EPISODE 73:

Finance for Physicians: Personal Finance for High Income Earners with the Loonie Doctor

[INTRODUCTION]

[0:00:05.3] Benjamin Felix: This is the Rational Reminder Podcast, a weekly reality check on sensible investing and financial decision making for Canadians. We are hosted by me, Benjamin Felix and Cameron Passmore.

[00:00:14] Cameron Passmore: So, this week, we have a terrific guest. We have a Canadian physician who in his spare time writes under the name The Loonie Doctor. It's a terrific blog post, great content. I know we have a lot of physicians that listen to the podcast, and I'm sure we get a great amount of perspective from The Loonie Doctor.

[00:00:32] BF: Yeah. So, he writes the blog called *The Loonie Doctor* under the name The Loonie Doctor, but he's got fantastic perspective on – Actually, maybe it's just worth pointing out that you mentioned, Cameron, that he in his spare time does the blogging. That's not entirely true. He made a very intentional decision in his career to scale back the clinical work that he was doing to focus on writing to help educate other physicians and people in general on personal finance and investing. So, this is a side project or a side hustle, sure. But it's a very deliberate commitment that he's made to producing this content.

[00:01:05] CP: And he has unique perspective. Being a doctor, he understands how doctors think, and he talks about that, how being in that profession he can give back some social capital and that something he's passionate about to his peers in the profession.

[00:01:18] BF: If you read his blog, he's got great – The ability to write about very technical concepts in a way that's quite concise and easy to understand. But even beyond the technical aspects, he's done some great thinking just around what money means and what our human capital means and how those things interact with our families and our relationships and our careers and the world in general or the economy in general. So, he's really done some deep thinking not just about the tax details, which is also thought about, but really about our relationship as humans with money. We talked about that a lot in the episode, and that to me is where I think that his thinking is adding a huge amount of value.

[00:01:53] CP: I agree. With that, enjoy our interview with The Loonie Doctor.

[INTERVIEW]

[00:02:05] BF: The Loonie Doctor, welcome to the Rational Reminder Podcast.

[00:02:08] Loonie Doctor : Great. Thanks for having me.

[00:02:09] CP: Can you explain who you are and talk a little bit about your blog and why you decided to start it?

[00:02:15] LD: Sure. So, I'm a physician in Canada, and my clinical job is intensive care. But I also have some roles as a physician leader within our hospital and also as a teacher with other physicians. Then my blog came out of a bunch of things coming together all around the same time I was feeling a little bit burnt out, not so much because of hours worked. I was just feeling like some of the things that I'd wanted to get done I'd finished, and there's a lot of negative media and spin around physicians at the time with a series of c uts and tax hikes and other things, which just caused me to pause and examine with my family how much we should sacrifice our lives for my career.

And then I spent time thinking about that. We realized that we could retire if we wanted to. But at the moment, I wasn't really ready to retire yet, so we decided to just stay change how we do things. And for my part of that, I refocused my clinical practice a bit. I started scaling back a bit and changed my teaching focus from some of the things I was teaching about before to try to teach a bit more about physician finance, because that's a major vacuum in Canada, and it's very important to our profession as a whole.

[00:03:22] CP: That's so interesting. So, you consciously reallocated your time to do the blog. It wasn't like you're tacking this on to your other responsibilities?

[00:03:31] LD: Yeah. I started to do it but I also – Every time I take on something new, I have to cut something else, because there's only so much time to go around.

[00:03:39] BF: Wow! That's incredible. Good for you. So, tell us, why do you think it's important for physicians to talk to other physicians about money?

[00:03:47] LD: There's two big reasons. One is I would guess neglected and the other is that it actually is important. So, one thing about physicians is we do make high incomes, and that can mask many problems. That's kind of like having heart disease. You can have your arteries silently hardening over the years and not really notice there's a problem till you're older and you have your first heart attack at which point the damage was done. So, it's one of those problems you can't neglect. You have to actually deal with it, which is hard for physicians, because talking about money is a bit counter to our culture. We're a profession that's highly values self-sacrifice and altruism.

So, to talk about the fact we get paid to do the job that we do can sometimes be a little bit taboo. But it is important for us to be able to perform at our best, and the reason why that is, is if we don't have control of our finances, then we don't have control over how much we work. So, we can get some burnout from that. Or we also don't control the type of work that we do, because we don't have the options to realign what we do to do things that may serve a bigger purpose or be more fulfilling or serve a need in our career, but also don't pay very well.

