Dear Physician,

My name is Darren St-Georges and I'm the owner of The St-Georges Group and Senior Wealth Advisor at Assante Capital Management Ltd. in Montreal. We work with physicians throughout the provinces of Quebec and Ontario.

I'm honored that you've downloaded this guide, and I hope you find it helpful. To give you some context about why I created this, here is some information about me. ...

I've been a wealth advisor for 13 years and have nearly 20 years of experience in the industry. My team's specialties include tax and planning, customized insurance solutions and optimizing medical corporation's investments and taxation. I love working with physicians because there are many interesting and creative strategies available to explore and therefore always offer interesting challenges to tackle.



Interesting story. ... I'm the second generation owner of this business but spent my twenties running away from it! I really didn't like a lot of what I was seeing in the industry, so I took many detours during the 2000s, going as far as living in Australia for four years doing a PhD (more on that another time) and working for a startup. While I was away, I matured and developed an appreciation for the important work my parents were doing for their clients – many of whom have become family friends – and that working in this industry and staying true to my values did not need to be incompatible.

Delivering true advice in this industry is not a one person show. It requires a team of qualified professionals, which is why I have surrounded myself with an outstanding supporting cast. We have financial planners, tax accountants, tax lawyers, estate lawyers & notaries, certified financial analysts (CFAs) and insurance & estate professionals to support our clients for all their needs. I also have an extensive network that clients can leverage should the need arise, be it for financing, purchasing a second property, or organizing help for an aging parent.

My investment philosophy is simple: it should be informed by a financial plan outlining what we are setting out to achieve; it should follow a rigorous process; it should be mindful of tax consequences; and should provide steady and reliable rates of return over time. It is effective, it is predictable, and I find it serves physicians exceptionally well.

I would love to hear from you to learn more about you. Please don't hesitate to reach out to me by calling me at **514-832-5112**, emailing me at dstgeorges@assante.com, or setting an appointment using the link below.

Thank you again for downloading this. I appreciate you.

Darren St-Georges

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MISTAKE 1

Failing to Plan



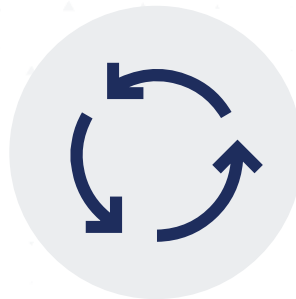
He who fails to plan is planning to fail.

Winston Churchill

A 2022 survey from TD Wealth (1) found that one of the biggest money regrets among investors is not investing sooner. A whopping 58% regret not investing earlier in life and an equally staggering 56% say they need to reconsider their investing plans.

I've found that many people don't have a plan because they procrastinate, and they procrastinate because they don't have a plan. It's a vicious cycle. If you're in it, you should break it as soon as you can.

**Failing to plan
due to
procrastination**



**Procrastinating
because you don't
have a plan**

CASE STUDY

Early in my career I met a couple in their early-50s with a level of wealth they felt confident in. Upon running what we call a “snapshot” for them, their world came crashing down as they confronted the cash crunch they would face in their later years. Thankfully they took the warning seriously and had (barely) enough working years to adjust based on our recommendations. To this day they tell me this was a life altering intervention. They then sat me down with their children for a finance 101 session to drill some smart money ideas into them. Top of mind: start saving early.

MISTAKE 2

Thinking A Financial Plan Is Solely About Investing

A big misconception about financial planning is that it's all about investing. Don't get me wrong, investing is a large part of financial planning. Still, there are many other parts, such as:

