SECTION ONE: FOR ALL PRACTITIONERS

The vast majority of physicians and medical professionals major in one of the hard science while in college; biology, engineering, chemistry, mathematics, computer science or physics; etc. Few take undergraduate courses in finance, business management, securities analysis, accounting or economics; although this paradigm is changing with modernity. These course are not particularly difficult for the pre-medical baccalaureate major, they are just not on the radar screen for time compressed and highly competitive students; nor are they needed for medical or nursing school admission, or the many related allied health professionals schools.

In fact, William C. Roberts MD, originally from Emory University in Atlanta, and former editor for the Baylor University Medical Center Proceedings and The American Journal of Cardiology, opined just a decade ago: *"Of the 125 medical schools in the USA, only one of them to my knowledge offers a class related to saving or investing money."* And so, it is important to review some basic principles of economics, finance and accounting as they relate to financial planning in this first section of this textbook.

Section One is not intended as a replacement for such courses, but it will serve as a place to start the discussion, enhance independent life-long learning, or perhaps even ignite the path forward to a more formal educational journey. After all, many of our contributors are dual degreed business, legal, financial and medical professionals of all stripes, degrees, specialties and financial industry designations. It is good to learn from them by example, and harvest their insatiable curiosity and experiences. Such enhancement may be cumbersome and challenging, but it is always worthwhile.

***

Chapter 1

UNIFYING THE PHYSIOLOGIC AND PSYCHOLOGIC FINANCIAL PLANNING DIVIDE

[Holistic Life Planning, Behavioral Economics, Trading Addiction and the Art of Money]

David Marcinko MBBS DPM MBA MEd CFP®
Brad Klontz PhD MA
Ted Klontz PhD CFP®
Eugene Schmuckler PhD MBA MEd
Kenneth Shubin-Stein MD CFA MA

In any textbook of *gravitas* on financial planning, a short chapter on money psychology is typically placed at the end of the book, almost as an afterthought, if included at all. Moreover, it is rarely written by a surgeon [MBA and Certified Medical Planner™], a

Certified Trauma Specialist and behavioral psychologist, two practicing financial psychologists [one a Certified Financial Planner®], and a board certified psychiatrist practicing as a Chartered Financial Analyst®. Usually it is written by a lay-hobbyist, self-styled guru or financial-mentalist, and included by fiat in guise of the popular sales rubric of *life* or *holistic planning.* This current marketing theory *de rigor*, also known as the *next big sales thing*, is akin to the variable annuity and limited partnership initiatives promoted by product hucksters of the past. However, we have elected to prominently place this topic at its rightful place as the premier chapter of our textbook.

Why? In the end, much of the success in any financial planning engagement ultimately comes down to changing human behavior - helping a client alter whatever s/he was doing toward something that will better allow them to achieve their goals. And, there is still remarkably little education or training for financial advisors focused directly on motivation or change theory. Instead, advisors are increasingly turning to health professionals to find ideas and best practices about how to help clients actually make the behavioral changes necessary to achieve their goals.

INTRODUCTION

It is no wonder why the concept of life planning has emerged within the industry, from a dedicated core group of advocates, but using the more established academic discipline of behavioral economics and finance as its pragmatic root core. Shifting the emphasis of the planning relationship to assisting clients in formulating their "life of choice" first, and then related reasons for them, physicians can strategize the financial decisions that will support the unfolding goals and objectives of their life plan and financial requirements.

THE ANATOMIC BASIS OF HUMAN PHYSIOLOGY AND BEHAVIOR

It is well known that emotional and behavioral change involves the human nervous system. But, there are two parts of the nervous system that are especially significant for holistic financial advisor; the first is the limbic system and the second is the autonomic nervous system. And, according to Dr. C. George Boerre of Shippensburg University of Pennsylvania, this is known as the *emotional nervous system.*

1. The Limbic System

The limbic system is a set of structures that lies on both sides of the thalamus, just under the cerebrum. It includes the hypothalamus, the hippocampus, the amygdala, and nearby areas. It is primarily responsible for emotions, memories and recollection.

Hypothalamus

The small hypothalamus is located just below the thalamus on both sides of the third ventricle (areas within the cerebrum filled with cerebrospinal fluid that connect to spinal fluid). It sits inside both tracts of the optic nerve, and just above the pituitary gland.

The hypothalamus is mainly concerned with *homeostasis* or the process of returning to some "set point." It works like a thermostat: When the room gets too cold, the thermostat conveys that information to the furnace and turns it on. As the room warms up and the temperature rises, it sends turns off the furnace. The hypothalamus is responsible for regulating hunger, thirst, response to pain, levels of pleasure, sexual satisfaction, anger and aggressive behavior, and more. It also regulates the functioning of the *autonomic nervous system*, which means it regulates functions like pulse, blood pressure, breathing, and arousal in response to emotional circumstances. In a recent discovery, the protein leptin is released by fat cells with over-eating. The hypothalamus senses leptin levels in the bloodstream and responds by decreasing appetite. So, it seems that some people might have a gene mutation which produces leptin, and can't tell the hypothalamus that it is satiated. The hypothalamus sends instructions to the rest of the body in two ways. The first is to the *autonomic nervous system*. This allows the hypothalamus to have ultimate control of things like blood pressure, heart rate, breathing, digestion, sweating, and all the sympathetic and parasympathetic functions.

The second way the hypothalamus controls things is via the *pituitary gland*. It is neurally and chemically connected to the pituitary, which in turn pumps hormones called releasing factors into the bloodstream. The pituitary is the so-called "master gland" as these hormones are vitally important in regulating growth and metabolism.

Hippocampus

The hippocampus consists of two "horns" that curve back from the amygdala. It is important in converting things "in your mind" at the moment (short-term memory) into things that are remembered for the long run (long-term memory). If the hippocampus is damaged, a patient cannot build new memories and lives in a strange world where everything they experience just fades away; even while older memories from the time before the damage are untouched! Most patients who suffer from this kind of brain damage are eventually institutionalized.

Amygdala

The amygdalas are two almond-shaped masses of neurons on either side of the thalamus at the lower end of the hippocampus. When it is stimulated electrically, animals respond with aggression. And, if the amygdala is removed, animals get very tame and no longer respond to anger that would have caused rage before. The animals also become indifferent to stimuli that would have otherwise have caused fear and sexual responses.

Related Anatomic Areas

Besides the hypothalamus, hippocampus, and amygdala, there are other areas in the structures near to the limbic system that are intimately connected to it:

- The *cingulate gyrus* is the part of the cerebrum that lies closest to the limbic system, just above the corpus collosum. It provides a pathway from the thalamus to the hippocampus, is responsible for focusing attention on emotionally significant events, and for associating memories to smells and to pain.

- The *ventral tegmental area* of the brain stem (just below the thalamus) consists of dopamine pathways responsible for pleasure. People with damage here tend to have difficulty getting pleasure in life, and often turn to alcohol, drugs, sweets, and gambling.

- The *basal ganglia* (including the caudate nucleus, the putamen, the globus pallidus, and the substantia nigra) lie over to the sides of the limbic system, and are connected with the cortex above them. They are responsible for repetitive behaviors, reward experiences, and focusing attention.

- The *prefrontal cortex*, which is the part of the frontal lobe which lies in front of the motor area, is also closely linked to the limbic system. Besides apparently being involved in thinking about the future, making plans, and taking action, it also appears to be involved in the same dopamine pathways as the ventral tegmental area, and plays a part in pleasure and addiction.

2. The Autonomic Nervous System

The second part of the nervous system to have a particularly powerful part to play in our emotional life is the autonomic nervous system.

The autonomic nervous system is composed of two parts, which function primarily in opposition to each other. The first is the *sympathetic nervous system*, which starts in the spinal cord and travels to a variety of areas of the body. Its function appears to be preparing the body for the kinds of vigorous activities associated with "fight or flight," that is, with running from danger or with preparing for violence. Activation of the sympathetic nervous system has the following effects:

- dilates the pupils and opens the eyelids,
- stimulates the sweat glands and dilates the blood vessels in large muscles,
- constricts the blood vessels in the rest of the body,
- increases the heart rate and opens up the bronchial tubes of the lungs, and
- inhibits the secretions in the digestive system.

One of its most important effects is causing the adrenal glands (which sit on top of the kidneys) to release *epinephrine* (adrenalin) into the blood stream. Epinephrine is a powerful hormone that causes various parts of the body to respond in much the same way as the sympathetic nervous system. Being in the blood stream, it takes a bit longer to stop its effects, and may take some time to calm down again

The sympathetic nervous system also takes in information, mostly concerning pain from internal organs. Because the nerves that carry information about organ pain often travel along the same paths that carry information about pain from more surface areas of the body, the information sometimes get confused. This is called *referred pain,* and the best known example is the pain in the left shoulder and arm when having a heart attack.

The other part of the autonomic nervous system is called the *parasympathetic nervous* system. It has its roots in the brainstem and in the spinal cord of the lower back. Its function is to bring the body back from the emergency status that the sympathetic nervous system puts it into.

Some of the details of parasympathetic arousal include some of the following:
.

- pupil constriction and activation of the salivary glands,
- stimulating the secretions of the stomach and activity of the intestines,
- stimulating secretions in the lungs and constricting the bronchial tubes, and;
- decreases heart rate.

The parasympathetic nervous system also has some sensory abilities: It receives information about blood pressure, levels of carbon dioxide in the blood, etc.

There is actually another part of the autonomic nervous system that is not mentioned too often: the *enteric nervous system*. It is a complex of nerves that regulate the activity of the stomach. For example, if you get sick to your stomach with a new financial advisory client - or feel nervous butterflies with your first patient encounter as a doctor- you can blame the enteric nervous system.

The Triune Brain Model

In the 1950s the neurologist Paul McClean incorporated the anatomic basis of human behavior reviewed above, and developed the triune theory of the brain. While simplistic and full of anatomical and evolutionary inaccuracies, the triune brain is a useful metaphor for explaining brain structure and function in terms of financial behaviors. In the book *Mind over Money: Overcoming the Money Disorders that Threaten out Financial Health*, [Klontz and Klontz] use the triune brain theory as a metaphor to help understand and change self-destructive financial behaviors. That triune brain model describes the human brain as divided into three parts.

Sitting at the lowest portion of the anatomical structure is the reptilian brain. It is fully functional shortly after birth and controls basic bodily functions. Behaviorally, it takes in sensory information and determines whether or not there are signs that indicate danger. The reptilian brain tends to see everything through the lens of potential threat to its existence and as if everything and everyone, until proven otherwise, cannot be trusted. Its default state is that of anxiety. To the degree that a person's experience in childhood was one in which he or she experienced abuse or neglect, the individual's level of ambient anxiety increases. It is the first part of the brain to be fully developed and it will be the last part of the brain to cease functioning at death.