So, if you have a good healthy financial piece to your practice, then you can actually shift it around and maneuver into these different areas so that you can have a longer and a more satisfying career.

[00:05:03] CP: So that added credibility I guess can make a difference to other physicians.

[00:05:08] LD: Yeah, I think it does for sure. I mean, physicians think about things a little bit differently than some people. We know that we have high incomes, and there's people that would be happy to help us, but also want a part of that income. Some people do that in a helpful way, and other people do that in a more predatory way. So, we know that we have targets in our back sometimes. We see that with the government actions over the last few years, but we – I think it's a part of our culture that we do things that are fairly different from a lot of professions. So not everybody I think understands unless you're part of it on the inside.

[00:05:44] CP: So, you kind of touched on this in what you're explaining about why money is so important, and we definitely agree with that. But you've actually done an extremely deep dive into building a framework to explain how money is important and how we can think about money. You called it holistic wealth in the post that I'm talking about. Can you just talk through your framework for holistic wealth and what that means to you?

[00:06:06] LD: Sure, yeah. I put this framework together. So, I'm thinking that I don't – What I want to do is be able to make rational decisions about how we allocate our time and our effort, because that's really our fixed asset that we all have. How we allocate that I think helps us to make more conscious decisions about how we live and invest and do all of these things. So, some of it is pretty standard personal finance like there's human capital, which is our time, effort, skill and security, which we sell that at our jobs to make money. We use that money to buy those things from other people, and we also have financial capital, which would be our savings, investments, and physical assets. Money kind of services it in-between for those things. Over our careers, we have to spend our human capital to build up our financial capital for when we can't work anymore.

Along the way, we could invest our financial capital build more of it. That's all pretty standard, but I think the other piece that's missing from that way of thinking about money is also there's what I would call social capital and economic capital. Part of that is that our focus with money is usually building financial capital. But we also have our human capital. We just spend time building more human capital with. So, the easy example that would be spending time to exercise, eat well, and be healthy, get enough sleep. But that human capital fits into the bigger framework of what I call our social capital, which is kind of how we're connected to everybody else around us.

So, it takes time and effort to invest in our relationships, our community, social connections. Those are all things that we can build both for now for our happiness but also to draw on in the future when we're less able to work. And then we all participate within the broader economy, where we spend money and how we spend our money even though our individual effect is minuscule. If you put those all together, we can affect the economic environment in which we operate as well. All of those things contribute if you add them all together to be our holistic wealth.

[00:08:03] CP: Can you talk a little bit more about the last one, about how we can affect the overall economy with our spending?

[00:08:09] LD: Sure. Again, it's about making deliberate decisions. So, for example, we spend a lot of money on participating in sports, like obscene amounts of money. We spend a lot of money traveling together in our motorhome. If we didn't spend that money, then there would be less providers out providing the services that we used with those. But by spending on it, it promotes people to do that. We don't spend money on cigarettes or other things that we don't really value. So, us doing that as individuals probably has a small effect. But if you add it all together, there'll be areas that expand and areas that don't expand.

[00:08:43] CP: That's really interesting. So, it's really allocating your spending in the direction that you would want the world to go.

[00:08:50] LD: Yeah. I think everything that I think about with this framework is just so we can acknowledge how everything connects together and try to make rational decisions with it.

[00:09:00] BF: So, off the top of the interview, you talked about how you made a decision with your own human capital to shift what your time was focused on from your professional career in medicine over to adding value in the financial world. Can you talk about how you made that decision, because I see it as having an impact both on your family, but also on – Like there's some social capital being created here as well, isn't there?

[00:09:25] LD: Well, yeah. It definitely builds relationships with other colleagues. So, part of my career has always been with the education piece or improving how we do things, and one of the things that gives me a lot of satisfaction is to build something and to look at something. Look to an area where there is kind of a vacuum that needs to be filled in and think, "Okay. Well, what can I do try to fill that vacuum?" If you pick a place that is a vacuum, then really you don't have any competition, and you don't have any limits on what you can do other than you're basically free to go in the direction you want with it.

