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# 5. Commonsense Personal Finances

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Sample

# Taking Control of Your Finances

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## Learning objectives

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- ◆ Identify resources of financial information.
- ◆ Articulate and prioritize your financial goals.

*"Believe it or not, you won't find it's so hot,  
if you ain't got that do re mi."*

*Woody Guthrie*

*"Wealth is not his that has it, but his that enjoys it."*

*Benjamin Franklin*

*"Measure wealth not by the things you have,  
but by the things you have for which you would not take money."*

*Anonymous*

Managing personal and professional finances is a major source of stress, if not *the* major source of stress, in many people's lives. In this section, we will cover fundamental strategies for setting and reaching your financial goals and achieving financial security.

## Learning About Personal Finances

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Take a cautious, conservative approach as you travel the road to financial security. A little bit of knowledge goes a long way toward smoothing the bumps of the journey. Gather the information you need along the way to make informed decisions. The following publications can help you on your journey.

Get a good personal financial planning desk reference and pick up information from other books, magazines, and web sites. Spend an hour or two studying when confronting a problem. Familiarity with the key issues will reduce your anxiety and help you make better decisions. You can buy the following books at the Practice Management Bookstore at [www.valancy.com](http://www.valancy.com)

## Books

Making the Most of Your Money by Jane Bryant Quinn (New York: Simon and Schuster, revised and updated 1997) is a comprehensive guide to organizing your financial life and taking intelligent action. **Highly recommended.**

The Road to Wealth by Suze Orman, Riverhead Books, (New York: Riverhead, 2001). The queen of money advice tells you how to get out of debt, plan your retirement, buy stocks, and much, much more.

Personal Finance for Dummies by Eric Tyson (IDG, 2nd edition, 1996) points out common mistakes and prescribes ways to save and invest for a secure future. Highly praised by readers at Amazon.com.

Smart Women Finish Rich by David Bach (New York: Broadway Books, revised edition 2002). Clear advice about limiting spending, avoiding taxes, and investing for the future. Upbeat and motivating.

25 Myths You've Got to Avoid if You Want to Manage Your Money Right by Jonathan Clements (Simon & Schuster, 1999). Worried about debt? Are you thinking about investing in a remodel on your house? Looking to invest your retirement in mutual funds? Or are you about to set up a custodial account for your kids? If you are, Jonathan Clements' book couldn't be a timelier read. Clements, a columnist for the Wall Street Journal, picks apart long-standing myths of how you should manage your money and offers a set of sensible financial tips designed to help you sleep better at night.

The Only Investment Guide You'll Ever Need by Andrew Tobias (Harvest, revised and updated, 2005) has sold more than a million copies since its original publication in 1978. Tobias' basic advice: Keep it safe and keep it simple. Uniformly praised by readers at Amazon.com.

The Wealthy Barber by David Chilton (Three Rivers Press, 3rd edition 1998) shows readers how to take control of their finances and build wealth slowly and steadily.

## Web Sites

**Smart Money** magazine's web site offers solid information about retirement plans and other personal financial issues.

[www.smartmoney.com](http://www.smartmoney.com)

**Discount stockbrokers'** and **mutual fund companies'** web sites contains news, quotes, investment advice, and on-line trading and tracking of securities.

[www.schwab.com](http://www.schwab.com)

[www.fidelity.com](http://www.fidelity.com)

[www.vanguard.com](http://www.vanguard.com)

[www.troweprice.com](http://www.troweprice.com)

Mutual fund and stock rating service **Morningstar** lets you track your portfolio, screen stocks and bonds, and stay current with investment news and advice.

[www.morningstar.net](http://www.morningstar.net)

## Web Sites

**State-sponsored college savings plans** offer tax advantages. Learn more at these web sites

[www.collegesavings.org](http://www.collegesavings.org)

[www.savingforcollege.com](http://www.savingforcollege.com)

**The Internal Revenue Service's** web site provides broad and immediate access to IRS tax information and services. A quick and easy way to download tax information and forms.

[www.irs.ustreas.gov](http://www.irs.ustreas.gov)

**Nolo Press** explains how the law works in its excellent books.

[www.nolo.com](http://www.nolo.com)

## Magazines

Several popular magazines offer sound financial information and advice. Among them are:

- ▶ **Money**
- ▶ **Smart Money**
- ▶ **Worth**
- ▶ **Consumer Reports**
- ▶ **U.S. News and World Report**

## Software

Personal financial software takes the drudgery out of record keeping and planning. Highly recommended. The two most popular packages are:

- ▶ **Quicken**
- ▶ **Microsoft Money**

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### ***Key Point***

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- ☞ Get a good personal financial planning desk reference.

## Setting Your Financial Goals

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- ◆ Articulate and prioritize your financial goals.

After many years of hard work at low pay, and often burdened with high debt, most physicians completing their training have but one financial goal: Achieving financial security for themselves and their families.

Your specific financial goals should reflect your personal and professional goals. If you are married, or share your finances with someone else, develop these financial goals together. Revisit your financial goals regularly, as your priorities are likely to evolve as your circumstances change.

### Your Financial Safety Net

Insurance can serve as a financial safety net to protect you and your dependents from hardship. Consider the following, all of which are described later in this chapter:

- ▶ Life insurance
- ▶ Disability insurance
- ▶ Health insurance
- ▶ Property and liability insurance
- ▶ Professional liability (malpractice) insurance

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### Key Points

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- ☞ Begin your financial plan articulating and prioritizing your financial goals. If you are married, or share your finances with someone else, develop these financial goals together.
- ☞ Insurance can serve as your financial safety net.

## Your Annual Financial Checkup: Net Worth and Other Vital Signs

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Your net worth and other vital signs tell you where you are financially. A logical and convenient time to do your annual financial checkup is right after you complete your income tax return.