Sitting atop the reptilian brain is the mammalian brain, made up of the limbic system. It is fully developed in early childhood. Functionally, one of its tasks is to help calm the anxiety of the reptilian brain. As such, it experiments with a variety of behavioral strategies that serve to relieve stress and develops hard wired shortcuts or automatic reactions in times of stress. These reactions are some variation of the familiar fight, flight, or freeze response. During childhood, immature and underdeveloped associations with money and beliefs about money (aka *money scripts*) are developed at an unconscious level. Beliefs about what money means, what it can do, and what it can't do are formed during early childhood and are often locked in place by emotional triggers in the mammalian brain. This part of the brain experiences the threat of not belonging or losing its standing or place in one's primary socialization groups (e.g. family, socio-economic group, etc.) as one of the biggest potential threat to its survival. Being kicked out of one's group or "tribe" in early human history meant certain death and this fear of being excluded from one's group helps explain why individual's who come into money quickly; through inheritance, lottery wins etc., are often prone to self-sabotage, because the change in socio-economic status is typically accompanied by relationship stress and threatens the basic need for attachment and affiliation in one's social group.

Together, these two parts of the brain, what is referred to as the *animal brain*, make up unconscious. It is hypothesized by many that the unconscious makes 90% - 99% of our day-to-day decisions. The animal brain has difficulty grasping abstract concepts, such as "retirement," or "financial security." As such, motivation is often not stimulated by abstract concepts. This helps explain why the average American "knows" they should save for the future and not spend more than they make; however, most do the exact opposite. The only language the animal brain understands is emotional and sensory. The animal brain is self-centered and self-serving. When animal brain dominates- particularly in times of stress, elation, or fear- promises, commitments, resolutions, delaying gratification, and consideration of future consequences are all sacrificed for the expediency of relieving the stress of the moment.

Choices made by the animal brain can be self-destructive. For example, a person dying of thirst is likely to drink salt water if no other liquid is available, even though this is self-destructive. Likewise, the animal brain compels a person trapped underwater to eventually attempt to draw breath. It is estimated that the animal brain processes information at four billion bits per second. When emotions are mixed with high levels of stress, irrational, illogical financial choices are often made.

Human beings are posited to have six primary needs: belonging, autonomy, safety, self-expression, purpose and connection. Every financial behavior is a strategy that attempts to meet one or more of these needs.

Positioned above the animal brain is the neocortex, or new brain. The neocortex to the animal brain is like a person sitting on an elephant, attempting to override some of the more egregious, outrageous and impulsive choices emerging from the much larger and stronger beast. The neocortex does not become fully developed until our early to mid-20's. When fully engaged in service of our financial well-being, all is well. The neocortex serves as a moderating influence, over-riding immature thoughts and impulses. In fact, there is nothing quite like it that we know of in the universe. This part of the brain loves information, loves the abstract and contemplation of things as they might be. This part of the brain processes information at approximately two million bits of information per second and goes off-line when we sleep, over indulge in alcohol, or ingest other sedative effect drugs.

If the stress and anxiety level of the animal reaches a critical point, emotional flooding occurs, and the neocortex's moderating influence is stymied. It's in those moments that the strategies that the animal brain has developed over the years to stay safe or to feel better in the moment, become the prominent behaviors.

For example; stock purchases we wish we wouldn't have bought or sold, purchases we wish we wouldn't have made, words spoken we wish we could take back, promises broken, and behaviors we feel embarrassed about later are all evidence of dynamic. Using the human riding the elephant metaphor, when the elephant is excited or terrified, the human is just along for the ride as the emotionally flooded elephant stampedes. On a macro-economic level, this explains the cycle of bubbles and busts that have occurred since the beginning of recorded history and will continue to plague every area of the market as long as human beings are in existence. The challenge, of course, is to recognize when financial decisions are at risk of being hijacked by the animal brain and to engage the neocortex to make appropriate financial decisions.

Money Scripts

Money Scripts are unconscious beliefs about money that are typically only partially true, are developed in childhood, and drive adult financial behaviors. Money scripts may be the result of "financial flashpoints," which are salient early experiences around money that have a lasting impact in adulthood. Money scripts are often passed down through the generations and social groups often share similar money scripts. As mentioned above, the animal brain stores associations around money based on early experiences, which can result in rigid and often problematic money attitudes. And so, we argue that Money scripts are at the root of all illogical, ill-advised, self-destructive, or self-limiting financial behaviors.

In research at Kansas State University [KSU], researchers identified four distinct Money script patterns, which are associated with financial health and predict financial behaviors. These include: (a) money avoidance, (b) money worship, (c) money status, and (d) money vigilance [personal communication Brad Klontz, PsyD, CFP® and Sonya Britt, PhD, CFP®]. A summary of their findings is below:

Money Avoidance

Money avoidance scripts are illustrated by beliefs such as "Rich people are greedy," "It is not okay to have more than you need," and "I do not deserve a lot of money when others have less than me." Money avoiders believe that money is bad or that they do not deserve money. They believe that wealthy people are corrupt and there is virtue in living with less money. They may sabotage their financial success or give money away even though they cannot afford to do so. Money avoidance scripts may be associated with lower income and lower net worth and predict financial behaviors including ignoring bank statements, overspending, financial dependence on others, financial enabling of others, and having trouble sticking to a budget.

Money Worship

Money worship is typified by beliefs such as “More money will make you happier,” “You can never have enough money,” and “Money would solve all my problems.” Money worshipers are convinced that money is the key to happiness. At the same time, they believe that one can never have enough. Money worships have lower income, lower net worth, and higher credit card debt. They are more likely to be hoarders, spend compulsively, and put work ahead of family.

Money Status

Money status scripts include “I will not buy something unless it is new,” “Your self-worth equals you net worth,” and “If something isn’t considered the ‘best’ it is not worth buying.” Money status seekers see net worth and self-worth as being synonymous. They pretend to have more money than they do and tend to overspend as a result. They often grew up in poorer families and believe that the universe should take care of their financial needs if they live a virtuous life. Money status scripts are associated with compulsive gambling, overspending, being financially dependent on others, and lying to one’s spouse about spending.

Money Vigilance

Money vigilant beliefs include “It is important to save for a rainy day,” “You should always look for the best deal, even if it takes more time,” and “I would be a nervous wreck if I did not have an emergency fund.” The money vigilants are alert, watchful and concerned about their financial welfare. They are more likely to save and less likely to buy on credit. As a result, they tend to have higher income and higher net worth. They also have a tendency to be anxious about money and are secretive about their financial status outside of their household. While money vigilance is associated with frugality and saving, excessive anxiety can keep someone from enjoying the benefits that money can provide.

When money scripts are identified, it is helpful to examine where they came from. A simple technique involves reflecting on the following questions:

What three lessons did you learn about money from your mother?
What three lessons did you learn about money from your father?
What is your first memory around money?
What is your most painful money memory?

What is your most joyful money memory?
What money scripts emerged for you from this experience?
How have they helped you?
How have they hurt you?
What money scripts do you need to change?

Historical Review of Behavioral Finance and Economics

James O. Prochaska PhD, Professor of Psychology and Director of the Cancer Prevention Research Center at the University of Rhode Island, developed the Trans-Theoretic Model of Behavior Change [TTM] which has been evolving since in 1977. Nominated as one of the five most influential authors in Psychology, by the Institute for Scientific Information and the American Psychological Society, Dr. Prochaska is author of more than 300 papers on behavior change for health promotion and disease prevention.

TTM Stages of Change

In his Trans-Theoretical Model, behavior change is a "process involving progress through a series of these stages:

- Pre-Contemplation (Not Ready) - “People are not intending to take action in the foreseeable future, and can be unaware that their behavior is problematic"
- Contemplation (Getting Ready) - "People are beginning to recognize that their behavior is problematic, and start to look at the pros and cons of their continued actions"
- Preparation (Ready) - "People are intending to take action in the immediate future, and may begin taking small steps toward behavior change"
- Action - "People have made specific overt modifications in changing their problem behavior or in acquiring new healthy behaviors"
- Maintenance - "People have been able to sustain action for a while and are working to prevent relapse"
- Termination - "Individuals have zero temptation and they are sure they will not return to their old unhealthy habit as a way of coping”

In addition, researchers conceptualized "relapse" (recycling) which is not a stage in itself but rather the "return from Action or Maintenance to an earlier stage." In medical care, these stages of behavior change have applicability to anti-hypertension and lipid lowering medication use, as well as depression prevention, weight control and smoking cessation.

More recently, validating the emerging alliance between psychology (human behavior) and finance (economics) are two Americans who won the Royal Swedish Academy of Science’s 2002 Nobel Memorial Prize in Economic Science. Their research was nothing short of an explanation for the idiosyncrasies incumbent in human financial decision-making outcomes.

Daniel Kahneman, PhD, professor of psychology at Princeton University, and Vernon L. Smith, PhD, professor of economics at George Mason University in Fairfax, Va., shared the prize for work that provided insight on everything from stock market bubbles, to regulating utilities, and countless other economic activities. In several cases, the winners tried to explain apparent financial paradoxes.

For example, Professor Kahneman made the economically puzzling discovery that most of his subjects would make a 20-minute trip to buy a calculator for $10 instead of $15, but would not make the same trip to buy a jacket for $120 instead of $125, saving the same $5.

Initially, in the 1960's, Smith set out to demonstrate how economic theory worked in the laboratory (*in vitro*), while Kahneman was more interested in the ways economic theory mis-predicted people in real-life (*in-vivo*). He tested the limits of standard economic *choice theory* in predicting the actions of real people, and his work formalized laboratory techniques for studying economic decision making, with a focus on trading and bargaining.

Later, Smith and Kahneman together were among the first economists to make experimental data a cornerstone of academic output. Their studies included people playing games of cooperation and trust, and simulating different types of markets in a laboratory setting. Their theories assumed that individuals make decisions systematically, based on preferences and available information, in a way that changes little over time, or in different contexts.

By the late 1970's, Richard H. Thaler, PhD, an economist at the University of Chicago also began to perform behavioral experiments further suggesting irrational wrinkles in standard financial theory and behavior, enhancing the still embryonic but increasingly popular theories of Kahneman and Smith.

Other economists' laboratory experiments used ideas about competitive interactions pioneered by game theorists like John Forbes Nash Jr., PhD, who shared the Nobel in 1994, as points of reference. But, Kahneman and Smith often concentrated on cases where people's actions departed from the systematic, rational strategies that Nash envisioned. Psychologically, this was all a precursor to the informal concept of life or holistic financial planning. Kahneman was awarded the Medal of Freedom, by President Barack Obama, on November 20, 2013.

FINANCIAL LIFE PLANNING DEFINED

Of course, comprehensive financial planners [not financial advisors, insurance agents or stock brokers] have always consulted with their clients regarding their goals and objectives, hopes and dreams, but typically from the point of view of money goals, rather than life ideals or business goals. The absence or presence of biological and/or psychological reasons for them was seldom considered, nor discussed. But, quantifying future subjective and objective goals, and doing a technical analysis of factors such as risk tolerance, age, insurance, tax, investing, retirement and succession planning, asset protection and estate planning needs, has certainly been the norm for some. But, such quantifications were taken to another level by the informed advisors and enlightened authors of this book.