So, finding those kinds of areas I think gives you big opportunities to do something that's actually pretty satisfying. So, that's why I made that conscious decision. Some of the other areas where I'd done that had actually come to fruition with good successi on planning and is able to pass those along to other people to kind of carry it to the next level. So, I needed something else to feel that need of what I do. But with my family and my other parts of my holistic capital [inaudible 00:10:26], I have to cont ain that. So, I can't just add that on to everything else, which means that other areas have to give. It becomes easy when something starts to not be as fulfilling or you've able to pass it on to somebody else who can do a better job taking to the next lev el. It's easy to pass that on. And then you can focus on something new.

[00:10:47] CP: So, I think I'm going ask you to elaborate on something that you're just talking about here, but it's worth diving into a little bit deeper. There are a lot of people that seem to be miserable in their careers, and they want to retire as soon as they pos sibly can. But having a career like as you talked about earlier, you weren't ready to retire. Having a career can be a really good thing from a psychological perspective and a fulfillment perspective. How do you think about building a healthy career? How d oes someone do something that is fulfilling that they don't want to get out of as soon as they can?

[00:11:15] LD: Yeah. I think building a healthy career – all the features that underpin that are the same features that help you to be a healthy happy person. So, we have – For us to be happy, and there's lots of studies that have been done on this, some of the key things that make people happy, they have to have a sense of purpose. They have to have something mentally stimulating to keep their minds going. They have to have their basic physical needs met like food, shelter, and affection. You also need to have a connection to people around you. So, those will make you a healthy person, but there's no reason why that shouldn't necessarily be a part of your career, and you have to balance those things together. If you aren't able to do that in your career, then you can think about other ways of shaping your career.

I think that there's two parts to that. I don't think it has to be an all or nothing thing. I think I'm very fortunate with medicine, in that medicine is actually a very broad field and it gives you a lot of freedom to focus on different aspects. Not all jobs do that. So, for people that don't have those same options, then the option would be to look at some sort of other career, either part-time or full-time or some other way of contributing. It doesn't even have to be necessarily a paying career. If you make good money at your job and you wanted to have a second career as a volunteer coach or some other aspect in your community, then I think those are all – To me, they all are basically the same thing where you're doing a job. Sometimes, you get paid. Sometimes, you don't get paid. It depends on the job.

[00:12:43] CP: Right. That makes a lot of sense. So we've been talking about human capital. For a lot of people, human capital is by far their biggest asset. One of the things that you've written about a few times on your blog or quite a few times is insurance. And so, I want to ask you, for high-income earners, maybe physicians in particular because that's where you live, how do you think about insurance? How much life insurance? How much disability? Should you have permanent insurance? All those different kinds of questions around ensuring your human capital.

[00:13:13] LD: The way that I look at insurance is you're basically playing the odds. So, it's kind of like gambling. If you don't have enough insurance, then you're basically gambling that whatever bad things are going to happen that you're insuring against either won't happen. Or if it does happen, that you can handle it and pay for it. So that's gambling if don't have enough assurance. But if you have too much insurance, you're basically betting that whatever the bad thing is that's going to happen and that you're going to win all the extra money that you didn't really need because you bet on it. The problem with that is, of course, the insurance companies know the odds really well. They have whole departments of people that figure this stuff out. So, it's just like going to the casino. You're not going to come about ahead if you buy too much insurance.

So, when I think about insurance, I think about – The main question I ask myself is, "Okay. How much do I need if whatever this bad thing is I'm assuring against happens?" Can I just absorb it? If the answer is yes, then I probably don't need an insurance for that. If I can't, then how much insurance do I need to cover all of the problems? So, for life insurance, that would be enough to pay for my debts or support, my family in perpetuity if I were to die. Then disability insurance because my ability to make money basically provides for us. So, if that were to go away, then I'd have to have enough money to cover that. Plus, there may be extra costs from care that's needed if I'm disabled. So, you do want to factor that in.

The other main insurance type that people talk about is critical illness assurance, and that's basically a bridge to coverage of death or disability. It's kind of for that awkward in-between phase. If you don't have enough money to cover that, then it could be useful. That's probably useful for a lot of people earlier on in their careers. But like a lot of these types of insurance, if you save enough money that you become financially independent. Or even for critical illness insurance, if you have enough of a reserve fund or a line of credit that you don't touch, you can use that as an alternative, and it doesn't actually cost you anything per se. Whereas if you are financially independent, you can actually eventually become your own insurance company.

