Review: White Coat Investor

Idea In Short

Read White Coat Investor for its straight talk and specificity. Calculate your net worth, get rich slowly, know your retirement number, live below your means and protect your assets. The advice is simple, disciplined and universally applicable to high-income professionals.

A Book Worth Reading

I recently read a 150-page book on personal financial advice targeting physicians. It is called White Coat Investor by James Dahle, a practicing emergency room doctor. It has a matching website and podcast. My physician brother-in-law says it is solid. It has over 970 reviews and ranks 4.8 stars on Amazon.

There is a lot to like about the book. It offers straight talk from a physician who does what he says. He made his first million dollars by age 38, showing that it is perfectly possible to be a great doctor and financially smart. The advice is sensible. Spend below your means, save aggressively, invest in no-load index funds and get term insurance rather than whole life. This is what Suze Orman, Dave Ramsey and anyone worth their salt would say.

The book also has specificity. It speaks to physicians. Yes, 80 percent of the content is generic, but 20 percent has real Hippocratic specificity. It is organized chronologically, starting with medical school and running all the way to retirement and estate planning. Here are the key takeaways worth reinforcing.

Calculate Your Net Worth

Know where you are financially. The fundamental accounting equation is assets equal liabilities plus equity. What is your equity after you subtract all your liabilities? As consultants, we coach clients to set explicit goals and track progress. This is no different. As Peter Drucker famously said, you cannot manage what you do not measure.

Calculating net worth is the financial equivalent of a baseline assessment. Without it, you cannot measure progress or make informed decisions. Update it annually. Track the trend over time. The number itself matters less than the discipline of knowing it and watching it grow.

Get Rich Slowly

This is a powerful idea. Many of us have good incomes and that is something to be grateful for. Do good work, make good money, save aggressively and invest sensibly. Do not be a fool. You do not need to gamble to have a comfortable life. This is a catchy expression and also a famous blog by the same name. The tortoise beats the hare in personal finance because compounding rewards patience.

Getting rich slowly means resisting the temptation to chase hot stocks, time the market or leverage up. It means automating your savings, living below your means and letting the market do the heavy lifting over decades. Boring is beautiful when it comes to building wealth.

Know Your Retirement Number

How much do you need for retirement? Your monthly lifestyle expectations and expenses matter. The 4 percent rule is the key framework. How much do you need so you can live off 4 percent of your total net worth annually? 1. It is an oversimplification but a good one.

If you make a 4 to 5 percent return on a lower-risk investment portfolio, then net of inflation you can live on the returns while only eating into the principal a little. If you need $100,000 a year, then you need $2.5 million. If you want $5,000 a month, then $1.5 million is enough. The math is straightforward once you commit to a target.

The Millionaire Next Door approach is also worth knowing. This famous book by William Danko and Thomas Stanley from 1996 drew on a 20-year study determining that 80 percent of millionaires in the United States were first generation 2. These folks saved aggressively. To be a prodigious accumulator of wealth, your net worth should be your age times your pretax income divided by 10. If you earn $80,000 at 30 years old, you are a prodigious accumulator if your net worth exceeds $240,000. It is not perfectly applicable to all professions and places, but it is a good rule of thumb.

Choose an Inexpensive Medical School

Dahle argues that 90 percent of what you need as a practicing physician will be learned in residency. This is where the teacher-consultant says okay. The principle generalizes. Minimize debt early in your career because compound interest on student loans works against you just as powerfully as compound returns on investments work for you. The school you attend matters far less than the habits you build and the debt you avoid.

Choose the Right Specialty

When I first read this, I thought the advice was to choose the highest paying specialty. Then I read further to get the author's real point. The most important factor is to choose work you will enjoy for countless hours each year for the next several decades. You are far better off being a pediatrician for 30 years than burning out as a general surgeon after a decade.

This makes complete sense. Do what you are willing to invest yourself into. Life is a long race, and this is a craft. Unlike consultants, physicians do not jump around from industry to function. They had better like what they are doing.

As a Resident, Learn and Do Not Spend

There is a lot to learn in residency, and your chief concern should be learning how to be a great doctor. The same goes for finances. This is the right time to learn about money, not spend it. As Dahle curtly says, try not to buy a house. The early career years are for building human capital and financial habits, not for lifestyle inflation.

Live Like a Resident

When doctors finish training, their income goes up 400 to 500 percent. The temptation is to spend. No. Live like a resident. Plow the money into yourself. Pay off student loan debt. Supercharge your retirement account. The gap between what you earn and what you spend is the single most powerful lever in personal finance 3.

Location matters too. It matters for rental properties, but also where you practice. Dahle notes that California is a toxic wasteland for physicians, particularly in big cities. States like Indiana and Texas offer low taxes, a low cost of living, a favorable legal environment and

incomes comparable to or better than California or Manhattan.

Lower Debt, Save and Invest

The middle third of the book is sensible and useful. You can easily and reliably reach your goals by practicing good medicine, saving 20 percent of your income and buying and holding an index mutual fund portfolio. This is what Tony Robbins said in his book on money and what John Bogle, founder of Vanguard, mentioned in his podcast interviews. Simplicity wins. Complexity in investing usually benefits the seller, not the buyer.

Protect Your Assets

The United States is a litigious society. Physicians need to be smart about asset protection. Malpractice and personal liability law varies by state. While getting sued is almost inevitable, doctors can reduce risk by practicing good medicine and communication. If the patient understands and likes you, they will be less likely to sue.

Think about giving away assets and structuring them in trusts. Umbrella policies are inexpensive and effective. The biggest risk to a physician's assets is divorce. Put at least as much effort into your marriage as your practice. These lessons apply to consultants and other high-income professionals just as directly as they apply to physicians.

- 1What Is The 4 Percent Rule For Retirement Withdrawals, Forbes
- 2The Millionaire Next Door, Wikipedia
- 3Retirement 4 Percent Rule, Investopedia

Summary

White Coat Investor delivers sensible, specific financial advice for physicians that applies to any high-income professional. Calculate net worth, save aggressively, invest in index funds, know your retirement number and protect your assets. Discipline and good habits matter more than income alone.