Enter the Financial Planners

Life planning and behavioral finance then, as proposed for physicians and integrated by the Institute of Medical Business Advisors Inc., is somewhat similar. Its uniqueness emanates from a holistic union of personal financial planning, human physiology and medical practice management, solely for the healthcare space. Unlike pure life planning, pure financial planning, or pure management theory, it is both a quantitative and qualitative "hard and soft" science, with an ambitious economic, psychological and managerial niche value proposition never before proposed and codified, while still representing an evolving philosophy. Its' first-mover practitioners are called Certified Medical Planners™.

Life planning, in general, has many detractors and defenders. Formally, it has been defined by Mitch Anthony, Gene R. Lawrence, AAMS, CFP© and Roy T. Diliberto, ChFC, CFP© of the Financial Life Institute, in the following trinitarian way.

> *Financial Life Planning is an approach to financial planning that places the history, transitions, goals, and principles of the client at the center of the planning process. For the financial advisor or planner, the life of the client becomes the axis around which financial planning develops and evolves.*
>
> *Financial Life Planning is about coming to the right answers by asking the right questions. This involves broadening the conversation beyond investment selection and asset management to exploring life issues as they relate to money.*
>
> *Financial Life Planning is a process that helps advisors move their practice from financial transaction thinking, to life transition thinking. The first step is aimed to help clients "see" the connection between their financial lives and the challenges and opportunities inherent in each life transition.*

But, for informed physicians, life planning's quasi-professional and informal approach to the largely isolate disciplines of financial planning and medical practice management is inadequate. Today's practice environment is incredibly complex, as compressed economic stress from HMOs managed care, financial insecurity from insurance companies, Washington DC and Wall Street; liability fears from attorneys, criminal scrutiny from government agencies, and IT mischief from malicious electronic medical record [eMRs] hackers; economic benchmarking from hospital employers; lost confidence from patients; and most recently the Patient Protection and Affordable Care Act [PP-ACA]; all promote "burnout" and converge to inspire a robust new financial planning approach for physicians and most all medical professionals.

The iMBA Inc., approach to financial planning, as championed by the Certified Medical Planner™ professional certification designation program, integrates the traditional concepts of financial life planning, with the increasing complex business concepts of medical practice management. The former topics are presented in this textbook, the later in our recent companion text: *The Business of Medical Practice* [Transformational Health 2.0 Skills for Doctors].

For example, views of medical practice, personal lifestyle, investing and retirement, both what they are and how they may look in the future, are rapidly changing as the retail mentality of medicine is replaced with a wholesale and governmental philosophy. Or, how views on maximizing current practice income might be more profitably sacrificed for the potential of greater wealth upon eventual practice sale and disposition. Or, how the ultimate fear represented by Yale University economist Robert J. Shiller, in *The New Financial Order: Risk in the 21st Century*, warns that the risk for choosing the wrong profession or specialty, might render physicians obsolete by technological changes, managed care systems or fiscally unsound demographics. OR, if a medical degree is even needed for future physicians? *Say what?*

Dr. Shirley Svorny, chair of the economics department at California State University, Northridge, holds a PhD in economics from UCLA. She is an expert on the regulation of health care professionals who participated in health policy summits organized by Cato and the Texas Public Policy Foundation. She argues that medical licensure not only fails to protect patients from incompetent physicians, but, by raising barriers to entry, makes health care more expensive and less accessible. Institutional oversight and a sophisticated network of private accrediting and certification organizations, all motivated by the need to protect reputations and avoid legal liability, offer whatever consumer protections exist today.

Yet, the opportunity to revise the future at any age through personal re-engineering, exists for all of us, and allows a joint exploration of the meaning and purpose in life. To allow this deeper and more realistic approach, the informed transformation advisor and the doctor client, must build relationships based on trust, greater self-knowledge and true medical business management and personal financial planning acumen.

[A] The iMBA Philosophy

As you read this book, you will embrace the opportunity to receive the focused and best thinking of some very smart people. Hopefully, along the way you will self-saturate with concrete information that proves valuable in your own medical practice and personal money journey. Maybe, you will even learn something that is so valuable and so powerful, that future reflection will reveal it to be of critical importance to your life. The contributing authors certainly hope so.

At the Institute of Medical Business Advisors, and thru the Certified Medical Planner™ program, we suggest that such an epiphany can be realized only if you have extraordinary clarity regarding your personal, economic and [financial advisory or medical] practice goals, your money, and your relationship with it. Money is, after only, no more or less than what we make of it. Ultimately, your relationship with it, and to others, is the most important component of how well it will serve you.

This primal chapter then, is about the perspectives that are appropriate to attaining a solid and grounded relationship with money, medical practice and life. And, our goal is to facilitate balance and vision within that relationship.

BEHAVIORAL FINANCE DEFINED

Behavioral finance is an evolving area within the field of finance that incorporates economics, psychology and neuro-physiology in an effort to explain human economic behavior and decision-making. Even gender differences are studied. For example, as report in *Research Magazine* a decade ago, suggested that men and women may invest differently. Yet, the difference has been narrowing, recently.

Cash Allocation:
Men: 26%
Women: 40%

Mutual Fund Allocation:
Men: 44%
Women: 38%

Self-Directed Brokerage Accounts Owned:
Men: 45,000
Women: 14,000

Average Account Balance:
Men: $104,000
Women: $48,000

Trades per Quarter:
Men: 2.1
Women: 1.4

Equity Allocation:
Men 22%
Women 17%

Traditional finance and economic theory is based on the notion that individuals are capable of change, and will make decisions that are in their best economic interest and that are based on a rational analysis of available information. It has become apparent that these are flawed assumptions – not only will individuals often make irrational choices and cognitive errors, but these flaws in decision making are often predictable, and will be repeated by the same individual even after the error has been recognized.

The field of behavioral finance has evolved to try to better understand how emotions affect decision-making, and what seemingly “hard-wired” mistakes in decision-making are innate to human beings. As science advances, the field is drawing in economists, psychologists, physicians and neuroscientists who are working together to explain how we make decisions and how our decision-making process changes over time due to the experiences we have. There is even an emerging theory in health-law that would allow physicians to apologize to patients for their mistakes.

Integrating Biology, Human Psychology and Financial Planning

As we have seen, the human brain evolved to work optimally in a hunter-gatherer environment. At that time in human development it was very important to be able to recognize short term patterns in order to find food, and to have the ability to generate quick emotional and physiologic responses, such as the fight or flight reflex, in response to certain stimuli.

Those who were good at reacting quickly and running fast toward food or away from danger prospered. There was very little downside to over reacting, while there was a tremendous risk to being a contrarian and waiting to consider whether or not one was really in danger. So, hyper-reactive, crowd followers were fruitful and multiplied (thus passing on their genes), while analytical contrarians either starved or became lunch for one of the other members of the animal kingdom.

Human evolution has not kept pace with the cognitive demands of modern civilization. Long term, independent thinkers did not reproduce at a higher rate than others, so there was no Darwinian pressure for their genes to become a predominant trait of our species.

Since successful decision-making is predicated on the ability to rationally analyze data and make decisions that optimize the chance of having a desired outcome, it is important to understand the many ways that this process goes awry. Successful financial planning requires both the doctor-client and the consulting professional to set goals, develop a plan, and have a process to reach those goals. And, very importantly, success is predicated on having the discipline to stay with the plan even when there are predictable, but painful or exciting short-term stimuli (like the stock market having a terrible or a great year).

Psychological Biases Affecting Financial Planning and Investing

The following are some of the most common psychological biases. Some are learned while others are genetically determined (and often socially reinforced). While this essay focuses on the financial implications of these biases, they are prevalent in most areas in life.

[A] Incentives

It is broadly accepted that incenting someone to do something is effective, whether it be paying office staff a commissions to sell more healthcare products, or giving bonuses to office employees if they work efficiently to see more HMO patients. What is not well understood is that the incentives cause a sub-conscious distortion of decision-making ability in the incented person. This distortion causes the affected person - whether it is yourself or someone else - to truly believe in a certain decision, even if it is the wrong choice when viewed objectively. Service professionals, including financial advisors and lawyers, are affected by this bias, and it causes them to honestly offer recommendations that may be inappropriate, and that they would recognize as being inappropriate if they did not have this bias. The existence of this bias makes it important for each one of us to examine our incentive biases and take extra care when advising physician clients, or to make sure we are appropriately considering non-incented alternatives.

[B] Denial

Denial is a well known, but under-appreciated, psychological force. Physicians, clients and professionals (like everyone else) are prone to the mistake of ignoring a painful reality, like putting off an unpleasant call (thus prolonging a problematic situation and potentially making it worse) or not opening account statements because of the desire not to see quantitative proof of losses. Denial also manifests itself by causing human beings to ignore evidence that a mistake has been made. If you think of yourself as a smart person (and what professional doesn't?), then evidence pointing to the conclusion that a mistake has been made will call into question that belief, causing cognitive dissonance. Our brains function to either avoid cognitive dissonance or to resolve it quickly, usually by discounting or rationalizing the disconfirming evidence. Not surprisingly, colleagues at Kansas State University and elsewhere, found that financial denial, including attempts to avoid thinking about or dealing with money, is associated with lower income, lower net worth, and higher levels of revolving credit.

[C] Consistency and Commitment Tendency

Human beings have evolved - probably both genetically and socially - to be consistent. It is easier and safer to deal with others if they honor their commitments and if they behave in a consistent and predictable manner over time. This allows people to work together and build trust that is needed for repeat dealings and to accomplish complex tasks. In the jungle, this trust was necessary to for humans to successfully work as a team to catch animals for dinner, or fight common threats. In business and life it is preferable to work with others who exhibit these tendencies. Unfortunately, the downside of these traits is that people make errors in judgment because of the strong desire not to change, or be different ("lemming effect" or "group-think"). So the result is that most people will seek out data that supports a prior stated belief or decision and ignore negative data, by not "thinking outside the box". Additionally, future decisions will be unduly influenced by the desire to appear consistent with prior decisions, thus decreasing the ability to be rational and objective. The more people state their beliefs or decisions, the less likely they are to change even in the face of strong evidence that they should do so. This bias results in a strong force in most people causing them to avoid or quickly resolve the cognitive dissonance that occurs when a person who thinks of themselves as being consistent and committed to prior statements and actions encounters evidence that indicates that prior actions may have been a mistake. It is particularly important therefore for advisors to be aware that their communications with clients and the press clouds the advisor's ability to seek out and process information that may prove current beliefs incorrect. Since this is obviously irrational, one must actively seek out negative information, and be very careful about what is said and written, being aware that *the more you shout it out, the more you pound it in.*

[D] Pattern Recognition

On a biological level, the human brain has evolved to seek out patterns and to work on stimuli-response patterns, both native and learned. What this means is that we all react to something based on our prior experiences that had shared characteristics with the current stimuli. Many situations have so many possible inputs that our brains need to take mental short cuts using pattern recognition we would not gain the benefit from having faced a certain type of problem in the past. This often-helpful mechanism of decision-making fails us when past correlations or patterns do not accurately represent the current reality, and thus the mental shortcuts impair our ability to analyze a new situation. This biologic and social need to seek out patterns that can be used to program stimuli-response mechanisms is especially harmful to rational decision-making when the pattern is not a good predictor of the desired outcome (like short term moves in the stock market not being predictive of long term equity portfolio performance), or when past correlations do not apply anymore.