So when you're – For example, when I was younger, we definitely needed life insurance, disability insurance. But now, we're pretty independent, so we don't need it as much. And that's why for most people using a term life insurance policy, paying off their debts, and investing with all the cheaper rates of return policy probably makes sense. And then after 20 years, whatever the term's up, you may not needed anymore course. Of course, the coverage of that is whole life insurance where you're really kind of paying in advance for insurance your whole life. But you may not need it for the latter part of your life where you don't have a lot of dependents and other responsibilities, and you have your own pool of money that you can draw on to support all of those needs.

So that's why for a lot of people, whole life insurance may not be the best tool for life insurance. It does have other good uses though, but those are more of a financial planning, estate planning type of approach. But those will be only for pretty specific situations and a small part of a larger plan rather than the mainstay.

[00:16:17] CP: Can you maybe touch a little bit more on whole life just because I know in practice, we'll often meet physicians who have already been with another advisor, and they'll come in with massive whole life policies and no other savings or investments. I know a lot of other physician bloggers write a lot about this, about physicians being sold permanent insurance early on. Can you just speak a little bit to that and why that might pose a challenge for a young doctor?

[00:16:43] LD: Yeah. It's definitely gotten a bad rap on that Internet, and there's pretty good reasons for, too. I think it's pretty heavily marketed, because there are large commissions for selling these policies. The people that sell them may believe in them, but they're heavily marketed for I think probably the wrong reasons for a lot of people. So, again, they try to sell it as a catch-all for your entire financial plan, for your entire life. It's probably not the most cost - effective way to do that, and there's a number reasons why that is.

One is you're paying a lot of management fees and hidden fees for the management of the investments. The insurance itself is more expensive, because it's insuring you for your whole life rather than just the portion of your life that you need it. So, it's going to pay out. So that's going to cost you more money. Because it's insurance, it also has to invest pretty conservatively. There's a lot of rules about how insurance companies invest. So, it's going to have a lower risk. But it's also going to have a lower return than if you took that money that you saved on your insurance premiums and invest it on your own.

So, people when they compare how they invest their money compare it to how much they make in whole life. Whole life is always going to come up way short because of the fees and because of the lower-risk investing. But they always market based on the tax savings. But tax is only one piece of that, and you really shouldn't let that be the whole determinant of what you're doing.

The times what I would think about is if I had to hold some fixed income type of holding in something like my corporate account where that income would otherwise be pretty important with the passive income threshold, that might be one case to hold it. Or another case if you have a really large estate that you're not just going to donate to charity and you don't want people to have to sell stuff at the wrong time when you die to pay the taxes and they could use an insurance policy help them pay some of us taxes to give more flexibility around them.

Those are two pretty specific reasons to use it that someone wouldn't need right out of the gate, and the problem is I think people put into this right out of the gate where really it would be an add-on to already having maxed out your investments in other ways that are much more cost-effective and just ensuring yourself with term insurance.

[00:18:52] CP: I totally agree. I think the cost of whole life early on ends up potentially being a major liquidity constraint, because you're paying these huge premiums and you don't necessarily have a lot of other savings, which can become a problem fro m a cash flow perspective. In a worst-case scenario, if you have a new whole life insurance policy, it's worth nothing even though you may have put a ton of money into it probably for the first 10 or so years.

[00:19:12] LD: Yeah. The other thing with it is it's like getting married. It's a long -term commitment, and the exit costs are very, very high.

[00:19:20] CP: Yeah. That's a good analogy.

[00:19:22] BF: It's my impression that doctors specifically, but I guess high-income earners in general might have some sort of social pressure to maintain a certain lifestyle, and I think you refer to that as a script. People living up to what you expect them to live up to in terms of impressions. How do you suggest that people deal with this kind of social pressure in their spending?

[00:19:41] LD: I think there is definitely that, because one thing about medicine or any high-income profession really is that you put a lot of time upfront to achieve that kind of success. So that puts up a lot of pent-up demand, both for you and for everybody around you that's been supporting you along the way. I think the way to avoid getting caught up in those scripts, which can then sort of get you down the wrong path is just to make sure you know what it is that you actually value. That's part one.

The other part is to recognize those scripts for what they are and whether they are what you value or not. So, do you value an expensive car or not? You may not. Then you can make deliberate choices. If you do that, then you can actually steer the ship. If you don't, then you'll kind of go whichever one way the wind blows, and it's much more difficult to course-correct later on than just to make some deliberate decisions and navigate your way through the minefield proactively.

