

Doctors Are Smart, But Are We Wealthy?

Shirley M. Mueller, M.D.

Physicians are not only extremely intelligent, but also make among the highest incomes in the nation. Logically, this suggests that MDs are wealthy. "Not necessarily so," says Jay Zagorsky in his 2007 article published in *Intelligence* (February, 2007). The researcher is located at the Center for Human Resources at Ohio State University in Columbus, Ohio.

Zagorsky studied indications of financial success in relationship to IQ including wealth and income. Wealth was determined as the difference between assets and liabilities. Clearly, the ability to save money and invest it wisely plays an important role in wealth accumulation. Income was what the individual earned.

The investigator used data from the National Longitudinal Survey of Youth, which measured data including IQs of approximately 7,000 teenagers from all over the country in 1980. They were again tested in 2004. That data was released to the public late in 2006. This was the foundation of information for Zagorsky's paper.

It was no surprise that there was a positive relationship between IQ and income. Those with higher IQs made between \$200-600 more per year for each IQ point above 100. This means that someone with an IQ of 120 made on average \$8,000 more in 12 months than his neighbor who had an IQ of 100.

To the surprise of many, however, there was not a positive correlation between IQ and wealth. The average IQ was 100 +/- 15 points. Those who scored in the top 10% (IQ 120) or 5% (IQ 125) on IQ testing, which is consistent with most physicians, were not wealthier than those with lower IQs.

Zagorsky suggests that the wealth gap for individuals with a higher IQ may be explained, in part, by a deficit in emotional IQ compounded by time pressures. Emotional IQ is the ability to perceive and manage one's emotions. Busy doctors may not have enough time to devote to this area and thereby come up short on knowledge of themselves and how to get what they want financially. Additionally, doctors who are focused on their job often do not have enough

time to spend on serious wealth-seeking behavior such as concentrating on the scientific principles of investment management. These qualities can add up to what Bailard, Biehl, and Kaiser called the “[Celebrity](#).” This is someone who has little time or investment knowledge. Therefore, he latches onto investment opportunities presented to him by a good salesman rather than constructing his own well thought out plan. Because doctors have to be confident about their medical decisions, this confidence transfers over to financial decisions even if it isn’t warranted.

Certainly, not all doctors are this way, but those that are do have trouble accumulating and maintaining wealth. Many financial professionals lick their chops when they encounter this type of individual as indicated in a financial blog posted by Warren May 31, 2005:

“Why doctors are clueless about investing”

“At Harvard Business School, I had a great investment management class with a professor who has schooled many of the best in the business. If an investment we were analyzing turned out to be a real dog, he would ask us “who do you sell this to?” and the class would shout “doctors!” Doctors are clueless about investing because they know absolutely nothing about the world of business. They are not required to take any classes in accounting, finance, or economics, and then they work in a [socialist sector](#) of the economy. Yet at the same time, doctors have huge egos. Part of it comes from making life and death decisions, and part of it comes from working at hospitals where everyone treats the doctors like they are superior beings. So they get it into their heads that they know everything, even everything about investing, when in reality they have no clue. Stockbrokers love to have doctors as clients, especially the type of doctor who likes to think he’s a bigshot. The bigshot doctor feels like a real bigshot investor while the stockbroker churns away his account.”

The above is not an isolated opinion. When I went through my own financial training, the attitude was the same. In one lecture, doctors were referred to as “gold plated targets.”

The kind of behavior referred to in the blog never was helpful to a physician trying to build wealth. It is even less so today when a sustained high income is no longer a guarantee upon receiving a medical degree.

But, there is good news. Whatever the reason that smart people are not necessarily wealthy, Zagorsky does not think the condition is genetic. He believes the wealth enhancement process can be learned--by those who are interested, motivated and willing. That means that committed physicians can learn the basics of investment management, an area in which they are generally

unfamiliar. For every hour invested here, it is likely the physician can earn many times over what he could in that hour seeing patients. In addition, it lessens the chances of falling prey to a profit hungry financial professional. As Woody Allen says: “Money is better than poverty, if only for financial reasons.”

About Shirley M. Mueller, MD

Dr. Shirley Mueller is a physician turned financial consultant and investment educator. She teaches others how to invest their own money using a Noble Prize-winning financial strategy. Her fee is hourly, not a percentage of assets. She welcomes comments at ShirleyMMueller@MyMoneyMD.com. For more information, visit her website at MyMoneyMd.com