[E] Social Proof

It is a subtle but powerful reality that having others agree with a decision one makes, gives that person more conviction in the decision, and having others disagree decreases one's confidence in that decision. This bias is even more exaggerated when the other parties providing the validating/questioning opinions are perceived to be experts in a relevant field, or are authority figures, like people on television. In many ways, the short term moves in the stock market are the ultimate expression of social proof – the price of a stock one owns going up is proof that a lot of other people agree with the decision to buy, and a dropping stock price means a stock should be sold. When these stressors become extreme, it is of paramount importance that all participants in the financial planning process have a clear understanding of what the long-term goals are, and what processes are in place to monitor the progress towards these goals. Without these mechanisms it is very hard to resist the enormous pressure to follow the crowd; think social media.

[F] Contrast

Sensation, emotion and cognition work by contrast. Perception is not only on an absolute scale, it also functions relative to prior stimuli. This is why room temperature water feels hot when experienced after being exposed to the cold. It is also why the cessation of negative emotions "feels" so good. Cognitive functioning also works on this principle. So one's ability to analyze information and draw conclusions is very much related to the context with in which the analysis takes place, and to what information was originally available. This is why it is so important to manage one's own expectations as well as those of clients. A client is much more likely to be satisfied with a 10% portfolio return if they were expecting 7% than if they were hoping for 15%.

[G] Scarcity

Things that are scarce have more impact and perceived value than things present in abundance. Biologically, this bias is demonstrated by the decreasing response to constant stimuli (contrast bias) and socially it is widely believed that scarcity equals value. People who feel an opportunity may "pass them by" and thus be unavailable are much more likely to make a hasty, poorly reasoned decision than they otherwise would. Investment fads and rising security prices elicit this bias (along with social proof and others) and need to be resisted. Understanding that analysis in the face of perceived scarcity is often inadequate and biased may help professionals make more rational choices, and keep clients from chasing fads.

[H] Envy / Jealousy

This bias also relates to the contrast and social proof biases. Prudent financial and business planning and related decision-making are based on real needs followed by desires. People's happiness and satisfaction is often based more on one's position relative to perceived peers rather than an ability to meet absolute needs. The strong desire to "keep up with the Jones" can lead people to risk what they have and need for what they want. These actions can have a disastrous impact on important long-term financial goals. Clear communication and vivid examples of risks is often needed to keep people focused on important financial goals rather than spurious ones, or simply money alone, for its own sake.

[I] Fear

Financial fear is probably the most common emotion among physicians and all clients. The fear of being wrong - as well as the fear of being correct! It can be debilitating, as in the corollary expression on fear: the *paralysis of analysis.*

According to Paul Karasik, there are four common investor and physician fears, which can be addressed by financial advisors in the following manner:

- *Fear of making the wrong decision:* ameliorated by being a teacher and educator.
- *Fear of change*: ameliorated by providing an agenda, outline and/or plan.
- *Fear of giving up control*: ameliorated by asking for permission and agreement.
- *Fear of losing self-esteem:* ameliorated by serving the client first and communicating that sentiment in a positive manner.

Psychological Traps

Now, as human beings, our brains are booby-trapped with psychological barriers that stand between making smart financial decisions and making dumb ones. The good news is that once you realize your own mental weaknesses, it's not impossible to overcome them.

In fact, Mandi Woodruff, a financial reporter whose work has appeared in Yahoo! Finance, Daily Finance, The Wall Street Journal, The Fiscal Times and the Financial Times among others; related the following mind-traps in a September 2013 essay for the finance vertical *Business Insider;* as these impediments are now entering the lay-public zeitgeist:

- **Anchoring** happens when we place too much emphasis on the first piece of information we receive regarding a given subject. For instance, when shopping for a wedding ring a salesman might tell us to spend three months' salary. After hearing this, we may feel like we are doing something wrong if we stray from this advice, even though the guideline provided may cause us to spend more than we can afford.
- **Myopia** makes it hard for us to imagine what our lives might be like in the future. For example, because we are young, healthy, and in our prime earning years now, it may be hard for us to picture what life will be like when our health depletes and we know longer have the earnings necessary to support our standard of living. This short-sightedness makes it hard to save adequately when we are young, when saving does the most good.

- **Gambler’s fallacy** occurs when we subconsciously believe we can use past events to predict the future. It is common for the hottest sector during one calendar year to attract the most investors the following year. Of course, just because an investment did well last year doesn’t mean it will continue to do well this year. In fact, it is more likely to lag the market.
- **Avoidance** is simply procrastination. Even though you may only have the opportunity to adjust your health care plan through your employer once per year, researching alternative health plans is too much work and too boring for us to get around to it. Consequently, we stick with a plan that may not be best for us.
- **Loss aversion** affected many investors during the stock market crash of 2008. During the crash, many people decided they couldn’t afford to lose more and sold their investments. Of course, this caused the investors to sell at market troughs and miss the quick, dramatic recovery.
- **Overconfident investing** happens when we believe we can out-smart other investors via market timing or through quick, frequent trading. Data convincingly shows that people who trade most often underperform the market by a significant margin over time.
- **Mental accounting** takes place when we assign different values to money depending on where we get it from. For instance, even though we may have an aggressive saving goal for the year, it is likely easier for us to save money that we worked for than money that was given to us as a gift.
- **Herd mentality** makes it very hard for humans to not take action when everyone around us does. For example, we may hear stories of people making significant profits buying, fixing up, and flipping homes and have the desire to get in on the action, even though we have no experience in real estate.

THE ADDICTIVE INVESTING / TRADING PERSONALITY

Dr. Deana J. Mandell, a pediatrician, always needs to leave the office fifteen minutes ahead of schedule. The reason is because it takes that long to make the necessary number of trips to ensure the front door is truly locked.

Dr. Kamela A. Shaw, a general surgeon, is constantly rushing to the bath room so that she can wash her hands. As far as she is concerned, it is not possible to get one's hands clean enough considering a recent influenza outbreak.

Although the behaviors displayed by these two doctors are different, they are consistent in that each, to some degree, display behavior that might be called obsessive-compulsive.

[A] When Investing or Trading In No Longer Fun

An *obsession* is a persistent, recurring preoccupation with an idea or thought. A *compulsion* is an impulse that is experienced as irresistible. *Obsessive-compulsive* individuals feel compelled to think thoughts that they say they do not want to think or to carry out actions that they say are against their will. These individuals usually realize that their behavior is irrational, but it is beyond their control. In general, these individuals are preoccupied with orderliness, perfectionism, and mental and interpersonal control, at the expense of flexibility, openness, and efficiency. Specifically, behaviors such as the following may be seen:

- Preoccupation with details.
- Perfectionism that interferes with task completion.
- Excessive devotion to work and office productivity.
- Scrupulous and inflexible about morality (not accounted for by cultural or religious identification);
- Inability to discard worn-out or worthless objects without sentimental value;
- Reluctance to delegate tasks or to work with others.
- Adopts a miserly spending style toward both self and others.
- Demonstrates a rigid, inflexible and stubborn nature.

Most people resort to some minor obsessive-compulsive patterns under severe pressure or when trying to achieve goals that they consider critically important. In fact, many individuals refer to this as *superstitious behavior.* The study habits required for medical students entail a good deal of compulsive behavior.

As the above examples suggest, there are a variety of addictions possible. Recent news accounts have pointed out that even high-level governmental officials can experience *sex addiction*. The advent of social-media has led to what is referred to as *Internet addiction* where an individual is transfixed to a computer, tablet PC or smart-phone, “working” for hours on end without a specific project in mind. The simple act of "surfing", “tweeting”, “texting” or merely posting opinions offers the person afflicted with the addiction some degree of satisfaction.

Still another form of addictive behavior is that of the individual with *gambling disorder (GD). GD* is recognized as a mental disorder in the American Psychiatric Association’s Diagnostic and Statistical Manual of Mental Disorders-V. This is the behavior of an individual who is unable to resist the impulse to gamble. Many reasons have been posited for this type of behavior including the death instinct; a need to lose; a history of trauma; a wish to repeat a big win; identification with adults the "gambler" knew as an adolescent; and a desire for action and excitement. There are other explanations offered for this form of compulsive behavior. The act of betting allows the individual to express an immature bravery, courage, manliness, and persistence against unfavorable odds. By actually using money and challenging reality, he puts himself into "action" and intense emotion. By means of gambling, the addicted individual is able to pretend that he is favored by "lady luck," specially chosen, successful, able to beat the system and escape from feelings of discontent.

Greed can also have addictive qualities. In fact, a poll conducted by the *Chicago Tribune* revealed that folks who earned less than $30,000 a year, said that $50,000 would fulfill their dreams, whereas those with yearly incomes of over $100,000 said they would need $250,000 to be satisfied. More recent studies confirm that goals keep getting pushed upward as soon as a lower level is reached.

<u>Question:</u> So how much money is enough?
<u>Answer:</u> Just a little bit more.

Edward Looney, executive director of the Trenton, New Jersey based *Council on Compulsive Gambling (CCG)* reports that the number of individuals calling with trading-associated problems is doubling annually. In the mid 1980s, when the council was formed, the number of people calling the council's hotline (1 – 800 Gambler) with stock-market gambling problems was approximately 1.5 percent of all calls received. In 1998 that number grew to 3 percent, and rose to 8 percent by 2012. Today, that number is largely unknown because of its pervasiveness, but Dr. Robert Custer, an expert on compulsive gambling reported, that stock market gamblers represent over 20 percent of the gamblers that he has diagnosed. It is evident that on-line trading presents a tremendous risk to the speculator. The CCG describes some of the consequences:

- Dr. Fred B. is a 43-year-old Asian male physician with a salary above $100,000 and in debt for more than $100,000. He is married with two children. He was a day trader.

- Michael Q. is a 28-year-old Hispanic male registered nurse. He is married and the father of one (7 month old) child. He earns $65,000 and lost $40,000 savings in day trading and is in debt for $25,000. He has suicidal ideation.

[B] A Question of Suitability

Since online traders are in it for many reasons, investment suitability rarely enters the picture, according to Stuart Kaswell, general counsel of the *Securities Industry Association*, in Washington, DC. The kind of question that has yet to be confronted, by day or online trading firms, is a statement, such as: "Equities look good this year. We favor technology stocks. We have a research report on our Web page that looks at the social media industry." Those kinds of things are seldom considered because they do not involve a specific recommendation of a specific stock, like Apple, Google, Groupon, Facebook or Twitter. However, if a firm makes a specific recommendation to an investor, whether over the cell-phone, iPad®, fax machine, face-to-face, or over the Internet, suitability rules should apply. Opining similarly on the "know your customer" requirements is Steven Caruso, of *Maddox, Koeller, Harget & Caruso* of New York City. "The on-line firms obviously claim that they do not have a suitability responsibility because they do not want the liability for making a mistake as far as determining whether the investor was suitable or buying any security. I think that ultimately more firms are going to be required to make a suitability, [or eventually fiduciary] determination on every trade".

