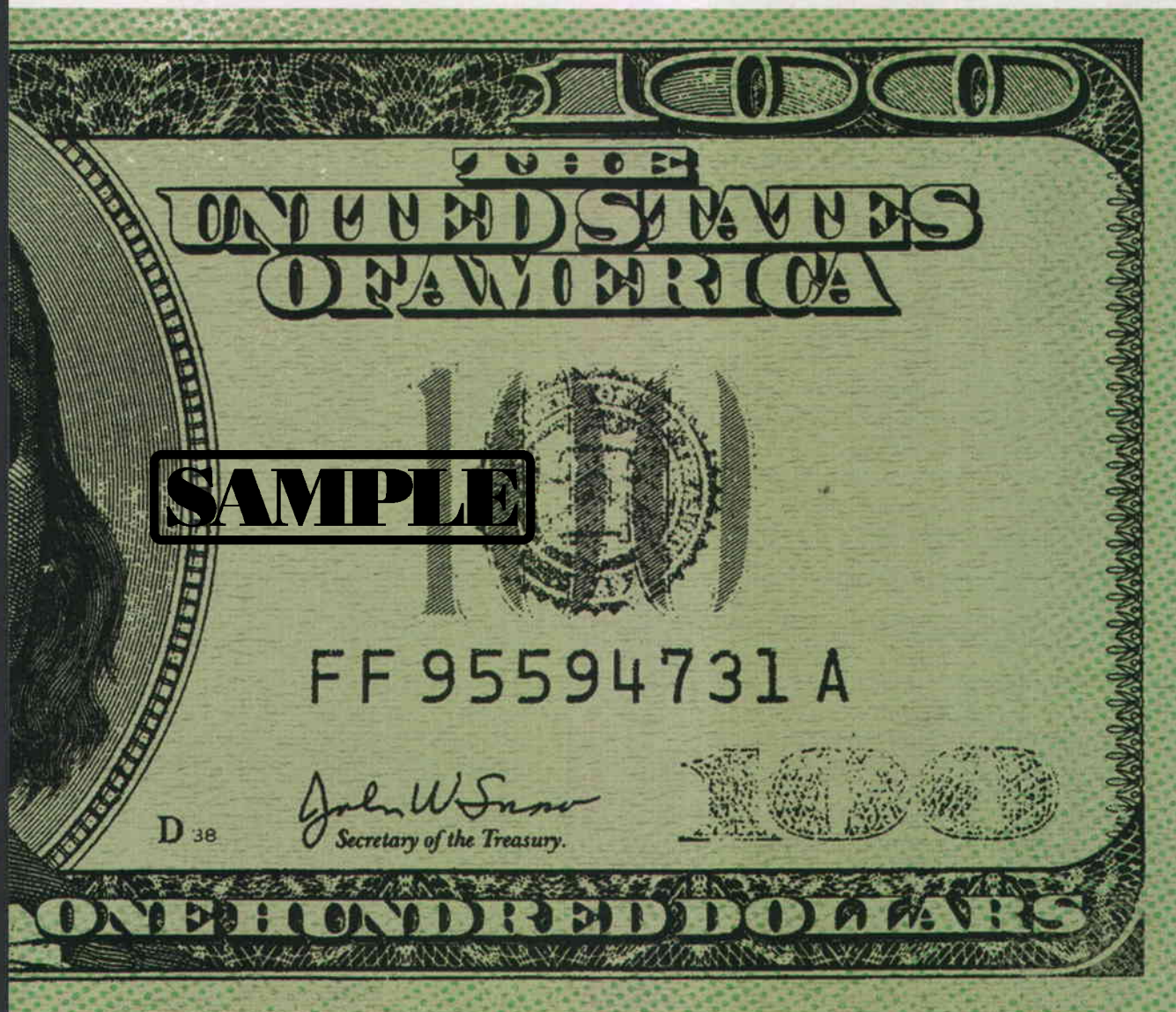




Physician Assistance:

How to Advise Doctor Clients



Doctors are cheap. Doctors are know-it-alls. Eight advisors go beyond the stereotypes to discuss doctors as clients

By Olivia Mellan and Sherry Christie

Most advisors prefer to work with higher-net-worth people, and for many advisors, medical doctors and dentists constitute a key client group. However, others shy away from doctors as clients because of the stereotype that they're cheapskates or won't follow the advice they're given.

