



113 – What is the White Coat Window *Episode Transcription*

“There is a window of time, six months to one year after they have this large income increase, where the decisions... could be the difference between them barely limping over the finish line and being able to retire with a fraction of what they made.”

Paul Adams: What we realized in looking at all the clients we both worked with over the years, who are physicians, we noticed a very unique thing. Is that there's a window of time, six months to one year, after they have this large income increase, where the decisions, the habits and practices that they take on, could be the difference between them barely limping over the finish line, and being able to retire with a fraction of what they made, and they just kind of barely got over it, still better than 90% of people, but certainly some opportunity to build real wealth was compromised by some decisions, and we just notice those decisions all happen in this less than one year window, we call the white coat window, after their income increased.

Speaker 2: Welcome to Sound Financial Bites, where we help you with bite sized pieces of financial and life knowledge to help you design and build a good life. The knowledge that has been shared from stages at conferences, pages of national business magazines, and clients living across America, our host Paul Adams now brings directly to you.

Paul Adams: Hello and welcome, to Sound Financial Bites. My name is Paul Adams, your host of Sound Financial Bites, and CEO of Sound Financial Group. I am really happy all of you are here today because we're starting a new season of our podcast. That's right. We're going to be breaking ourselves up into seasons to help the high income earning professional and the entrepreneur better understand their money, bite sized chunks of knowledge. Because we're hearing many of you are going back many, many podcasts, picking up on things we've talked about before. As a result, we want to do everything we can to support you by taking our newest stuff and packaging them into seasons so that you kind of end up with little mini discourses of learning.

In that effort I'm super excited to be joined in studio today by Mr. Corey Shepherd, co-host of Sound Financial Bites, and president of Sound Financial Group.

Corey Shepherd: I was wondering if I was gonna... I was ready to ask you what does a guy have to do to get a co-host title around here?

Paul Adams: Well, yeah, I think, it's up to Leah, our chief of staff, but so far, she's the one that keeps calling you a co-host in the promotion of the podcast. She calls you the special guest over and over again.

Corey Shepherd: I'm secretly staging a coup inside of Sound Financial Group to take over the podcast, so be ready at the end of the season for the first episode where I'm listed as host and Paul is the guest.

Paul Adams: That's where we're headed?

Corey Shepherd: Yeah.

Paul Adams: That'd be great if what that could mean is him doing all



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the extra work on it, I am perfectly fine with just dropping as the guest.

Corey Shepherd: No, I want to keep you doing that part.

Paul Adams: Yeah, I'll be key grip, and that will be my new credits on the podcast. Today, Corey, we're starting this season around concepts for the white coat window. This is episode 113. What is the white coat window? Could you just start to pull that apart a little bit for our audience, what you and I created now about two years ago, we've been talking to clients about, we've dropped it on the podcast, but this is the first time we're really making an entire subject matter or season over it.

Corey Shepherd: The white coat window is this idea that physicians especially, although we're going to talk in a few minutes about why not just physicians, but physicians especially have this phenomenon where their income jumps in a few key places, after med school and they start residency, and then when they finish their residency or fellowship and graduate into becoming an attending physician and get that big income bump. They have the opportunity to make a set of financial decisions that really get them set up for life. It's the difference between barely making it in retirement and be worth 10 million dollars plus, by getting those decisions handled in that window of time right after those income jumps happen.

Paul Adams: Right, and to put in perspective, just people are not as familiar with people who have gotten a medical education, is what does that income differential look like? Let's just talk about it as, so there's a period of time where physicians are in school, they're making no money, or very little.

Corey Shepherd: Going negative 50 thousand dollars a year, in some cases.

Paul Adams: Oh, yeah, because you're paying for med school.

Corey Shepherd: Right, you're paying for med school.

Paul Adams: You're running backward.

Corey Shepherd: Right.

Paul Adams: Then, you become resident.

Corey Shepherd: Depending on your specialty and the part of the country that you're in, somewhere between 40 and 60 thousand dollars a year is the salary.

Paul Adams: Which is a big bump from zero.

Corey Shepherd: Which is a big bump from zero, yet at the same time, when you calculate it on the per hour of how much they work, it's actually way less than minimum wage most of the time.

Paul Adams: Even, not even, we're not even talking 15 dollar minimum wage.

Corey Shepherd: Right.

Paul Adams: We're talking like below that.



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Corey Shepherd: Right. Right.

Paul Adams: Then, depending on what they go into as full time practice, Corey, what does it look like when their income jumps after that?

Corey Shepherd: You know, depending on the specialty or area of medicine, 150, 200, 500, a million, million and a half, depending on what kind of specialty surgery they might be in, so any kind of realm, but two to three to ten X what their income was before in residency.

Paul Adams: Here's why I think this is so great for us to pull apart. We originally designed these set of conversations for Corey's clients, many of whom are physicians. Specialty physicians, general practitioners, and even some doctors that are still working their way through residency and school, and they'll get a triage meeting with Corey and he'll help set them up for what it's like to come out of that.

What we realized in looking at all the clients we've both worked with over the years, who are physicians, we noticed a very unique thing, is that there's a window of time, six months to one year, after they have this large income increase, where the decisions, the habits and practices that they take on, right in that window, could be the difference between them barely limping over the finish line, and being able to retire with a fraction of what they made, so they're making three, four hundred a year, and then they get over the finish line with three million dollars, and they're just kind of limped it in, kind of just barely got over it, and they've got about 120 thousand dollars a year of annual income in their old age. Which is a lot less than the 300 they were making. Still better than 90% of people, but certainly some opportunity to build real wealth was compromised by some decisions and we just noticed those decisions all happen in this less than one year window we call the white coat window after their income increase.