[C] On-line Traders and Stock Market Gamblers

Some of the preferred areas of stock market gambling that attract the interest of compulsive gamblers include options, commodities, penny stocks and bit-coins, index investing, new stock offerings, certain types of CAT bonds, crowd-sourcing initiatives, and some contracts for government securities. These online traders and investment gamblers think of themselves as cautious long-term investors who prefer blue chip or dividend paying varieties. What they fail to take into consideration is that even seemingly blue chips can both rise and precipitously drop in value again, as seen in the summer of 2003, the "crash" of 2008, or the "flash crash" of May 6, 2010. On this day, the DJIA plunged 1000 points (about 9%) only to recover those losses within minutes. It was the second largest point swing 1,010.14 points, and the biggest one-day point decline, 998.5 points, on an intraday basis in Dow Jones Industrial Average history.

Regardless of investment choice, the compulsive investment gambler enjoys the anticipation of following the daily activity surrounding these investments. Newspaper, hourly radio and television reports, streaming computer, tablet and smart phone banners and hundreds of periodicals and magazines add excitement in seeking the investment edge. The name of the game is action. Investment goals are unclear, with many participating simply for the feeling it affords them as they experience the highs and lows and struggles surrounding the play. And, as documented by the *North American Securities Administrators Association's* president, and Indiana Securities Commissioner, Bradley Skolnik, most day or online traders lose money. "On-line brokerage was new and cutting edge and we enjoyed the best stock market in generations, until the crashes. The message of most advertisements was "just do it", and you'll do well. The fact is that research and common sense suggest the more you trade, the less well you'll do".

Most day or online traders are young males, some who quit their day jobs before the just mentioned debacles; or more recently with the dismal economy. Many ceased these risky activities but there is some anecdotal evidence that is re-surging again with 2013-14 technology boom and market rise. Most of them start every day not owning any stock, then buy and sell all day long and end the trading day again without any stock - - just a lot of cash. Dr. Patricia Farrell, a licensed clinical psychologist states that day traders are especially susceptible to compulsive behaviors and addictive personalities. Mark Brando, registered principal for *Milestone Financial*, a day trading firm in Glendale, California states, "People that get addicted to trading employ the same destructive habits as a gambler. Often, it's impossible to tell if a particular trade comes from a problem gambler or a legitimate trader."

Arthur Levitt, former *Chairman of the Securities and Exchange Commission* (SEC) in discussing the risks and misconceptions of investing are only amplified by on-line trading. In a speech before the *National Press Club* a few years ago, he attempted to impress individuals as to the risks and difficulties involved with day trading. Levitt cited four common misconceptions that knowledgeable medical professionals, and all investors, should know:

- Personal computers, tablets, mobile devices and smart-phones are not directly linked to the markets – Thanks to *Level II* computer software, day traders can have access to the same up-to-the-second information available to market makers on Wall Street. "Although the Internet makes it seem as if you have a direct connection to the securities market, you don't. Lines may clog; systems may break; orders may back-up."

- The virtue of *limit orders* – "Price quotes are only for a limited number of shares; so only the first few investors will receive the currently quoted price. By the time you get to the front of the line, the price of the stock could be very different."

- *Canceling an order* – "Another misconception is that an order is canceled when you hit 'cancel' on your computer. But, the fact is it's canceled only when the market gets the cancellation. You may receive an electronic confirmation, but that only mean your request to cancel was received – not that your order was actually canceled".

- *Buying on margin* – "if you plan to borrow money to buy a stock, you also need to know the terms of the loan your broker gave you. This is margin. In volatile markets, investors who put up an initial margin payment for a stock may find themselves required to provide additional cash if the price of the stock falls.

How then, can the medical professional or financial advisor tell if he or she is a compulsive gambler? A diagnostic may be obtained from *Gamblers Anonymous.* It is designed to screen for the identification of problem and compulsive gambling.

But, it is also necessary to provide a tool to be used by on-line traders. This questionnaire is as follows:

1. Are you trading in the stock market with money you may need during the next year?
2. Are you risking more money than you intended to?
3. Have you ever lied to someone regarding your on-line trading?
4. Are you risking retirement savings to try to get back your losses?
5. Has anyone ever told you that spend too much time on-line?
6. Is investing affecting other life areas (relationships, vocational pursuits, etc.)?
7. If you lost money trading in the market would it materially change your life?
8. Are you investing frequently for the excitement, and the way it makes you feel?
9. Have you become secretive about your on-line trading?
10. Do you feel sad or depressed when you are not trading in the market?

<u>NOTE:</u> If you answer to any of these questions you may be moving from investing to gambling.

The cost of compulsive gambling and day trading is high for the individual medical or lay professional, the family and society at large. Compulsive gamblers, in the desperation phase of their gambling, exhibit high suicide ideation, as in the case of Mark O Barton's the murderous day-trader in Atlanta who killed 12 people and injured 13 more in July 29th 1999. His idea actually became a final act of desperation.

Less dramatically, for doctors, is a marked increase in subtle illegal activity. These acts include fraud, embezzlement, CPT® up-coding, medical over utilization, excessive full risk HMO contracting, Stark Law aberrations and other "white collar crimes." Higher healthcare and social costs in police, judiciary (civil and criminal) and corrections result because of compulsive gambling. The impact on family members is devastating. Compulsive gamblers cause havoc and pain to all family members. The spouses and other family members also go through progressive deterioration in their lives.

In this desperation phase, dysfunctional families are left with a legacy of anger, resentment, isolation, and in many instances, outright hate.

[D] Day Trading Assessment

Internet day trading, like the Internet and telecommunications sectors, become something of a investment bubble a few years ago, suggesting that something lighter than air can pop and disappear in an instant. History is filled with examples: from the tulip mania of 1630 Holland and the British South Sea Bubble of the 1700's; to the Florida land boom of the roaring twenties and the Great Crash of 1929; to the collapse of Japans stock and real estate market in early 1990's; and to an all-time high of $1,926 for an ounce of commodity gold a few years ago. To this list, one might again include smart-phone or mobile day trading.

WHAT IS MONEY?

So, what is money? Money is elusive. It seems to demand so much from us. Not only does it seem utterly convoluted and alien, it is also bafflingly personal. In between, we find complex monetary systems, multi-national legalisms; a whole host of political and cultural mythologies, our most profound personal issues and another zillion nuances that go into generating "the money forces." Then, as if to heap insult upon injury, the art of money demands competency with your own personal intangibles.

Money has strong spiritual and religious components. Indeed, our relationship with money goes straight to our souls. Getting it, keeping it and spending it all precisely reflect our values, morals and motivations. Some believe money has its origins in religious rituals. Others believe that the love of money is at the root of all evil. Either way, it is no accident that the money issue is the second most frequently addressed topic in the Christian Bible and is clearly a part of most major religious traditions. It has that kind of power in our lives.

What's more, money itself has much else in common with religion. Despite pretentious banalities decrying money as either secular creed or an unworthy recipient of thoughtful attention by right thinking people, and in spite of trite condemnations of its hold on our value systems, the baseline fact is that money is a belief system with all the qualities and characteristics that generally attend belief systems. It has only the values, functions and meanings we collectively give it. No more. No less. It is myth at its best.

It also grounds humanity's best attempts to take care of its individuals while rationally allocating goods and services. Perfection? Hardly. Yet still the best system we know for delivering life's necessities to the broadest possible group of living souls.

One may suggest the following to be financial axioms of our age:

- Money is the most powerful secular force on the planet.
- Money skills are quite literally 21st century survival skills.
- Money skills do not come with our DNA.

Therefore, this may lead to multiple conclusions that heads directly core realities. If these observations are true and can be taken together as working presuppositions for life in the 21st century, well, you know, money is just plain powerful. Our lives will go better if we have a grip on it.

Money skills come in many forms and are much more than mere technical proficiency. In fact, some money skills are simple coping mechanisms such as balancing creditors and cash flow, understanding insurance needs or grasping the rudiments of our legal system.

Others include an ability to deal with the array of money systems that have evolved in response to complex economies including relevant bureaucracies. Also, an appreciation for history and social evolution is useful. At the very least, such an appreciation will enhance your coping skills. Much about our economic systems does not make much sense if taken in isolation.

Money has been evolving for the thousands of years. It has been an integral part of civilization. It enables the marketplace. It is easy to become cynical about money, but without it, our systems grind to a halt. This includes our healthcare systems.

Money underscores the purpose of this chapter. Its work is grounded in these beliefs and the attendant exploration of their ramifications for individual lives. In doing this work, our discussion will range from the philosophical to the intensely personal. Be forewarned, this chapter will not teach you how to get rich so much as it might, hopefully, help you live richly. To derive maximum benefit, it is imperative that you bring a willingness to look into yourself as well as the world around you.

We are too easily daunted by money. Some of our fears are justified but there are whole ranges of skill that are resolved by simply understanding some basics. For all the mysteries and myths woven around money, truly crucial money skills are easily accessible to individuals. At the level required for 21st century survival, money skills are not particularly complex. If you don't have them, you can generally rent them or associate with them.

The simple fact is that if you have read the entirety of this book, you have been exposed to just about all there is to know about financial planning fundamentals, and some practice management benchmarks. If you have not found it between these covers, most of what is left is just a phone call, or couple of browser clicks away.

Don't misunderstand. There are certain financial and managerial issues that are incredibly complex, that deserve years of schooling, should only be used in the hands of the most skillful, and truly merits our awe and admiration. This is comparable to those times when sophisticated surgical invasion is required. Sometimes it does the trick perfectly. But you don't do heart surgery to cure a cold and you do not necessarily need complex solutions to your financial problems. Be careful out there.

This will undoubtedly get us into some philosophical trouble, but we plead with you to understand the simple realities of the financial services and medical consulting industry. There are some great people in it. Nonetheless, in the wonderful world of personal finance and practice management, what others make complex often simply covers sales motives, crude politics or some other form of pocketbook invasion. Or, it may be an attempt to make someone appear sophisticated. Or, it might possibly be simply an intellectual version of the old shell game, betting neither you nor a team of auditors could find the pea that has been so magnificently shuffled. Reducing gimmicks to essential components is a worthy skill. Never investing in something you do not understand is simply fundamental intelligence. If you don't "get it," please accept the possibility that it may not be you. Hold off. Even if you "get it," it is still a good idea to "get" the seller's motives. There is a difference between paranoid and prudent, but even paranoids reduce their odds of getting mugged if their fear helps them stick to safer paths.

Yet, these and other basics are pure financial muscle. Whole industries are built around them and getting around them.

True sophistication comes with tailoring your money and practice to you. Imagine what you would know if you had completely absorbed the information contained herein. You could have learned to build; staff and plan for your medical business. You might have received an overview of various taxation systems and miscellaneous methods for best working with their demands. You could now be comfortably crunching numbers, multiplying, adding, subtracting and dividing with the best of them. In the meantime, you have been exposed to investments, estate planning, insurance, "retirement" planning, and so forth. You could have been absorbing details, possibilities, likelihoods, and the prospective repercussions for guessing wrong. Imagine.

And so what?