How true is this image? Can financial advisors provide real value to doctors and build strong bonds

with them? Have the economic changes in the medical profession, highlighted by the Affordable Care Act, made it easier or more difficult for advisors to efficiently serve medical professionals?

To explore this issue, we spoke with eight advisors who have chosen to work with doctors. Here are their views—and some tips on how to turn brief consults into relationships.

"Fascinating and Fun" Clients



BALLIETT

Newly retired after 40 years of specializing in the financial needs of physicians, Gene Balliett asserted that "it's widely believed that doctors are impossible to work with, but I didn't find them difficult at all. The more I was around them, the more I admired them."

Doctors initially came to Balliett with investment questions because of his experience as senior editor of *Medical Economics* and editor of *Physicians Management* magazines. For 11 years, he and his wife, Dee, a mental health counselor, gave seminars on financial planning to medical groups all over the Western Hemisphere. We have known their work for a long time, and they're now regarded as pioneers in the field.

"My favorite clients were absolutely fascinating and fun to

be with," Balliett told us. "Like any other career group, it's a mix. The most successful doctors tend to be quiet, very nice and hard to pick out in a crowd."

"Will I Ever Be Able To Retire?"



BAUERLE

Obamacare is just one of the growing pressures on physicians, noted wealth manager Todd Bauerle of Bauerle Financial Services in Lake Mary, Fla., who took over Balliett's practice after his retirement.

"Can I put away enough money to ever retire? That's what I keep hearing from them," said Bauerle, a financial planner for 30 years. "The changing nature of their profession keeps them awake at night: the electronic records requirement, the changing reimbursement schedules. How

10 Tips for Attracting (and Retaining) Doctor Clients

- 1 Be clear on what kind of clients you're seeking.** Don't be tempted to disregard criteria you've already devised. It's crucial that a new client's philosophy and goals jibe with your skills and preferences, whether or not there's a "Doctor" in front of his or her name.
- 2 Emphasize your key difference: your fiduciary duty.** As several advisors commented to us, doctors who know they need help often turn to financial professionals who aren't fiduciaries—with disillusioning results. Stress the difference at every opportunity. You're the real deal.
- 3 Take an educational role.** Even if you're not equipped to put on seminars like Dr. Carolyn McClanahan, you may be able to create or sponsor a free online newsletter (a good way to build up a prospect list, too). Consider giving clients free subscriptions to *Kiplinger's Personal Finance* magazine (see *Tip No. 10*). Take every possible chance to explain in person the thinking behind a recommendation.
- 4 Stress the need for comprehensive financial planning.** As new mandates squeeze their traditional compensation, physicians face more financial stress. How much should they be spending? Can they afford top colleges for their children? When will they be able to retire? Should they sell their practice or not?
- 5 Avoid referring to "holistic" financial planning.** Although some doctors are open to alternative medical treatments, think twice before comparing comprehensive planning to holistic medicine. "To some physicians, 'holistic' means someone's trying to cure cancer by eating vegetables," warned Dr. Barry Kaplan.
- 6 Know that all physicians do not have the same personality.** "There are many different personality types," Kaplan said. "Emergency room doctors tend to have ADD [Attention Deficit Disorder]. They need action to survive." McClanahan added that ER doctors, trauma specialists and oncologists, among others, often have a hard time deferring gratification because they've seen how unpredictable life can be.
- 7 Clarify how and why you're compensated.** Be sure prospective clients understand the value you provide.
- 8 Fine-tune office systems so you can respond, record and act quickly.** Working with busy doctors may require more agility than other kinds of clients. Can you answer emails, text messages and phone calls promptly? You'll need to keep careful track of communications and be ready to meet doctors anytime, anywhere.
- 9 Develop a strategy to deter impulse investing.** Clients who are tempted to follow their friends' financial advice may agree to run the decision past you before acting on it. Or if that feels too much like getting Dad's or Mom's permission, it may make sense to set aside part of the portfolio as an investment "sandbox" they can play in.
- 10 Thank your clients with unexpected rewards.** As *IA* columnist Angie Herbers pointed out in a blog on ThinkAdvisor.com, "The Big Secret to Getting Client Referrals—and You'll Hate It": "Perks are unexpected extras: They're what they'll tell their friends about, who, of course, will want those free perks, too."

will they keep up? How will they stay profitable?"