[00:20:38] BF: In your career, you spent so many years, making really modest amount of money before you get into your full-time practice. I suspect a lot of physicians might say, "Well, geez! I deserve a really nice car at this point, because I've suffered for so many years going through med school." But it kind of sets you out for a life of perpetual potentially higher spending, higher cost structure, not realizing what it takes to have the economic freedom you may want later on.

[00:21:04] LD: There's two parts to that. One is that you don't – When you're going through your residency, you actually do make an income. It's probably an income similar to the average Canadian or actually a little bit higher. Now, that's, of course, you have debt hanging over your head at the same time and the number of hours that you work to make that income are probably much higher. So, yeah. You probably do feel like you deserve something, and I think you do have to reward yourself in some way when you start to make that big jump. But, again, if you make that in a deliberate way whereas you think about what's important to you, then you can make better decisions. If you just kind of go along with what everybody else thinks is important for you.

So, there's nothing wrong with spending your money on something that you value as long as you've made that as actually a decision that you think this is actually really important to you and that you want to spend your money on that. Physicians over time because of our incomes, can spend money on most things. You just can't spend it all at the beginning, and you can't spend it on everything. You have to kind of pick and choose, which means you have to think about it so that you choose wisely.

[00:22:04] CP: So, I want to dive a little bit deeper into that choosing wisely concept. There are some financial decisions like a luxury vehicle like we were just talking about or a really big house that are objectively bad financial decisions. You don't need those things, and they cost a lot of money that you don't get back. But they can make you feel good and maybe improve the quality of your life I guess depending on how you define quality. Then in the case of physicians again, that's probably exacerbated, the idea of a bad decision just because whenever you have large personal expenses, you're bringing forward a tax liability that you could've otherwise deferred in the corporation. I guess that applies to any business owner, not just a physician. How do you think about what a bad financial decision, an objectively bad financial decision might actually be a good decision for you as a human?

[00:22:48] LD: Yeah. Well, I think you have to think of what it's going to add to your human capital and your happiness. So, something can be a bad financial decision in the sense that it's costing money. But if you're spending that money to build your human capital or you're just making an exchange for it and, of course, that's going to be something that's subjective. A house is an example where people can have a large house, and that's one of the mistakes that we made. When my wife and I grew up, we were limited to how large a house we could get just because we couldn't afford it. And then down the road as we had more money, we could buy a larger house. But you realize all sorts of other things that come along with that you may not have realized. A more expensive house comes with more maintenance, and it's not just money. It's also the hassle of dealing with people, and it can be hard to find people to do work on big houses. I spent a week painting the trim at my house this past summer, because I couldn't find anybody willing to go up there and risk their lives trying to do it for a reasonable cost. Most people wouldn't even call me back.

For us, when we built our house, we had envisioned having lots of social gatherings and family come to visit. But we don't do that as much, because it takes much effort to clean the house before anybody comes over that we just decide not to do it. So, you may have ideas about spending money to get something really nice and what it's going to do for you. But you should also think about the reality of it and what that's going to mean for your actual lived experience. So, a lot of these nonfinancial effects of spending money that probably become important.

On the other hand, we have a motorhome, which is if you're going to make a financially bad decision, that's probably the biggest one there is. It's got the most depreciation out of anything, but we've had a great time vacationing with it. Part of that was that for me psychologically it was good to put my money into a motorhome, because then I know if I use it enough and my depreciation per usage is going to be less, which kind of was an impetus for us to take more vacations and travel more, which otherwise we probably would know when it's been a lot of great experiences for us. So, think about spending money, it's not just the financial piece. It's what's it actually going to do for your human capital, which is a lot of that is about relationships, health, and the connections to the people around you.

[00:24:56] CP: Yeah. That makes a lot of sense, and the way you described it is perfect. You gave two examples. One where you bought a big house and d idn't end up getting the utility you expected, and then the second time where you bought the motorhome. Again, bad financial decision, but you guys got a ton of utility out of it.

[00:25:08] BF: So, I'm super interested in your answer to the next questio n. A few weeks ago, we had Dr. Wendall Mascarenhas talk about the hierarchy of evidence in making decisions. So, you were trained in an evidence-based field. and then you now are spending a lot of time in the financial planning investment field. So, I'm curious how you draw conclusions when there could be different conclusions possibly drawn from the same evidence. How do you think about choosing the right evidence to make decisions in the investment field?