- 💰 **Goal identification.** This includes short, medium, and long-term goals. A good financial advisor can help you assign a dollar figure and a target date to your goals.
- 💰 **Budget and cash flow planning.** In 2021, Debt.com surveyed 1,000 Americans and found that 80% were budgeting. Out of the budgeters, only 4% were using a financial advisor to budget (2). I believe part of this is due to people not realizing that advisors can help them create and stick to a budget.
- 💰 **Debt management.** A solid financial plan includes how you will tackle any debt you have. For example, you may make different decisions based on the type of debt you have, such as credit card debt vs. low-interest mortgage debt.
- 💰 **Retirement planning.** Financial advisors are typically “numbers” people, who love creating spreadsheets and inputting numbers into retirement savings calculators.
- 💰 **Insurance coverage.** Insurance is an important part of protecting your financial downside, and can include health insurance, disability insurance, auto insurance, home insurance, renter's insurance, life insurance, and more.
- 💰 **Charitable giving.** Your financial plan should include your philanthropy and legacy wishes. A financial advisor can help you maximize your gifts with tailored recommendations based on your situation.
- 💰 **Estate planning.** This includes creating a will, which outlines your final wishes with regards to your assets, dependents, and who you want to administer your estate. It also includes keeping your beneficiaries up to date and establishing powers of attorney in case you become incapacitated.

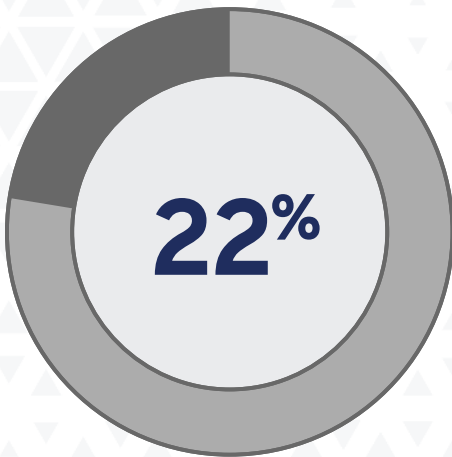
Feeling overwhelmed yet? And that's merely the tip of the iceberg. As a physician, you also have to consider your corporate structure and how it connects to your personal circumstances and if it makes sense to create your own personal pension plan.

CASE STUDY

Most physicians are aware of the immense benefits that come with incorporating their medical practice. However, the act of setting up the structure is just the beginning. In one specific instance during a discovery meeting, we identified an Individual Pension Plan (IPP, or you may have also heard of a Personal Pension Plan; or PPP) as a keystone strategy that should be implemented. The problem: we realized that they were paying themselves overwhelmingly through dividends instead of salary. I will spare you the technical details, but this strategy requires employment income (or in our jargon, T4 income). We therefore needed to park that strategy and as the saying goes, “time is money”. The key takeaway: make sure that you are properly advised on the strategies that are available to you and your specific circumstances.

MISTAKE 3

Not Communicating With Their Partners About Money



According to a survey of 191 Certified Divorce Financial Analyst® professionals, 22% of divorces are caused by “money issues” (3). If you have a spouse or partner, it is critical that he/she is involved in your financial picture.

I am interested in long-term working relationships with my clients, which means it’s imperative for me to know them better to make sure the financial plan reflects the reality of the household.

I understand that most relationships have one person who handles money more than the other. Still, both partners are decision makers. Their questions and tastes should be reflected in the financial plan. For example, one partner may dream of traveling the world while another spouse imagines buying a log cabin in the woods. One partner may have an aggressive risk tolerance (more on that later) while the other finds it difficult to stomach market volatility.

Financial advisors have the benefit of working with many different couples, which gives them insight on what works and what doesn’t.

CASE STUDY

Many families today are blended families and while harmony often prevails, discussions about estate planning can raise some tough questions. Consider a family where each partner has children from a previous relationship, 1 and 3 respectively; they have no children together. Each partner brought their own wealth into this relationship and while they share their wealth, they may have specific and not entirely compatible wishes with respect to how their assets will flow to the next generation. Will it go to all four kids equally? Will certain assets be earmarked from one in particular? Thorny issues yes, but a good understanding of the family dynamics coupled with some creative planning can make this manageable and reduce the chances of friction between the surviving children.

