

How Avoiding the Stock Market Can Make You Rich

by Garrett B. Gunderson

As a financial advocate for dentists, I've personally and intimately worked with dozens of docs. Most of them think they should invest their excess cash in the stock market, whether through individual stocks, mutual funds, IRAs, or other vehicles.

However, this is almost always a mistake. For the most part they don't know what they're doing, they don't understand what they're investing in, they have little or no control over how their investments perform, and they expose themselves to unnecessary tax consequences. (By the way, the same applies to real estate – if you don't know what you're doing there, it shouldn't be part of your investment plan.)

Most dentists are better served by 1) investing in themselves and their practice, 2) investing where they personally have deep interest, knowledge, and expertise if there is still extra money or no interest in being intimately involved, 3) using fixed, tax-advantaged vehicles, such as permanent life insurance, guaranteed insurance contracts and/or specialty annuities.

Invest in Yourself & Your Practice First

In 1960, a man named Srully Blotnick began a study of 1,500 people representing a cross-section of middle-class America. Throughout the twenty-year study, they lost almost a third of the participants due to deaths, moves, or other factors.

Of the 1,057 that remained, 83 had become millionaires. The 83 successful

people shared five characteristics:

1. They were persistent
2. They were patient
3. They were willing to handle both the “nobler and the pettier” aspects of their job
4. They had an increasingly non-competitive attitude towards the people with whom they worked
5. Their investment activities – aside from their main career – consumed a minimum of their time and attention.

Writes Blotnick, “We originally expected the people in our sample to become wealthy by taking the money they earned at work and investing it wisely, in such things as stocks, bonds, and real estate... We thought there'd be no way for [them] to become rich unless they used their surplus income to generate more income... It didn't work out that way... More often than not they made little or no money investing.”

In short, the study revealed that the successful participants found something they loved and they did it well. “In case after case,” says Blotnick, “they did increasingly well occupationally, while their pursuit of investment profits proved to be largely a waste of time. In the long run, it was their work which made them rich.”

Blotnick concludes that investing in yourself, what you do, and with whom you do it are the most important determining factors of wealth.

If you've got excess cash lying around, use it to expand your knowledge, credentials, and capabilities and to grow your practice before investing in other investment vehicles. Expand your offerings. Get a bigger office in a better location. Hire more hygienists, or even bring on other dentists.

Ultimately, your practice will pay you far more dividends than any other investment. You have true ownership and can control the investment, you have collateral, you have specialized knowledge, and you love what you do (hopefully). Anything else that doesn't meet those criteria dramatically increases your risk.

Whatever you invest in, it should be where you have influence, passion, and knowledge.

Reduce Your Risk & Taxes With Fixed Vehicles

Fixed accumulation vehicles, such as permanent life insurance and specialty annuities, are some of the least understood and under-utilized money vehicles. One main reason is that they've been given a bad rap by ignorant media pundits and financial institutions with vested interests. These are the same institutions who feed you baloney like “high risk equals high returns.”

Thankfully, more and more dentists are beginning to understand and leverage their value, for the following main reasons:

- They provide guarantees and fixed returns. You never have to worry about stock market volatility. You can focus on what you do best –

dentistry – without constantly worrying about losing or managing money. And when you calculate losses, taxes, and administrative fees, these fixed returns can rival variable market returns.

- They provide phenomenal tax advantages. Like qualified plans, such as IRAs 401(k)s, your money grows tax-deferred. But unlike qualified plans, you have options where you don't pay taxes on the back end when you begin withdrawals.
- Greater liquidity and access. Your money can be accessed in many of these contracts through tax-free and in some cases even interest-free policy loans without penalties. You don't have to wait until 59½ to use your money.

If you love investing in stocks (or real estate) you actually know what you're doing, and you have the ability to control outcomes with your stock market investing, then by all means invest some of your surplus profits there.

But if you're like most dentists, stock market investing is a risky distraction. It's not your area of expertise, so you just throw money into a diversified portfolio, cross your fingers, and hope and pray that you'll receive a positive return. That's not investing—it's gambling.

Invest in what you know, what you love, and what you're good at. Grow your practice first. And if you still have excess cash to invest after doing that, invest in fixed, tax-advantaged accumulation vehicles before you even consider the stock market.

The true path to wealth isn't to increase your risk, but rather to reduce your risk. You do that in your practice—now do it with your investments.

Garrett Gunderson is a financial coach and the New York Times best-selling author of Killing Sacred Cows: Overcoming the Financial Myths that are Destroying Your Prosperity. Email him at garrett@freedomfast-track.com.

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