9. Unbalanced Investment Portfolios

Statistical studies show that a diversified portfolio of investments will generally out perform a non-diversified portfolio with significantly less risk. Many successful clients own investment real estate, mutual funds allocated among the various classes of stock investments, and bond funds or CDs. It almost never makes sense for anyone to put all of their eggs in one basket.

Go for Singles and Doubles, not Home Runs. Time and time again, we have seen physicians place significant portions of their financial assets into high-risk investments or ventures with the intention of hitting “a home run” under risky circumstances. By our experience these clients almost always strike out. Many end up working full-time into their 70's and eventually retire only by selling their home and living in an apartment.

There is almost always a direct and opposite correlation between expected rate of return and risk being taken. Many high income professionals recognize this and are nevertheless willing to take risks. Quite often, however, physician investors are assured that an arrangement is “virtually risk free” even though it is expected (or touted) to yield a significant return. If it is too good to be true, it probably is.