MISTAKE 4

Trying to Time The Market

There's a saying in the personal finance world that "time in the market beats timing the market". Yet, that doesn't stop people from trying to jump in and out of their investments at perfect times. When the market is at all-time highs, people may say they're waiting for it to cool off. When the market is in a correction (defined as a drop of at least 10% from recent highs) or a bear market (a drop of 20% or more from recent highs), people may say they're waiting for things to get better. Surely you can see the problem here.

Research from Charles Schwab (4) analyzed various market-timing strategies to see how they might have worked in the past. As always, past performance is no indication of future results, but here's what history tells us.

Schwab researched the performance of a few hypothetical long-term investors following different investment strategies. Each investor received \$2,000 at the beginning of every year for the 20 years ending in 2022 and put the money in the stock market, as represented by the S&P 500® Index.

The first investor had perfect timing. He was able to invest his \$2,000 at the lowest point of each year. For instance, instead of putting his money to work immediately at the start of 2003, he waited and invested on March 11, 2003 – that year's lowest closing level for the S&P 500. His next investment was on August 12, 2004, the lowest closing level for the market in 2004. He continued this perfect investment strategy until 2022.

The second investor invested her money on the first trading day of every year. She didn't wait, and didn't use a complicated strategy. As soon as the market opened in a given year, she put her money to work.

The third investor was similar to the second, except that he invested his money on a monthly basis. He divided his \$2,000 into twelve equal portions, which he invested at the start of each month. This is known as "dollar cost averaging". You may already be doing it with your savings.

The fourth investor had the worst market timing. She invested her money each year at the market's highest point. Her first investment was on December 31, 2003 – the year's highest closing level. The following year, she invested her \$2,000 again at the peak that year, Dec 30, 2004. She continued this terrible market timing all the way through 2022.

Market-Timing Strategies

Perfect Timing

Invest at the lowest point of each year



\$138,044

Yearly

Invest on the first trading day of every year



\$127,506

Monthly

Invest on a monthly basis



\$124,248

Worst Timing

Invest at the highest point each year



\$112,292

So, what are the results?

Well, it shouldn't be a surprise that the perfect market timer had the best results. He ended up with \$138,044. You might be thinking, "Wait, I thought you were telling me not to time the market."

I am. Take a second to think how someone might perfectly time the market. Maybe that person has a crystal ball. Perhaps financial news channels blare all day, every day in the background of that person's home. Imagine the time and sheer luck required to pull off such a feat. I'm sure you have more important things to do with your time. Especially when you consider the rest of the results.

The second investor, who invested her money immediately, ended up with \$127,506.

The third investor, who made monthly investments, ended up with \$124,248.

The fourth investor, with the worst marketing timing possible, ended up \$112,292. Again, past performance is no indicator of future results, but our terrible market timer still ended up with nearly three times what she would have if she hadn't invested in the market at all.

Besides, it's my belief that a financial advisor should guide you through market highs and lows to help you stay the course. Every minute you're not worried about timing the market is another minute you can use to enjoy life.

MISTAKE 5

Not Knowing Their Risk Tolerance

This is another area where good financial advisors can pay for themselves. It's also an area in which do-it-yourself investors struggle because they lack an objective third-party's perspective.

Risk tolerance is an investor's ability to withstand losses in an investment portfolio. In other words, it's how comfortable you will be maintaining your positions when they decline.

Why is this important?

It's important because it helps you grow your money while being able to sleep soundly at night. An objective third-party can ask you some questions to unearth your risk tolerance and make tailored recommendations based on your answers. This one move could prevent you from making catastrophic mistakes.

Many of our clients have been with us long enough to have been through the financial crisis of 2007-2008. Many were talked off the ledge several times and stayed the course. Today we look back not only at the life-altering wealth that has been created since, but also the irrecoverable losses that could have been had they let their emotions hijack them.

This drives home the point of a study called the Vanguard Alpha Study, which shows the alpha (or, added value) of working with an advisor. They peg this number at around 3%, and most of that comes not from investment selections but from, you guessed it, behavioural coaching.

Have a look at this...



