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Why Financial Scammers Are So Successful Targeting Doctors

Beth Braverman

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James Dahle, MD

In 2017, James Dahle, MD, joined a group of investors buying an apartment complex with a plan to renovate the units and ultimately raise rates. Two years later, Dahle, learned that the real estate syndication operator had, against the terms of the partnership, borrowed additional money against the value of the property to invest in other properties.

"It was illegal. It was fraud," he said. "When it was found out, it was prosecuted, and I think [the operator] did some jail time and declared bankruptcy. That didn't help us return any money though."

Dahle would know. As well as an emergency physician, he is the founder of The White Coat Investor, a financial literacy website for doctors. But despite recent gains in the real estate markets, that holding, which is a small portion of Dahle's portfolio, is still worth less than his initial investment.

"The lesson there is that if [fraud] can happen to me, it can happen to anyone," he said.

Unfortunately, Dahle's experience is fairly common. As a physician, you are an attractive target for financial scams. While there's little research focused specifically on the number of physicians who've fallen victim to fraud, the Washington State Medical Association, the Ohio State Medical Association, and the New Orleans Division of the Drug Enforcement Administration have issued warnings about schemes specifically targeting doctors and pharmacists.

Aside From Having Money, Why Are Doctors Such Prime Targets?

Anyone can be susceptible to cyber-scams and identity thieves, but there are several factors that make doctors an appealing target for more sophisticated con artists.

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Let's start with the money, but the mere possession of money is just one factor. Bigger factors stem from how money makes a person think.

You have assets available and are looking to invest them. That means you aren't just looking to stuff it in a mattress to keep it safe. You want returns. Preferably big ones.

"A lot of docs have maxed out their workplace retirement accounts. They've got an IRA [individual retirement account]. They've probably started some sort of a brokerage account, and maybe they still have some money to invest," Dahle said. "So they are starting to think about private investments, and for the most part that's where the scammers and fraudsters hang out."

Physicians are typically "accredited investors," a class of investors recognized by the Securities and Exchange Commission that either has professional financial credentials or has earned at least $200,000 in the last 2 years, or has a net worth of more than $1 million, excluding their private residence.

That classification means they're allowed to invest in things like private equity, hedge funds, or venture capital, which do not have to make the same regulatory disclosures as publicly traded companies. Such investments often have the potential for higher returns, but they're also riskier assets.

That's where trouble can start.

This "accreditation" should not be confused with expertise, and doctors can be overconfident when it comes to investing. Despite being highly educated professionals, many physicians have poor financial literacy and instincts.

In addition, many doctors are altruistic. They entered the field because of their desire to help people, and they may be too quick to trust other professionals who speak the same success language.

Brett Mollard, MD

"The vast majority of physicians, that's just now how our brains work," said Brett Mollard, MD, a diagnostic radiologist who provides financial advice to younger physicians. "So it's foreign to us to think that people take advantage of other people. It's hard for me to wrap my head around why somebody would do that, so it's harder to expect that or to think it's happening to you."

Another pitfall: Physicians also tend to be extremely busy with little time to thoroughly vet something that seems like an opportunity.

"The biggest thing is probably just our inability to take a step back and be able to think about it because we frequently have a sense of urgency and want to get stuff taken care of to move on to the next pressing matter," Mollard said.

Finally, some physicians may be suffering from old-fashioned FOMO, fear of missing out.

Do you wonder why crypto sounds so sexy? Real estate is another area that physicians love to examine because they see others scoring big.

Jordan Grumet, MD

Doctors often spend their time with other high-net worth individuals, even higher net-worth than they are, and those folks might tout their latest market-beating investment. It's easy to start questioning why you're not making as much money on your investments, said Jordan Grumet, MD, host of the Earn & Invest podcast and author of *The Purpose Code: How to Unlock Meaning, Maximize Happiness, and Leave a Lasting Legacy*.

Be Better, Smarter, Richer

While it's impossible to fully deter the fraudsters, there are several ways you can make yourself more resistant to scams. Taking the steps below will also make you less susceptible to poor investment decisions, which (although not illegal) can be just as detrimental to your finances over the long term.

#1 Don't suffer from the disease of expectations. While returns each year may vary, the stock market returns an average of about 12% per year. Beating the market is a sucker's bet and a symptom of casino mentality, said Grumet. Index investing is simple, cheap, and proven...so ask yourself why it's so incredibly important for you specifically above all other people to beat the market?

That's what you should be thinking anytime someone promises market-beating returns.

"Oversized returns are not very common in the world," Grumet said. "If they were, we'd all be multimillionaires. Making money is hard."

#2 Don't let your mind turn red flags green. High pressure to move on an investment decision is a scam symptom. Another is someone selling you on something overly complicated or difficult to understand. Think of it this way: You understand how the systems of the human body interact and you can't understand it?

They're pushing your need-more/want-to-win buttons. Make it a habit to apply additional scrutiny to any alternative investment and those trying to sell them to you.

"That doesn't mean that most syndicators are scammers," Dahle said. "They're not. But if you're going to be a scammer, you're probably hanging out in the crypto world or the private real estate world, or the oil and gas world. That's where you hang out because there are a lot fewer eyeballs watching you there."

#3 Choose a team that swears to do no harm. Bernie Madoff aside, most scammers don't have staying power, so look for a financial adviser with a long track record of working with clients, ideally clients with a similar profile to yours.

In addition, select an adviser, such as a certified financial adviser or investment adviser, who is registered with the Securities and Exchange Commission and has a "fiduciary duty" to their clients.

Jordan Frey, MD

"A lot of financial advisors aren't fiduciaries, which means that they're not bound to work in their clients' best interest," said Jordan Frey, MD, creator of the blog, The Prudent Plastic Surgeon. "They can work in their own best interest, and we just don't recognize that, or it doesn't even compute with us because we think, 'Of course they're going to try to help us.'"

#4 Be honest about how much you know (or don't) about wealth-building. The more you build your financial literacy, the more likely you are to spot a scam and the less appealing you are as a target for crooks. Start slowly: Read one personal finance blog or listen to one personal finance podcast each week. Over time, you'll become more familiar with the concepts and terms you need to know.

Elizabeth Chiang, MD, PhD

"It's great to have a financial adviser," said Elizabeth Chiang, MD, PhD, an oculoplastic surgeon and a physician money coach at Grow Your Wealthy Mindset. "The key word is adviser, and you're still the decision maker because no one cares about your money more than you do."

#5 In the end, diversification and caution are your best weapons. Holding many types of investments means that if you do fall victim to a scam, the impact won't sink your entire portfolio. Dahle's experience was a valuable lesson, but the principal loss has only affected a small portion of his overall holdings.

"I learned the importance of using the minimum investment amount when you're working with a new person," he said. "And I also learned that even with as much due diligence as you can do, it's still possible to end up the victim of a scam or fraud."

If you believe you were the target or victim of a financial scam, report it to the Federal Trade Commission at ReportFraud.ftc.gov.

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Lead Image: Dreamstime/Medscape composite
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