[00:25:39] LD: We encounter this all the time in medicine. So, there's different studies of the same thing that showed different results, and I think there's two parts. One part of that is okay, well. In medicine, a lot of the times where there's conflicting evidence is because the population, when you look at it in detail, the population is studied between the different groups may be different or what's actually done with the intervention itself may be different. So just like with medical studies of financial descriptions, it's important to see who this really applies to and what is it exactly that people looked at if you're going to look at whether it's actually applicable to your situation.

I guess the other piece would be the strength of the evidence. So, I mean, in medicine, the gold standard would be for a treatment trial to be a randomized control trial. That would be the gold standard, but you're not going to find that anywhere in finance because it's not really feasible. So, you kind of have to go with the best that you've got, which would be a h istorical cohort essentially and then maybe some prospective testing of that model which is a much weaker form of evidence. But again, you take the best that you have and then you use that knowing that it may not be actually correct and you may not know th e answer, but at least you're making the best decision that you can.

I think one part of that that's useful is to know that if no one really actually 100% knows the answer, and things are probably pretty close, you don't really need to obsess over choosing one thing over another for some small little detail, because it coul d probably be changed by some small change with the numbers. It's more important to make a decision a lot of the time than it is to make a perfect decision. There are some things I think are pretty predictable. Fees and taxes are pretty predictable. I mean, fees. You know what percentage of a fee it's going to be. That's pretty predictable. Taxes. You know what it is now. I guess that's pretty predictable, though nobody really knows what the future of taxation looks like completely.

[00:27:31] BF: So, on that topic of evidence, we had one of our podcast listeners post a comment on our rationalreminder.ca website and they're explaining that their wife is a physician, and she was telling him how the evidence from clinical research does not necessarily inform what's best for each patient, so evidence-based medicine can't discount the value of clinical experience. And so, the commenter was suggesting that this could extend to investing where the evidence is everywhere. It's all public information. It's easy to grab, but that doesn't necessarily inform what you as an individual should do in your situation. And so, I think what the commenter was getting at is that there can be a role for professional financial advice for some people just to even understand the base rates to help you make financial decisions.

So anyway, this is basically a long way of me asking how do you think people should make the decision to go the do-it-yourself route with their investments versus hiring a professional advisor?

[00:28:28] LD: Right. I think with medicine, yes, there's evidence, but it's not the only thing that makes the decision. It tells you what in a big population of people is the best thing, but doesn't really tell you what the best thing for any individual is. So, that involves a subjective judgment of people's individual situations and also their value. So, someone may have – There might be a medication that reduces your risk of having a heart attack, but increases your risk of bleeding. Some people might say, "I want to take it because I want to reduce my risk of a heart attack." Some people may be terrified of bleeding to death and say, "Well, I don't want to take it." Even though you have objective evidence, people can look at that and make a different subject decision for their own individual situations.

I think the same applies to DIY versus advisors for investing. So, DIY might be the best route for someone who's willing to take the time to do it, which can be minimal if you take a nice simple approach, and that's usually the best approach. You have to have the discipline to follow through on it, which means basically you have people to ignore things for the most part and not get wrapped up in it. And that person is also maybe not need all of the other things that an advisor can add value for. So those would be someone who I think probably be best off with the DIY. And someone who might be better off with an advisor if somebody is not willing to do those things or they have a need of the other things that an advisor could offer, like insurance planning if they're not going to figure that out for themselves, although I think that's generally pretty simple if you take the simple approach to it that I've discussed just earlier in the podcast.

But if you're dealing with estate planning and other larger more complicated issues, then an advisor may be valuable for that. I think the biggest value is probably someone who has a hard time managing their behavior. If they have a buffer between themselves and doing stupid things, then that buffer is probably actually a big benefit. Even if you know what you're doing or have a good enough idea of what you're doing, it's still a good idea to have someone outside have a look at it even periodically. It doesn't have to be an ongoing thing. But once in a while, especially when you get some of those big lifetime milestones and you want to make sure that where you stand is where you really stand and have someone else have a look at. That might be another time where you want to involve an advisor even if you did DIY the rest of the time.

[00:30:46] CP: What do you think about even – We talked about the big house and the RV. What about making decisions like that. I know in practice, in real life, we help people who maybe have a high income, but they're terrified of spending. H aving that objective third -party might actually allow you to spend more, which increases your [inaudible 00:31:04].

