10 Financial Commandments for Doctors once you start earning some money after all those years of study!

1. **Live within your means:** As much as you would love to get an overdraft of $20,000 and a $20,000 credit card as soon as you graduate and spend some money you will regret it over time. Money is very easy to spend but very hard to pay off. Your income for the first few years is not extraordinary and most will have rent to pay if they want to live close to work. Making silly financially decisions at the start can have a huge impact later.

2. **Say NO to the expensive car!** Don't buy an expensive car if you have any dreams of trying to get ahead financially in the first few years. The biggest mistake Doctors make is to spend $60,000 on a car as soon as they can. A car is a **depreciating asset** meaning it is guaranteed to go down in value over time. A car loan or lease is always contracted over a short period and the monthly payments take up a large portion of your income for the first 3 years. Buying an expensive car basically means it is much harder to be able to buy a property or to save decent money for the first part of your career.

3. **Time makes Money:** There is no quick way to get rich. If something sounds too good to be true it is. Being a doctor does not guarantee you will be wealthy. There are many people out there that will want a piece of you. Gain council early on from people you trust (family) and don't believe everything that everyone tells you. Also ask advice from senior colleagues in the Hospitals that you respect and trust. They will have been there and done that however not all have made smart decisions to get a few opinions. Being a great doctor doesn't mean you are an expert with finance.

4. **Financial Planners are the good guys:** The large majority of Financial Planners in today's world are there to help you. They are conservative by nature and they are giving you advice that is in your best interests. They are experts in areas such as budgeting, helping you organise adequate income protection insurance, helping you understand how to create wealth and maximise your chances of having a very comfortable and rewarding financial and professional journey. Most financial planners these days are "fee for service". This basically means that they charge you a fee based on the amount of work they do for you each year and are not accepting commissions from Insurance Companies and Banks. Again, get some recommendations from your colleagues and ask lots of questions.

5. **Forced savings is very powerful:** I am a huge believer in forced savings. It is very hard to save money. You can always find a reason to spend it. The first major asset that most people buy is their first home. It is really one of the only appreciating assets that you can buy initially that starts to build your wealth. The hardest part about building wealth is the first $200,000. Having a loan that you are forced to pay down and hoping over time that a property you buy appreciates in value is the most proven way of starting on the right track.

6. **Don't over commit financially:** The biggest mistake you can make is borrowing more than you can afford and getting yourself in a position where you are a slave to your financial commitments. Borrowing money is easy. Getting a credit card is easy. Spending the money is very easy! Paying it back is very hard. Over time it wears you down and it can have a very detrimental effect on relationships and your overall happiness. Think about things you want

to do in the future before you take on big financial commitments. Things like travelling, starting a family, paying for weddings etc.

7. **Keep a buffer:** People that get into trouble financially don't have a buffer. This means they don't have savings in the bank in case they need it. If you have a home loan or car loan or any financial commitment always try and make some extra payments at the start so that if something goes wrong you can miss a payment. If you can only just afford to make the minimum payments on your financial commitments and have nothing left over as savings you are in to deep.

8. **Invest in appreciating assets:** These are assets that over time have proven to go up in value. Examples are houses, residential units and townhouses, good well researched shares or managed funds, an owner occupied commercial property, yourselves (education, starting your own private practice) – Don't invest in depreciating assets being assets that over time prove to go down in value. For example, cars, speculative shares, businesses that you are not an expert in, unusual property (Hotel's, serviced apartments, student accommodation)

9. **Credit cards are dangerous:** To qualify this if you have credit cards that you use to pay your bills, collect the reward point's, and pay off in full each month that's fine. Unfortunately, that's not usually the case. Once you start building credit card debt it can be very hard to stop. You are paying 20% on the debt and it can build very quickly. A big factor is that once you get to $30,000 or $40,000 of debt it is very hard to get this refinanced into a more manageable commitment. It is very dangerous territory to get into.

10. **Building wealth and getting yourselves in a strong position is not that hard:** As doctor's you are lucky. You have just about the most secure job there is and over time you are paid very well and you work very hard. Common sense tells us that the more you earn the easier it should be to accumulate wealth. Money makes Money. As you start to build assets it gets easier and easier to accelerate your wealth if you stick to the common -sense principles outlined in the first 9 commandments. The quicker you start to adopt the right behaviour the easier it will be.

11. **Sorry one more………… Never buy a property off the plan…..** This will never be a good idea. It is fraught with danger.

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