No advice



3-4 years of advice

1.58x



7-14 years of advice

1.99x



15+ years of advice

2.73x



Risk tolerance is an investor's ability to withstand losses in an investment portfolio. In other words, it's how comfortable you will be maintaining your positions when they decline.

MISTAKE 6

Keeping Up With The Joneses

Have you ever heard the phrase “keeping up with the Joneses”?

The stereotypical Jones family has a picture-perfect house with a wonderful yard and couple of luxury vehicles in the driveway. They always have the latest gadgets and go on Instagram-worthy vacations. How can they afford all that?

They can't. They're broke.

In their 2020 Affordability Index Study by BDO found that 66% of survey respondents could not keep up with their debt payments or needed to make sacrifices in order to do so. This tells me that the overwhelming majority of people cannot truly afford the cars they drive and the homes in which they live.

I love this quote:



Comparison is the thief of joy.

Teddy Roosevelt



Don't compare yourself to other people if you don't know their entire financial picture. The person you see driving a new Mercedes could be drowning in debt. True wealth is invisible, and you can't show off your brokerage and bank statements at a stoplight.

MISTAKE 7

Not Getting Help

Picture two people in a gym preparing for a workout. One person has never been to a gym before and doesn't know how to use the weights, machines, or cardio equipment. The other person is a champion bodybuilder.

BOTH of these people can benefit from a personal trainer.

The same is true in financial planning. I may be biased, but I think both inexperienced and veteran investors alike can benefit from a fresh pair of eyes. The benefit is obvious for people who are unsure what to do, but more subtle for do-it-yourself investors. Because even though DIYers may know what they're doing, that's not a reason to avoid seeking help. Based upon that logic, one could ponder why Tiger Woods has a swing coach or why Tom Brady has a throwing coach.

And in addition to the “I can do it myself” myth, there are several myths people believe that keep them from seeking help

- \$ Financial advisors are only for rich people.** Not true! While we do work with many wealthy families and individuals, very few of them came from wealth. We all have to start somewhere, and an advisor is of immeasurable help.
- \$ Working with a financial advisor is too intimidating.** OK sure, some can (deliberately) be, but it's not my style. I pride myself on being approachable and always remind my clients that I operate in “a judgment-free zone”.
- \$ A financial advisor will put all my money in stocks and that's too risky.** A good advisor who has got your back will take the time to figure out what works for you and what doesn't.
- \$ I should work with a local financial advisor.** Why? If the pandemic has taught us anything it's that we are no longer bound by the constraints of geography. Take the best option available to you.
- \$ Financial advisors are too expensive.** Don't confuse the price of a service and the cost of not using a service. As mentioned in mistake #5, a good advisor can add up to 3% of value. As the saying goes, if you think it's expensive to hire a professional, wait until you hire an amateur!
- \$ Hiring a financial advisor means I have to give up control.** While you should relish the idea of delegating to a qualified professional, that doesn't mean that you are giving them carte blanche to do as they please. Your input is paramount to helping your advisor get the best possible outcome for you.
- \$ All financial advisors are created equal.** As a physician, there is immeasurable value to working with an advisory team that is used to working with physicians. The number of times that new clients have told me “I didn't know this type of service even existed”.

BONUS: Questions to Ask Before You Hire a Financial Advisor

By now, I hope I've made it obvious that I am a financial advisor who works specifically with physicians. I would be honored to take the time to speak with you and learn more about your situation. If you would like to schedule an appointment, please use my scheduling link pasted right below.

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I want to help you on your journey to hiring a financial advisor, even if it isn't me. So, here is a list of questions you can use to ask during your search:

- 💰 How do you get paid?
- 💰 What is your investment philosophy?
- 💰 Who is your typical client?
- 💰 Do you work alone or with a team?
- 💰 How would we work together?
- 💰 How would you communicate with me?
- 💰 What services do you provide?
- 💰 What's important to you?

Sources

1. <https://www.wealthprofessional.ca/news/industry-news/younger-canadians-are-concerned-about-rising-living-costs/365961>
2. <https://www.debt.com/research/best-way-to-budget/>
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