At the end of the day, the real trick is to understand this information as it applies to you, personally. Without knowledge of your own life dreams and goals, the utility of any of this knowledge is of the most dubious value.

Now step back a minute. How do these thoughts feel? Are you energized or daunted? Empowered or bewildered? Thrilled or bored? Be honest in your answers. Money has huge emotional and personal spiritual aspects to it. Overestimating either your aptitudes or your knowledge can be both expensive and time consuming. It can most certainly be intellectually daunting and spiritually depleting.

MONEY: "MINUTES TO LEARN - A LIFETIME TO MASTER"

Assuming your goals ultimately have more to do with home, heart, health, patients and happiness than extra numbers from your practice on your bank and brokerage statements, all of this ultimately needs to be about perspective, money and you. It is about wisdom of the sort that will enable you to aspire realistically towards your visions while maintaining personal balance. Without these, money craft is fundamentally worthless.

Here we are trying to put money insights into context. We are looking at practicalities. We are also attempting to look at money from the standpoints of various modern social and economic systems. As we continue along this course, a couple of suggestions: you will be well-served by a sense of irony, a tolerance of paradox and the well-founded belief that "everybody is weird about money." Trust me. Everybody. You. Me. Everybody.

Allow us to suggest that financial health reflects attitudes more than aptitudes. The art of money demands good judgment more than gimmicks. Greed is not only one of the seven deadly sins; it is quite clearly dangerous to your wealth. So are the other six: pride, envy, gluttony, lust, anger and sloth. An individual's fiscal health, as with her physical well-being, is more likely to respond favorably to great habits than technical mastery.

There can be no doubt that financial and managerial issues can get complicated. Yet, it is equally obvious that money fundamentals are not so difficult to grasp that folks of reasonable intelligence should be intimidated. An abiding truth is that one need not be an "expert" to function effectively and efficiently around it and within the money forces.

The relevant personal financial rules can be summarized in eight short words.

- Rule One: Save more.
- Rule Two: Spend less.
- Rule Three: Don't do anything stupid.

The relevant personal financial planning process corollaries can also be summarized briefly:

- Financial planning first, asset allocation second, your portfolio third.
- The financial planning process is insensitive to the economy and market outlook. For example, you do not buy equities because you think the market is going up. You own them because their historical returns (absolute/compared to debt) are sufficient to meet the goals and objectives of your plan.
- Diversification at all times.
- A good long-term definition for the commodity money is purchasing power. The best test of income potential over-time is total return, not current yield.
- Do not micromanage your plan, your portfolio, yourself or your advisors.

That's it. Nothing daunting or inherently intimidating, here. Just control your spending. At the very least, spend less than you make and do it for a long time. Save regularly. Your savings are raw power. They enable you to make choices that suit you. Understand your personal issues, particularly your vulnerabilities and most particularly the essentials of your obligations as a citizen of your family and your various communities. Then, make a plan, allocate your assets, get professional help to monitor your portfolio, and don't do anything stupid.

Other relevant fundamentals include living modestly and beneath your economic means. Stay married to your spouse. Grasp basic risk management (i.e. insurance and general prudence) and investment fundamentals, most particularly notions of cycles, greed and time. Pay your taxes on time. Master your medical specialty, tele-health, m-health, medical records documentation and the nuances of CPT® billing codes! Adhere to the tenants of NPI numbers, HIPAA, CLIA, EMTALA, OSHA, electronic record keeping, Comparative Effective Research [CER], medical homes, value-based care, P4P initiatives, and the PP-ACA, etc. Become skillful in financial ratio-analysis and business interpretation. Buy enough insurance to keep your promises and avoid catastrophe. Protect your assets. Be skeptical of sales pitches yet generous with others. Save and invest for growth your entire life. Have faith in any god you wish. Worry less about your appearances than your realities. Be flexible and market responsive in your medical practice specialty and future life. Develop a hobby and plan a passionate- retirement. Have faith in yourself and in your future. And, never-ever lose sight of the fact that, *above all else,* medical care should be delivered in a personal and humane manner, with patient interest, rather than self interest, as a guiding standard. *Omnia pro aegroto,* or "all for the patient."

Finally, live your life with pride and joy but don't confuse good fortune with skill. Adherence to these simple rules will generally assure a rewarding relationship with money. Truly.

Our purpose here is not to denigrate technical financial knowledge so much as to suggest that attention to the technical at the expense of one's human priorities and personal values can lead to ruined lives - which sort of misses the point of developing financial and business skills.

Assuming the above, there is substantial craft to technical financial proficiency. As with all crafts, genuine mastery requires time, experience, skill, knowledge and discipline. The details may be easily accessible but truly appropriate use of the details takes time and the sort of experience that comes with making mistakes or seeing them made by others. Yet even then, craft is of considerably less importance than understanding and judgment.

Money tends to reward those who treat it with respect and wisdom.

Full development of the money craft takes years of education and experience. Wisdom takes longer. Wisdom is not subject to rules and regulations. Wisdom requires the integration of financial issues with your own sense of life, its purpose and its possibilities. Wisdom includes an ability to anticipate consequences of all sorts. The craftsman will help you to maximize your estates to benefit your family. A wise advisor will ask you if your family is emotionally or spiritually prepared for receiving it. If not, they will help you to avert a train wreck for those you love. Your practice may respond well to eighty-hour work-weeks. Will your mental and physical health? How about your soul? Will your marriage, friends and relationships, as well? Or - your children? All are part of behavior finance and the art of money.

As a doctor, you may hate practicing medicine, or your current work environment as an employed hospitalist, or because of managed care or the PP-ACA. You may even feel helpless and burned-out. What are the possibilities for personal re-education and changing it? What is the cost of continued misery or sense of meaninglessness? What are the intangibles for lives lived without inherent worth? Can you re-engineer and retool your life for a new career?

What may be obvious to many may be dead wrong for you. Do you want to allocate your precious life energies to deals and heels? You may choose not to play the maximization game. "Enough" may really be enough. You may make choices for reasons other than money. You can practice until you drop. You may choose to live simply. You can smell some roses. Truly, it is up to you.

Money is here to serve humans. Humans are not here to serve money. Humans are not money machines. More is not better. Enough *is* enough. Money is a terrific servant but a terrible master. Remember: You can't take it with you.

Is this heresy in a secular culture that allegedly reveres money at the expense of all else? Perhaps! Nonetheless, your relationship with money is uniquely yours. How you regard it, relate to it, use it, work with it or play with it is entirely up to you. As ancient wisdom tells us, “Where your heart is, so shall your treasure be.” Your relationship with your money will reflect both your personality and your value systems. You are revealed through money more profoundly than through your handwriting. Neither your fingerprints nor your blood work are as individuated as your relationship with this ultimate intangible.

Yet, money is inescapable. At base, we must understand that the money forces rage around us. We can no more escape money than we can escape water, nourishment or oxygen. Money impacts everything about our lives every hour of every day. It is very strange, unique in its every aspect. It gets into the cracks of our personal, communal, regional, national and international lives in manners unlike any other part of human existence. And we need it to survive.

So, what is it, this money? First, as noted above, it is a belief system. It has value only insofar as we impart value to it. If humans ceased believing in money, money would immediately cease to be important.

Second, it is a social lubricant and intellectual fertilizer. In the immortal words of Ben Franklin “Money is like muck - Useless unless spread around.” When money is used as nourishment, deserts bloom. When money serves as lubricant; social machinery functions smoothly.

Using money, we build. Families. Communities. Schools. Hospitals. Libraries and cultural facilities. Stadiums. Highways. Utilities. Transportation systems.

We generate: Food. Clothing. Shelter. Books.
We create: Art. Literature. Science. Exploration.
We educate: We care. We tend.
We live.

Without money, we are simply an agglomeration of individuals. With it, we can be interdependent communities. Look at the bad economies of the world. Would you want to live in them? Imagine the prospect of feeding the planet’s six billion souls without money. Not even close.

Third, money stores value. It enables trade and, in so doing, facilitates the development of resources and proficiencies with unparalleled efficiency. Imagine creating all that you consume. Inconceivable! Yet, through the miracle of money, much is enabled. The simplest act of consumption generally reflects the labors and/or mental genius of hundreds to thousands or millions, all performed in the name of money.

Fourth, it provides incentives and helps us keep score. It frequently reflects excellence and reveals mediocrity. Successful medical practices serve humanity in miscellaneous ways and are rewarded with money. Unsuccessful ones move those associated to something more “productive.” Money abuses tend to bring down the incompetent and the dishonest. Inefficiencies, dishonesty, poor quality, etc. tend to contain within themselves the seeds of their own destruction.

Similarly, it often serves as palpable recognition for discipline, thoughtfulness, creativity, deferred gratification, hard work and/or vision. "Show me the money" has become a cultural icon for the very best of reasons.

Yet it is obviously silly to accumulate money for its own sake, out of context for your life requirements. You can't eat it, wear it or cure yourself with it. Without the hard work of others, there is no food, shelter or, indeed, much else carrying with it even a scintilla of value. It is certainly no substitute for love, self-esteem, prudence, knowledge or professional integrity. The Disney character Scrooge McDuck may swim in it but even such a nominal utility is denied the rest of us. For all the energy we throw at it, it is remarkably insubstantial.

Indeed, money has, in fact, become the most powerful secular force on earth. Nothing of consequence in our 21st century world takes place without it lurking somewhere nearby. Moreover, money is simply amazing in its ability to do "good," to spread power and counter brute force as a method of imposing will. It is my heartfelt belief that more acts of peace, love and brotherhood occur in our daily pursuits of money than through any other aspect of our collective human existence. Nothing else induces enemies to cooperate with each other like the power of money. Lions lay down with lambs and swords are beat into plowshares in the contexts of markets and money forces. Nothing else can mobilize humans in their pursuits of knowledge, mutual benefit and sharing. Imagine a healthcare system without money. Not likely.

The metaphors abound. It is like water in the sense that it is the giver of life to healthy human enterprises. Yet, like water, it carries the taints and poisons of its origins. "Dirty money" is no joke. Stay away from it.

It is also like water in the sense that floods of it contain the power to destroy. An old joke runs "Cocaine is God's way of telling you that you make too much money." One of many. Money without values is horrifying. It destroys ecosystems and communities along with individuals, families and businesses. Markets may be efficient but they are not compassionate. Unfortunately, neither do they deal well with true off-balance sheet costs. Ostrich accounting often ignores the intangible or the immeasurable. However, these problems are not flaws in money so much as shortcomings in our methods of working with it.

Money issues find their way into our most intimate relationships. The family itself is a fundamental economic unit. Cities are strategically located to achieve certain economic advantages. Money issues lurk ominously around and about most forms of human conflict. These are just more good reasons for money's prominence within morality literature. Fairy tales, myths and fables frequently focus on money and its ramifications.

Read the Brothers Grimm, the Wizard of Oz or other world mythologies as money allegories. Fascinating! Indeed the book, *The Seven Stages of Money Maturity* finds parallels throughout history and the world's religions, literature and wisdom (SevenStages.com). Authored by yoga-devotee, George D. Kinder CPA, CFP©, a Harvard graduate, Bronze Medal winner in the National Uniform Certified Public Accountant examination in Massachusetts, and Buddhist teacher, the seven stages are outlined below.