High medical-school bills have some doctors wondering whether they will ever catch up, let alone have money to invest. They're also likely to have bright children who want to go to top schools, making the pressure to afford college more intense.

Several of Bauerle's doctor clients have sold their private practices and are now employees of a hospital or other corporate health care provider. "This removes the stress of trying to run a business with variable income," he said. Building a financial plan becomes simpler, especially with succession planning out of the picture.

Whether employees or self-employed, doctors need advance planning more than ever. "Before, they usually made enough money that they could mess up and start again a few times," Bauerle pointed out. "Now they don't have that luxury. So they need to get on board and move forward with a comprehensive financial plan."

"Doctors Tend To Be An Alpha Bunch"



ORECCHIO

"I enjoy working with docs because they tend to be logical and analytical," observed Tom Orecchio, principal and wealth manager at Modera Wealth Management in Westwood, N.J. "They like to be involved in the process, even if they're delegating a lot of the decision-making."

These clients aren't for an advisor who operates at a leisurely pace. "They tend to be very engaged, and they expect me to be engaged," Orecchio said. "We're very responsive in our client service; I return their emails and calls promptly."

He pointed out the importance of confirming up front that you and a prospective client are on the same page. "Our investment philosophy is that we want to get the returns of the market," he explained. "We're not chasing alpha. Doctors—especially surgeons—tend to be an alpha bunch. If we feel we can't get through to them through education, then it's not a good fit."

"A Crazy Lifestyle"



MCCLANAHAN

Carolyn McClanahan is an MD and a CFP who had been an emergency room and primary care physician for 13 years when frustration in seeking life advice inspired her to found Life Planning Partners in Jacksonville, Fla., in 2004. "For the most part, doctors are regular people," she contended. "But one big difference is that they have a crazy lifestyle and schedule, so a planner who can accommodate that will work better with them. We make appointments when-

The Client Conundrum: Turning Away Dr. No



MAZUMDAR

From an advisor's perspective, one challenge in working with doctors (as with other clients who share similar characteristics) is to decide whether to work with a physician whose attitudes or behaviors you disagree with.

"I screen out the difficult ones right from the beginning," said Setu

Mazumdar, an MD and CFP. "I don't want to work with clients who are not serious." A while ago, he was contacted by a physician who had a \$2 million investment portfolio and was looking for someone who could consistently beat the market. "That type of client is going to be a problem down the road, so I didn't take him on."

He offered another example: "If I get a call from a physician who makes \$500,000 a year and he tells me he's saving less than \$75,000 a year, I'll exclude him. A physician who can't save 15% a year is going to be working till he has one foot in the grave." Mazumdar now has 60 clients, almost all of them doctors.

Barry Kaplan, a DDS and CFP, is another advisor who sees a lot of physicians who want to become clients. "But doctors who think they know everything are the guys I don't want," he said. "I want the guys who come in and say, 'I tried this and realized that I don't know what I'm doing. I need some help.' Or they say, 'I have no clue. You're fee-only, so I know you're not out there churning. Please help me; you're what I want.'"

Sometimes a prospect will say, "I want you to pilot, and you tell me everything you're doing." That's fine, too. "The client has a perfect right to know everything that's going on," Kaplan explained. "I just don't want him driving." He now works with a number of physicians, most of whom he characterizes as model clients.

ever they want, in whatever form they want: video, phone, in person. We work evenings and weekends with them."

The difficult road to a medical diploma has often created a different type of frustration for younger doctors. "They had to go through a lot of delayed gratification to get where they are, so they're ready to spend a lot of money when they finish residency," McClanahan said. "When you plan for them, you have to honor that need so they can enjoy life without going overboard."