[00:31:04] LD: Yeah. Well, it's pretty funny actually, because I actually do have a financial advisor that I meet with intermittently, and that was probably the most valuable thing that I got in the last years. It happened just before we upgraded our motorhome. We looked at where we were and we needed to be, and the options were, "Okay. Well, either you can retire in a year or two with what you're doing or you can work part -time or you just can spend some more money." So, we opted to do a little bit of both. I've been slowly cutting back the amount of work that I do, and we decided right after that to upgrade our motorhome. So, we spent a big wad of money, which we would otherwise probably wouldn't have, because it's very difficult for a lot of people and us included to shift from the mindset of saving money for the future to balancing that with now and not having a whole bunch of money saved for the future that you may not need and not spending any money now.

So, there is that part of it, which I think helps you to spend more or also to make sure that you're giving money along the way with what you do and waiting till you die to try to leave a bunch of money to some charity or something. Maybe you should be giving it to things that you think are important while you're still alive, and knowing where you stand helps you to make a good decision along that.

[00:32:20] CP: Yeah. I remember hearing Meir Statman who's been researching behavioral economics. I think he was one of the sort of founders of that field of study, and I heard him speak at the CFA Wealth Management Conference I think two or three years ago. He said that one of the hardest transitions for people to make is changing their mindset from being savers to spenders. It's actually really big problem, because people end up with all of this capital that they don't feel comfortable spending.

[00:32:45] LD: Yeah. I mean, you can't take it with you. So, you want to see it put to good use, and it'd be nicer to see that put to good use while you can actually see it put to good use rather than not seeing it or not having it done the way that you like to see it done.

[00:32:58] BF: So, I have a question along that same thread, Dr. So, I mean, in your career you've dealt with many critically ill patients, which I guess means you had a lot more experience with death than the average person. If you combine that awareness with some of the financial experience that you've developed, I guess you've had many conversations with people around the end of life that probably gives you an insight that many of us frankly just don't get until we've lost our own loved ones. Can you perhaps talk about some o f things that you've distilled from being part of these experiences?

[00:33:33] LD: Yeah. It's a common thing that we deal with, and it can be one of the most rewarding things to be involved in actually to be involved with the family at these times, because you see a lot of – You're part of sort of the inner workings of a family in like a major milestone. So, you see some of the things that important and some of the things that aren't really important. I wrote about it. It's on my blog, maybe two summers ago, but there's a few things that I think are common themes, and one of those is that you have no idea when you're going to die. But the odds are lower when you're young and they're higher as you get older. But you have to make sure you save enough for the future, but also don't put off living now for a future that may not come. So, you have to avoid extremes. You really just want to kind of be in the middle, and you don't want to live poor to die rich.

If you look at what families talk about and the families that cope the best with this type of event is the people that have a lot of shared memories together and the families that have spent a lot of time together, they tell stories and about the person, and you can get a glimpse of all the things that were important to them. I think the message from that really is just probably more important to spend time with your family than to spend money on your family. I mean, there are some people I've seen. They spend a lot of money on their families and not a lot of time, and there's just not the same relationships there which really come on to focus when someone's passing away.

That's really important because no matter what you do in your career or your work life, the main people that are going to remember you after you pass away are really your family. And if you focus on your family and leaving a strong family is your legacy, you're going to have much more I think than if you focus on trying to leave enough money to have some plaque on a wall somewhere, which is great. But you'd be much remembered, more remembered by your family than just people kind of looking at some plaque or something to commemorate some gift that you gave. I think that type of thing is important. I think that it's part of how we build more social capital, but I think we should start with building that at home.

[00:35:36] CP: It feels wrong coming back to DIY investing after that extremely deep question. I just want to come back to DIY investing for a second. Investing, it's like a professi on. We do it every day, and we spend all of our time thinking about it and talking about it on the podcast. You're probably an anomaly in terms of DIY investors, because you also have deliberately chosen to allocate a substantial portion of your time to writing and thinking about this. For someone who goes the do-it-yourself investing route, what are your suggestions for staying up, keeping their knowledge up on all of the different things that can affect your outcomes like the products that are out there, the tax legislation, financial planning research? We've talked about annuities and things like that on the podcast. You mentioned that the hardest thing or the most important thing for a DIY person to do is ignore everything, which is probably true, but there is a lot of important stuff to know. How do you think people should approach that?