[A] Innocence

"Innocence represents the beliefs, thoughts, stories, attitudes, and assumptions about money we hold onto for dear life no matter how fiercely the world works to remind us of their untruth. The process of entrapment in beliefs begins early in childhood, when parents pass on their own often - unstated attitudes about money. We seize upon these beliefs, sometimes burying them so deeply within that we don't even know they're there-yet they still influence every money decision we make. The desperate, often unconscious way we cling to our beliefs around money reflects the urgency of our basic needs."

[B] Pain

"Where Innocence consists of our belief systems, thoughts, and stories, Pain represents the wild, unbearable, chaotic feelings hooked to these systems, thoughts, and stories – emotions such as envy, greed, desire, frustration, anger, despair, fear, humiliation, boredom, and sadness-the great mass of unpleasant feeling we would just as soon avoid. Attaching these feelings to stories gives us a way of tolerating and explaining them. Because we don't like these troubling emotions and try to push them away, they attach themselves, seemingly permanently and often unconsciously, to our belief systems, thoughts, and stories. Then we go round and round with them, inventing endless variations of the old themes as new money circumstances present themselves."

[C] Knowledge

"The stage of Knowledge, while filled with practical things like budgets and taxes and investments, is actually rooted in virtue and integrity. Without integrity economic systems and relationships fall apart. Our determination to act always with integrity in the day-to-day world forms the only healthy basis from which we can approach the universe of information and Knowledge about money."

[D] Understanding

"Understanding is the most revolutionary teaching of all the Seven Stages. Because of its life-transforming nature, Understanding often takes us in directions and over distances we have never imagined possible. In Understanding we go back to the beginning, to contemplate Innocence and Pain again and resolve the cycle of suffering once and for all. Understanding stands at the center of the Seven Stages, the place where the transforming action of the heart takes hold. In Understanding we resolve the dilemma of childhood by unraveling the knot of suffering, letting stories and identifications go, turning suffering into wisdom and truth. Such transformation is possible because understanding gives us the capacity to enter, with grace and acceptance, the darkest areas of suffering."

[E] Vigor

"Vigor centers on discovering purpose in life and putting one's energy into accomplishing that purpose. Vigor is centered in the throat, the place from which we speak with authority. Vigor

concerns authority in the sense of "authoring" our own lives. In the world of money, Vigor represents the energy to accomplish financial goals and completes the work of adulthood on the path to Money Maturity

[F] Vision

Vision is all about seeing. It entails coming to each moment of life with the focused awareness of someone who is vital and alive. Vision directs our sense of life purpose beyond ourselves, toward the health and welfare of communities. What propels us through life is no longer the deadening, blinding suffering caused by the dance of Pain and Innocence, but the full consciousness of every moment supported by the skills of adulthood and a calling toward what needs to be done.

[G] Aloha

The last stage is a place of wisdom and generosity. Given or received, Aloha is unmistakable. It is humility, kindness, and blessing that pass from one person to another. Aloha lacks economic distinction. It can be given by a poor person to rich one, as well as the other way around. Aloha arises from the interior place where we have emptied ourselves of attachments to objects and stories and can give ourselves spontaneously, genuinely, and lovingly to another."

We need these stages or moral instructions about money because it is so easy to get out of whack in our relationships with it. The consequences can be huge. Indeed, individual and collective failures to attain balance and vision in our personal money relationships lead to egregious consequences in virtually every area of our lives.

Which is to say that money is serious stuff! Which is *not* to say that life, financial advice, or medical practice is all about money or that you should sacrifice beyond measure to maximize either your competencies with it, medical specialty, or your particular pile of it. It is just to say that money is serious stuff and that your life will be better if you understand it and your relationship with it.

It is also to say that it impacts everybody and that everybody has to come to terms with its role in our lives. Indeed, if you are having trouble in your own relationship with money, it might comfort you to know that you are the best of company. Remember, “Everybody is weird about money.”

KNOW THYSELF

Money is personal and intimate. We are all uniquely wired in our relationship with it and our attitudes towards it. No one else is like you. You are like no one else. No one has your medical or secular experiences. No one else comes from your family, with your ears, with your traumas or joys. No one else has your prospects or your timetable.

Your own hard wiring may help or hurt you in achieving significant net worth but without understanding it, it will be difficult for you to achieve balance or vision in your personal relationship with money. This is where the cold realities of financial health meet self-awareness and the mental health disciplines. No self-help book has the capacity to explain you to you but your personal work towards self-understanding will go a long way towards easing the trials of your own money journey.

However, there is no substitute for working with mental health professionals and skilled financial advisors. The interface of money and mental health can pose tricky ethical and practical dilemmas. We recommend working with professional advisors who have both understanding of and respect for the skills of related professions.

The exercises that follow are examples. They are designed to help with your self-awareness. While they can be useful all by themselves, it is my experience that it is difficult for humans to work them as hard as is generally necessary to receive full value. Also there may be other exercises or techniques that would be more particularly useful for you. Without some sort of coach who is in touch with you, your progress and your responses, it would be hard to tell. Accordingly, we recommend working on these exercises in conjunction with a skilled advisor or advisory team. Licenses are not as important as skill sets. You want somebody who listens, understands what is going on, and has your best interests at heart and in mind. Financial planners, coaches, psychologists, psychiatrists, lawyers, accountants or even Uncle Joe may all be excellent facilitators. Many with the same licenses will be terrible. It is worth the effort to find someone with whom you are comfortable, and who understands money and who also has a minimal or non-existent sales agenda.

Every aspect of your life will be improved with a healthy relationship with money. The exercises in the appendices are designed to help you on your way. They will reward your efforts.

Exercise A:
Money Autobiography Questionnaire

For understanding your relationship with money, it is important to be aware of yourself in the contexts of culture, family, value systems and experience. These questions will help you. This is a process of self-discovery. To fully benefit from this exploration, please address them in writing. You will simply not get the full value from it if you just breeze through and give mental answers. While it is recommended that you first answer these questions by yourself, many people relate that they have enjoyed the experience of sharing them with others who are important to them.

As you answer these questions, be conscious of your feelings, actually describing them in writing as part of your process.

Childhood

- What is your first memory of money?
- What is your happiest moment with Money? Your most unhappy?
- Name the miscellaneous money messages you received as a child.

- How were you confronted with the knowledge of differing economic circumstances among people, that there were people “richer” than you and people “poorer” than you?

Cultural heritage

- What is your cultural heritage and how has it interfaced with money?
- To the best of your knowledge, how has it been impacted by the money forces? Be specific.
- To the best of your knowledge, does this circumstance have any motive related to Money?
- Speculate about the manners in which your forebears’ money decisions continue to affect you today?

Family

- How is/was the subject of money addressed by your church or the religious traditions of your forebears?
- What happened to your parents or grandparents during the Depression?
- How did your family communicate about money?
- How? Be as specific as you can be, but remember that we are more concerned about impacts upon you than historical veracity.
- When did your family migrate to America (or its current location)? What else do you know about your family's economic circumstances historically?

Your parents

- How did your mother and father address money?
- How did they differ in their money attitudes?
- How did they address money in their relationship?
- Did they argue or maintain strict silence?
- How do you feel about that today?

Please do your best to answer the same questions regarding your life or business partner(s) and their parents.

Childhood: Revisited

- How did you relate to money as a child? Did you feel "poor" or "rich"? Relatively? Or, absolutely? Why?

- Were you anxious about money?
  Did you receive an allowance? If so, describe amounts and responsibilities.

- *Did you have household responsibilities?*
- *Did you get paid regardless of performance?*
- *Did you work for money?*

If not, please describe your thoughts and feelings about that.

Same questions, as a teenager, young adult, older adult.

Credit

- When did you first acquire something on credit?
- When did you first acquire a credit card?
- What did it represent to you when you first held it in your hands?
- Describe your feelings about credit.
- Do you have trouble living within your means?
- Do you have debt?

Adulthood

- Have your attitudes shifted during your adult life? Describe.

Why did you choose your personal path?
c) Would you do it again?
d) Describe your feelings about credit.

Adult attitudes

- Are you money motivated?
  If so, please explain why? If not, why not?
  How do you feel about your present financial situation?
  Are you financially fearful or resentful? How do you feel about that?
- Will you inherit money? How does that make you feel?
- If you are well off today, how do you feel about the money situations of others?
  If you feel poor, same question.
- How do you feel about begging? Welfare?
  If you are well off today, why are you working?
- Do you worry about your financial future?
- Are you generous or stingy? Do you treat? Do you tip?
- Do you give more than you receive or the reverse? Would others agree?
- Could you ask a close relative for a business loan? For rent/grocery money?

- Could you subsidize a non-related friend? How would you feel if that friend bought something you deemed frivolous?
- Do you judge others by how you perceive they deal with their Money?
  Do you feel guilty about your prosperity?
  Are your siblings prosperous?
- What part does money play in your spiritual life?
- Do you "live" your Money values?

There may be other questions that would be useful to you. Others may occur to you as you progress in your life's journey. The point is to know your personal money issues and their ramifications for your life, work, and personal mission. This will be a "work-in-process" with answers both complex and incomplete. Don't worry. Just incorporate fine-tuning into your life's process.

Exercise B:

Reality Check
This is where you match resources with goals. Does it work?

Resources
Your so-called net worth statement does not accurately reflect the full extent of your financial resources. If your assets are those tangible and intangible pieces of your life that stand between you and financial disaster, you need to look at all aspects of your life. These include your earning power together with your knowledge and experience. Brains count. Medical acumen counts. Muscles count. Talents count. Write them down.

Resources also include your productive assets, like your medical practice, that may be worth much more to you than could conceivably be reflected on a balance sheet. Or not! Inheritances also count. While caution is appropriate against over reliance upon such anticipations, if you know that substantial resources are likely to come your way, this should be factored into your thinking. Finally, look at your family, community, patients and other relationships that can provide trustworthy security in your various possibilities for personal disaster. They also do more for your quality of life than pieces of paper.

Goal Setting

Goals are the essence of financial planning. Why do you have money? Why do you want more? What do you expect it to do for you? What would you like it to do for you?

Genuine goal setting is among the most intimate and personal of undertakings. Going about it requires self-knowledge and self-honesty. There is insufficient space to enumerate all the possibilities for goal-setting tools. The following are the best we have encountered. Taken from the *Seven Stages of Money Maturity*, they are reprinted with the permission of its author, George D. Kinder, CPA, CFP©

First Question:

"This exercise is a set of three scenarios to be worked through in order. The first one, called 'plenty of money,' is playful and fun as well as revealing. Here's the question to consider: 'You may not be as wealthy as Bill Gates or the Sultan of Brunei, but you do have all the money you need, now and in the future. What will you do with it? From this moment forward, how will you live your life?'

"As you write your answer, let yourself dream. This part of the exercise has nothing to do with realism. Run loose, without tether or rein. Give yourself the right to have, do, or be anything that comes to mind. Only when you have completed this part of the exercise should you go on to part two."