Changes in health care have already begun to alter this situation. "People are coming out of med school with huge student loans. They're still doing well, but making

somewhat less money," she said. "It's been easier with the younger doctors, because most of them are more realistic. If they can wrap their heads around not spending too much and putting some money away now, then we're starting them off on the right path.

"It depends on their specialty. ER doctors, trauma specialists, oncologists—some of them have a very cavalier attitude about life because they've seen so many horrible things happen to people. It's sometimes hard to get them to save or spend wisely. To help them maintain a sense of perspective about it, we tell them it's important to enjoy life now, but to plan for disability when you can't work in the future."

Helping doctors cope with their "crazy lifestyle" is a priority stemming from McClanahan's own experience in the ER. "We feel it's very important to do what we can to prevent physician burnout," she said. "For example, we'll help overworked physicians scale back their hours so they remain able to work for more years in the future."

Following Peers' Financial Advice

Physicians tend to follow their friends, which sometimes gets them into trouble. From his 40-year perspective as an advisor, Balliett confided, "Doctors pay a lot of attention to others in the profession, treating them with reverence. They listen to other doctors about things that the other doctors don't know a damn thing about, like tips on stocks."

"Years ago, a doctor came to me and said that everyone at the hospital was investing in a limited partnership that produced rubber horseshoes," said Barry Kaplan, a former dentist and now a CFP and chief investment officer for the wealth management firm Cambridge Wealth Counsel in Atlanta. "Anybody with any common sense would have known it was incredibly speculative. But since their friends

were doing it, they assumed that someone had done due diligence. No one had. Needless to say, it went broke and everyone lost their money."

Kaplan added, "The problem is that some physicians have what I would call the curse of intelligence. They're so smart, so good at one thing, such high achievers—they think that just because they're bright, they can do what I do in five minutes a day, when I do it all day, every day."

Doctors' affinity for shoot-from-the-hip investing was one of the most common observations to emerge from these interviews. Orecchio said, "If a golfing buddy suggests a hot tip, they may want to act on it or at least want us to validate it." (Other advisors might feel Orecchio has done well if clients consult him first.)

Bauerle suggested that work pressure is a prime culprit: "Because they don't have time to make the best decisions, they get involved in things they shouldn't, like [poorly structured] business or real estate deals."

"Who Can I Trust?"

In general, Balliett observed, doctors don't know whom to trust for financial advice. "Older doctors will send young doctors to insurance agents who are commissioned salespeople and [sell them] the most expensive coverage," he said. "Many doctors also think that stockbrokers are investment experts. There are a few who are, but many are salesmen who sell the most expensive products."

"How we as doctors practice is analogous to being a fiduciary," pointed out Setu Mazumdar, an MD, CFP and president of Physician Wealth Solutions in Las Vegas, who, like McClanahan, is a former emergency medical physician. "We have our patients' best interests at heart, but many doctors hire financial experts who aren't fiduciaries."

Is Ms. MD Milder Than the Male?



BALLIETT

For more than a decade, Dee Balliett partnered with her RIA husband, Gene, in financial planning seminars for doctors in the United States, Canada, the Caribbean, and Latin and South America. To enhance her skills, she earned a master's degree in mental health counseling at age 60.

"Part of my job was to focus on doctors' money problems, to help them and their spouses get more aware of their money personalities and conflicts so they could get aligned and move forward," she explained. (Mellan once had the honor of giving a dinner talk about couples and money to their clients.) This work was seldom easy, Balliett said. "With male doctors, a difficult issue was

getting the wives involved with the process instead of deferring to the husband."

Her opinion about working with doctors is mixed. "They are hard clients to deal with," she advised. "Most of our clients were men, and a lot of them are Type A personalities, used to being in charge and having people follow their directions."

The dynamic with female doctors was completely different, according to Balliett. "They weren't as Type A, as aggressive or as sure that they knew everything," she related. "They were more willing to learn from our expertise."

