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# How Physicians can 'Mis-Invest' Their Money

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by Steven Podnos, Md, Cfp • June 20, 2016 • 1 min read • [original](#)

Despite the fact that we know some basics of investing, now is a perfect time to see how physicians can end up “mis-investing” and hurting their long term financial performance.

First, we know that the general investing population achieves investment returns from equities that are markedly below simply holding an index fund (just do an internet search for the Dalbar studies).

Next, we know that holding a diversified portfolio with several asset classes that do not necessarily all move in the same direction at the same time has led to superior investment returns with lower risk (just do an internet search for Modern Portfolio Theory).

Next, we know that various asset classes move up and down relative to each other in cycles of years (search for Periodic Chart of Investment Return). We know that there is no predicting which asset classes will do well or poorly in any given calendar period. In the last twenty years, the S&P 500 has been the best performing asset class 30 percent of the time and the worst performing asset class 25 percent of the time.

Finally, we know that the U.S. stock market has outperformed just about every other world equity market for about four years. In fact, the large company stocks of the S&P 500 index have outperformed a diversified portfolio widely in four of the last five years-something that has not happened in over fifteen years.

Put this all together and the proper investing course seems clear, right? We should be overweighting non U.S. equities in our portfolios and just wait for the cycle. But, that's really hard to do. It is hard for individual physician investors as they see their returns well below the numbers in the media. It's also hard for advisors, who must repeatedly explain the rationale for not being concentrated in the “best” performing market.

It pays to understand the cycles of investing whether you are an individual investor or rely on advice. Chasing good returns is likely to hurt.

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