Second Question:

"The second segment is called 'just a few years left.' You've just come back from a visit to a doctor who has discovered from your lab reports that you have only five to ten years to live. In a way you're lucky. This particular disease has no manifestations, so you won't feel sick. The bad part is that you will have no warning about the moment of your death. I will simply come upon you in an unpredictable instant, sudden and final.

"Let the emotional import of the situation sink in, then address yourself to this interwoven question: 'Knowing death is waiting for you sooner than you expected, how will you change your life? And what will you do in the uncertain but substantial period you have remaining?' Again, spend time with this question and let the full answer emerge from you. And don't go to the next part until you've finished here."

Third Question:

"Now you are ready for the last step, named 'Twenty-four hours to live." Again you've gone to the doctor, but this time you learn you'll be dead within twenty-four hours. The question isn't what you would to with the little time you have. Instead, ask yourself, 'What feelings am I experiencing? What regrets, what longings, what deep and now-unfulfilled dreams? What do I wish I had completed, been, had, done in this life that is just about to end?' As with the other two parts of this exercise, write your answers with the greatest honesty and candor you can summon."

Goals can be linearly defined. The chart below is a tool for putting goals into a chronological context. Practicalities demand that we make it small. Obviously, you can make it as big as you choose. Pretend each blank rectangle is its own legal pad if you choose. The point is to begin conceptualizing your most important goals in terms of the different, competing arenas of your life and then to attach to each the perspective of time.

	One Week	One Month	Six Months	One Year	Three Years	Five Years	Ten Years	Twenty Years	Life Time
Family									
Relationship									

Health									
Career									
Community									
Creativity									
Spirit									
Your category									
Your category									
Your category									
Your category									

The next exercise involves a sort of “tic tac toe” chart.

	Got to	**Should**	**Like to**
Have			
Do			
Be			

“The next step is to fill in the cells. Into the ‘got to’ column, put all the things that, from the level of your heart or soul, you simply must do lest your life lack or lose meaning. ‘Have’ refers to possessions, ‘do’ covers accomplishments and activities, and ‘be’ covers states of existence.

“The same distinctions apply to the ‘should’ column, which covers areas where you feel an obligation to do, have, or be. In the ‘like to’ column, put the fluff and extras…

“Now that you’ve completed the exercise, what does it reveal? Typically, issues of career, family, and home appear in the ‘got-to’ column. Travel, special vacations, and second homes in resort locales usually occupy the ‘like-to’ column. The ‘should’ column fills up with practical issues as well as obligations, often towards parents and sometimes toward children. It is not unusual for many issues to appear in the ‘should’ column.”

****

OVERHEARD IN THE DOCTOR’S LOUNGE

[Prospect Theory in Client Empowerment
For Financial Decision Making]

Amanda, an RN client, was just informed by her financial advisor that she needed to re-launch her 403-b retirement plan. Since she was leery about investing, she quietly wondered why she couldn’t DIY. Little does her FA know that she doesn’t intend to follow his advice, anyway! *So, what went wrong?*

The answer may be that her advisor didn’t deploy a behavioral economics framework to support her decision-making. One such framework is the "*prospect theory*" model that boils client decision-making into a "three step heuristic."

Prospect theory makes the unspoken biases that we all have more explicit. By identifying all the background assumptions and preferences that clients [patients] bring to the office, decision-making can be crafted so that everyone [family, doctor and patient] or [FA, client and spouse] is on the same page. Briefly, the three steps are:

1. Simplify choices by focusing on the key differences between investment [treatment] options such as stock, bonds, cash, and index funds.

2. Understanding that clients [patients] prefer greater *certainty* when it comes to pursuing financial [health] *gains* and are willing to accept *uncertainty* when trying to avoid a *loss* [illness].

3. Cognitive processes lead clients and patients to overestimate the value of their choices thanks to survivor bias, cognitive dissonance, appeals to authority and hindsight biases.

Much like in healthcare today, the current mass-customized approaches to the financial services industry fall short of recognizing more personalized advisory approaches like prospect theory and assisted client-centered investment decision-making.

Jaan E. Sidorov MD
[Harrisburg, PA]

*****

TELE-PSYCHOLOGY AND PSYCHIATRY

Tele-Psychiatry and Tele-Psychology helps patients and clients through online video conferencing, making access to quality mental healthcare easier and personalized. Research has shown that tele-health may be as clinically effective with counseling session results similar to on-ground patient satisfaction and clinical outcomes.

For example, the mission of 1DocWay is to serve the 80 million Americans living in rural communities with the highest quality tele-health services, quickly and easily linking them to those psychiatric and psychological professionals able to provide the proper care [www.1DocWay.com].

ASSESSMENT

Life planning is becoming a highly visibility notion to financial planning practitioners, FAs and Certified Medical Planners™. Experimental methods are becoming hot topics for graduate and doctoral students in some top behavioral economics, statistics and mathematics departments in the US, Europe, Israel and Japan.

For example, Nobel Laureate Maurice Allais, PhD demonstrated how economic theory breaks down when used to predict people's choices between different sets of lotteries. And, human beings' limited capacity to digest information needed to make complex decisions was a prime concern of Herbert A. Simon, PhD. More recently, David I. Laibson, PhD, of Harvard University credits the rapidly rising interest in the subject to the strength of its science.

Though the 2002 Nobel Prize of Smith and Kahneman was the first to reward such work, the Nobel committee has long shown an interest in the nexus of economics, physiology and psychology.

CONCLUSION

The obsession to gain material wealth is sad. Mihaly Csikszentmihalyi, writing in the October 1999 edition of *The American Psychologist*, suggests that material advantages do not readily translate into emotional and social benefits. Friendship, art, literature, natural beauty, religion, and philosophy become less and less interesting. The physician, mental health professional or financial advisor who only responds to material rewards becomes blind, to any other kind, and loses the ability to derive happiness from other sources.

If you are a doctor, nurse, accountant or financial planner, as you read the remaining chapters of this book you will undoubtedly learn and reinforce information that will prove invaluable in your economic, personal consulting and practice life.

More importantly however, as you work with other professional advisors and physicians-clients, it will help define your relationship with them, and assist in the never-ending balance between vision, finance, self-awareness, practice, risk and reward.

COLLABORATE: Discuss this chapter online with others at: www.MedicalExecutivePost.com

Acknowledgements: To Dr. David Edward Marcinko; and to Richard Wagner JD CFP® WorthLiving LLC of The Nazrudin Project and George Kinder of the Kinder Institute of Life Planning, Littleton, MA.

References and Readings

- Altman, D: A Nobel That Bridges Economics and Psychology. New York Times, October 10, 2002
- Anderson, TJ: The Value of Debt. Wiley, New York, NY, 2013
- Baker, HK and Nofsinger, JR: Behavioral Finance [Investors, Corporations, and Markets] Wiley, New York, NY 2010
- Baker, HK: Investor Behavior: The Psychology of Financial Planning and Investing. Wiley, New York, 2014
- Benton, L: Behavioral Finance Psychology [Bias, Emotion, & Overconfidence] e Pub Wealth.com, Cedar City, UT, Kindle edition, 2013
- Boerre, George, C: Shippensburg University of Pennsylvania; webspaceship.edu, 2009.
- Burton, E and Shah, S: Behavioral Finance [Understanding the Social, Cognitive, and Economic Debates]. Wiley Finance, New York, NY 2013
- Field, A: Reading a Client's Tell. Wealth Management, page 17, March 2014
- Gladwell, M: David and Goliath: Underdogs, Misfits and the Art of Battling Giants. Little Brown. New York, NY 2013
- Haidt, Jonathan: The Happiness Hypothesis: Finding Modern Truth in Ancient Wisdom. Basic Books, New York, NY.2006.
- Health Dan and Health Chip: SWITCH: How to Change Things When Change Is Hard. Crown Publishing Group, New York, NY, 2010.
- Jolles, R: How to Change Minds; The Art of Influence without Manipulation. Berrett-Koehler, New York, NY 2013
- Karasik, P.: The Four Fears. On the Street; August, 2003.
- Kinder, G: The Seven Stages of Money Maturity: Understanding the Spirit and Value of Money in Your Life. Delacorte Press [Dell], 2000.
- Kinder, G and Galvan, S: Lighting the Torch: The Kinder Method™ of Life Planning. FPA Press, Denver, CO, 2006
- Kinder, G and Rowland, M: Life Planning – A Banking Manifesto. Serenity Point Press, Littleton, MA, 2013
- Kitces, ML; Persuading Clients to do the Right Thing. Financial Planning, March, page 1 2014
- Klontz, B. and Britt, S. How Client's Money Scripts Predict Their Financial Behaviors. Journal of Financial Planning, 25(11), 33-43. 2013

- Klontz, B., Britt, S.L., Archuleta, K.L., & Klontz, T. Disordered Money Behaviors: Development of the Klontz Money Behavior Inventory. Journal of Financial Therapy, 3(1), 17-42, 2012.
- Klontz, B. and Klontz, T. Mind Over Money: Overcoming the Money Disorders That Threaten Our Financial Health. Broadway Business, New York, 2009
- Knutson, Ted: When Investing Becomes a Gambling Disease. Financial Advisor, page 17, March 2014.
- Marcinko, DE (Ed): Business of Medical Practice [Transformation Healthcare 2.0 Skills for Doctors]; third edition: Springer Publishers, New York, 2010.
- Oechsli, M: A High-Touch Practice-Literally. Wealth Management, page 24, April 2014.
- Paikert, Charles: High Net-Worth Psychology: What Advisors Need to Know? Financial Planning, March 25, 2014.
- Pompian, M: Behavioral Finance and Wealth Management [How to Build Optimal Portfolios that Account for Investor Biases]. Wiley, New York, NY 2012
- Post, R: Why "Adviser as Therapist" is Good for Investors. Wealth Management, March 27, 2014
- Prochaskia, James and Norcross, John: Systems of Psychotherapy: A TransTheretical Analysis. Cernage Learning Systems; Independence, KY, 2013
- Riekert KA, Ockene JK and Pbert, L: The Handbook of Health Behavior Changes. Springer Publishing Company, New York, NY 2014.
- Rosenbaum, J and Pearl, J: Investment Banking. John Wiley. New York, NY 2013
- Schmuckler, E: The Addictive Investing Personality. In, Marcinko DE (Editor): Financial Planner's Library on CD-ROM. Aspen Publishing, New York, 2001.
- Shubin-Stein, Kenneth, H: Psychological Issues for Financial Advisors and their Clients. In, Marcinko, DE (Ed): Financial Planner's Library on CD-ROM. Aspen Publishers, New York, 2003.
- Snyder, S: Leadership and the Art of Struggle. Berrett-Koehler, New York, NY 2013
- Tversky, A and Kahneman, D: Prospect Theory; an analysis of a decision under risk, 1979.
- Wagner, R: The Art of Money. In, Marcinko, DE (Editor): Financial Planning for Physicians and Healthcare Professionals. Aspen Publishing, New York, 2003.
- Zweig, J: Is Your Investing Personality in Your DNA? WSJ; April 4th, 2009

THE END