Given that there are almost as many women as men graduating from medical school these days (48% of graduates were women in 2011, according to the Kaiser Family Foundation), financial advisors may find more and more doctors willing to listen and look before they leap.

McClanahan agreed. "A lot of the people who approach physicians to sell them financial services do not have their best interests at heart. In fact, medical societies are often in bed with financial institutions that aren't fiduciaries and just want to sell products."

Poor results end up reflecting badly on the whole financial advisory profession. "What happens is that they don't trust any financial provider, so they turn to each other," she explained. "Since doctors are very smart, they think they can do it themselves."

Believing that "part of our job is to educate them about the difference between financial advisors, those who are true fiduciaries and those they may be less able to trust," McClanahan offers educational seminars for doctors. Because past participants often refer their medical colleagues, there's currently a waiting list while she schedules more seminars into her busy practice.

"Newer Is Better"



Even though doctors often feel too pressed for time to learn about money matters, most of them want to feel like experts in the investment world, noted Christine Moriarty, president of the advisory firm MoneyPeace in Bristol, Vt. They may seek shortcuts to this expertise by extrapolating from their medical experience.

For example, they tend to expect the investment world to be rational, just like their medical training. That means they may think they can do their own investing after some reading.

One of Moriarty's doctor clients confided his belief that the best investment strategy to follow is the newest. That may often be true in medicine and surgery, she argued, but not necessarily in investing. "After losing money with three different investment people who had new ideas, he is much more willing now to buy and hold," she said. Doctors' bias toward the new is an insight that serves her well when working with other physicians.

"Going for the Hail Mary"

After five years of dealing with doctors as clients, Mazumdar concluded, "The biggest positive is that they can be tremendously rewarding to work with and extremely loyal. But you have to truly resonate with them and understand where they're coming from."

He cautioned, "Just because they're smart, it doesn't mean they're smart about financial issues and investing." (Where have we heard that before?) "They tend to get into really bizarre, exotic investments that they don't understand. To use football analogies, they go for the Hail Mary

No Man Is a Prophet in His Own Land



While doctors tend to trust financial advice from medical colleagues, often mistakenly, that isn't as likely when the colleague is an actual financial advisor. "When I first started practicing, I was stunned that most of my dentist friends didn't come to me," said Barry Kaplan, DDS, now a CFP. "They would say, 'He's a dentist; what the heck does he know?'"

pass instead of the field goal."

Mazumdar was forthright in assessing another weak spot of some fellow doctors: "They live like kings when they really shouldn't. They spend as if whatever they're making now is going to continue. With all the changes in health care, I just don't think that's going to happen."

His experience also confirms an unfortunate cliché. "Even though physicians do make good incomes, they can be very cheap about paying for good financial advice," he said. "They may buy a million-dollar home without blinking, then complain about paying a couple of thousand dollars to a financial advisor."

Understanding a Doctor's Life

For all their idiosyncrasies, Mazumdar enjoys and champions providing financial advice to doctors. "If you find physicians who understand your value and the services you provide, they make excellent clients," he maintained. "It's a question of sorting out the doctors you want to work with from those you'd rather not be burdened with. The ones who will complain about your fees, or want bizarre and exotic investments, those are the ones you want to pass on." (See sidebar, "The Client Conundrum: Turning Away Dr. No," page 51)

The former ER doctor explained, "The way I look at it is this: As advisors, we can always tell them, 'This is how much you should be saving, or spending, or investing.' But you have to understand what a day in the life of a physician is truly like. I can tell you that having someone's life in your hands outweighs the stress of most other professions."

"If advisors can truly empathize with that, then that is a way they can connect with their physician clients," Mazumdar summed up. "And once you truly resonate with them, they'll stick with you for years and years." **IA**

Olivia Mellan, a speaker, coach and business consultant, is the author with Sherry Christie of "The Client Connection: How Advisors Can Build Bridges That Last," and a new revised edition of "Money Harmony," a guide to resolving money conflicts in life and relationships. She also offers money psychology teleclasses and facilitates intergenerational retreats for wealthy families. Email Olivia at moneyharmony@cs.com.