[00:36:24] LD: I guess there's a risk and a benefit to everything, and I think the risk of not keeping up to date is that you may miss something or not have the perfect outcome. But I do think there's a real risk on the other side is that if you spend so much time tryin g to figure everything out to have the perfect plan, then you may not invest or you may delay investing. That's probably the biggest risk, because nothing makes up for time and money in the market.

So, it's better to have a good plan than a perfect plan. I think how much a lot of the nuances matter. I think it depends a lot on your income level, and that's part of why I've started to spend a lot of time either with the high -income bracket. I think if you have a relatively average income and the average savings rate, then really some basic information from blogs or books is probably enough, and you really want to have a simple plan like either an asset allocation ETF or at most three-fund portfolio. You just need to have it be simple and automated if you can make it automated so that you avoid behavioral problems. That's probably the biggest thing that's going to sabotage you.

Now, that's different for someone who's got a more complex situation. So, if you have a very high savings rate or a high income then T fees and taxes are going to become important. If you're also going to be spilling outside of TFSAs and RRSPs and the tax-exposed accounts which then makes that even more important, especially as we have a pretty progressive tax system. So that's where I think paying some more attention to the nuances could become important, particularly if we're talking about someone who's incorporated, because that raises a whole different set of issues that could make a big difference in the long run if you don't plan properly.

[00:38:02] CP: Right. So, kind of going a little deeper on that exact discussion, you and I have corresponded recently over the last sort of month I guess on asset location, which is the concept of holding specific asset classes in certain acco unt types to try and increase your expected outcome. You and I have both written about this quite a bit, and I've got a new paper that we kind of went back -and-forth on together. That will come out in the next few weeks. But the interesting thing is that w e've come to sort of different conclusions about what is optimal. So, could you just share your framework for thinking about asset location?

[00:38:36] LD: . Sure. I don't know their conclusions are necessarily all that different. I think the conclusion t hat it's probably not worthwhile is probably the right answer for the vast majority of people. So, the vast majority people, the potential benefits in terms of tax optimization are very small unless you have a high tax rate. And even in the work that you'v e done with the others, the benefit, that's the group where it might be. So that's the one piece of it. So, I think it's only probably worthwhile even thinking about is if you have a higher income. If you don't, it's not worth it.

If you do have higher income, particularly if you're incorporated, that actually raises other issues because then it's not just about the location for the tax efficiency now. It's also location for tax efficiency as your investments grow. For example, in the corporation, once yo u start to get over a certain level of passive income, then the tax rate for your corporation starts to go up rather dramatically. So, if you can stave that off for a number of years, that may actually make a bigger difference, and that's something that I think adds a different wrinkle to it.

Now, there's different ways to approach that even. One way is to try to optimize to delay hitting that. The other thing is if you hit that passive income level. It means you have enough money saved that you probably don't need to be working as much as you' re working and you may just cut back working instead. That's what my approach is to be when I start running into that a problem. I mean, you can try to beat your head against trying to optimize working within the taxes on income or you could just work less and make less income and do other things. So that's another way of approaching it.

[00:40:06] CP: That's so interesting. So, the new passive income rules have dis-incentivized you to work once you get to that level.

[00:40:11] LD: Yeah, definitely.

[00:40:13] CP: Wow! Yeah, that's a really interesting take-away.

[00:40:15] BF: So, our last question, Dr., usually ends with a question about how you define success. I know you've kind of threaded your life decisions through our discussion, and I'm curious. How do you define success in your own life?

[00:40:28] LD: Well, I mean, there's different facets. One is to I have to be doing something useful, and that can be either within my career or outside of my career with my family. I have to feel like I'm contributing in some way, and I'm constantly wanting to learn new things and new skills, so being challenged and continuing to develop like that. All of that's tied in with building my relationship with my friends and my family and the community that I'm i n. So, when I eventually pass away, if people can remember me and laugh at all the silly things that I did, then that's probably the sign of a successful life lived. And seeing that my kids will go on and do the same thing would be the ultimate success.

[00:41:09] CP: That's a great answer.

[00:41:10] BF: So, Dr., thanks very much for joining us. This has been a great interview.

[00:41:13] LD: Very well. Thank you very much for having me. It's been great talk to you guys.

[00:41:17] CP: All right. Thanks.

[00:41:18] LD: All right. Take care.

[END]

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