Corey Shepherd: I've also realized that it's one of the hardest periods of a person's life to buckle down and think clearly about those decisions. You know, Paul, you gave me the opportunity to explain a little bit, and then give some background for people who aren't familiar with doctors and thank you for that, because I'm just so ingrained with it going through medical school with my wife, and that's why it's exciting that we're here in studio together, is we just moved to Chicago for her residency, so seeing all of the pieces of that transition that she and her colleagues have to make, there are so many things to think about right now.

Then, once they're moving on to their fellowships and on to their full time, well, they're already working way more than full time, but their eventual long term careers, they're thinking about a new job, and a new hospital, and actually being good at what they do, and then there's this whole other set of crucial decisions to make. It can be overwhelming.



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“Entrepreneurs run into it. Executives run into it: where there's always this unique time where we were making less money... and suddenly something changes in your career, and you now have this large spike in income.”

Paul Adams: I think what we've also seen is sometimes people just, as things get busy, they just don't ... now they are making decisions.

Corey Shepherd: Right.

Paul Adams: But they don't make active, well thought out decisions with any kind of philosophy or design. Again, not because they're bad people, but simply and only because they're out of time.

Now, we're going to go a little deeper into this white coat window. What are the things we need to watch for, but let me, if I may, take just a moment Corey, and just for our audience, so that if they're not in the medical profession, that we be able to talk a little bit about how they're impacted by these same things.

Corey Shepherd: Well, yeah, everyone has a white coat window. Just the same as any doctor who's maybe missed their white coat window, they can still look at trying to reopen it.

Paul Adams: Yes.

Corey Shepherd: Yeah, go ahead.

Paul Adams: Let's just talk about a lot of other people we work with are business owners, entrepreneurs. We've had a chance multiple times to speak to the Entrepreneur's Organization, which is an organization for business owners getting together. I'm proud to be a member of that organization. Minimum standard and how much revenue you have to have in your company, minimum of a million, takes several thousand dollars a year to be a member, and they require active participation. You got to be not only a business owner but somebody with some autonomy to actually be able to take enough time out of your month every month to be able to think about working on your business rather than just working in your business.

Entrepreneurs run into it. Executives run into it, where there's always this unique time where we were making less money. Corey and I have both been through it. We're making less money and suddenly something changes in your career, changes in your business, changes based upon some knowledge set that you've built, and suddenly, you now have this large spike in income. When you have that large spike in income, most people don't think about it.

Which by the way, if you guys hear any background noise while we're doing this, the studio is actually being painted as we speak, so you may hear like a ladder clang or two. We're not doing extra home improvement work on the side. The painting got arranged, Corey was in town, we're doing this darn recording anyway, so if you hear a ladder slide or maybe somebody fall off a ladder outside of our studio, sorry about that.

Corey Shepherd: It's an illustration that we're never making decisions in a vacuum, like life is always happening around us.



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Paul Adams: Yes.... is a metaphor for that.

Corey Shepherd: Right.

Paul Adams: Let's take it, not the physician who's got that big bunch of decisions all stacked, but let's take it as the business owner, who maybe was just barely scraping by, hardly able to pay themselves anything, and now their inventory built large enough or they're done hiring a lot of people, and now it's running smooth and profitably, and now suddenly they're making seven, eight hundred thousand dollars a year. That is what we might refer to as your white coat window. It's just so easy for us to use the medical profession as a background from it because it's predictable when theirs is going to happen.

They actually have the greatest likelihood to take good advantage of it, because they not only know that it's coming, but they know when it's coming, well in advance. They can go like, oh, how many years physicians spend in school?

Corey Shepherd: A long time.

Paul Adams: Yeah. Said from very deep personal experience.

Corey Shepherd: Right. They've got the you know, going to undergrad, like most, plus another four years of medical school, and then their moving positive on income at least, although it's not quite their full income level, but you've got usually, two, three year residency, and then most professions in the medical world are still now doing fellowships beyond that, so you know, we're looking at our normal twelve, plus another ten.

Paul Adams: Of school?

Corey Shepherd: Of training, so you may if you're not taking loans to pay for school, you're still getting paid below market rates, so, it's still costing you something.

Paul Adams: Got it, so the drawback is, for all the rest of us that are not physicians, a physician actually has the greatest amount of autonomy and control, and where they get into trouble, we've talked about it in some of our past podcasts, one of my favorites, I'm going to have to find the episode number for you, but it was "Watch What You Say, It Could Cost You Millions." Part of the reason why it can cost you millions is because people will say to their spouse, like I'm so sorry you're suffering through all of this extra work that I'm doing right now, because they are, you know, the spouse that's not becoming a physician, still has a lot of work as Corey can tell you.

Corey Shepherd: Right.

Paul Adams: Then, coupled with that, we have this real issue of the spouse that is working through all of this is looking at the spouse who's not getting the degree, who's not getting all this extra education, who won't be earning the income, saying, "I'm sorry you're suffering through all this. As soon as we get through this, I will buy you a really killer car. We will take some great



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“Lottery winners are often in worse financial shape than before they won the lottery some amount of years later.”

vacations.”

Corey Shepherd: What she's going to buy me? I haven't gotten that.

Paul Adams: I know. That's...

Corey Shepherd: I got to get some...

Paul Adams: You got to get some promises in place?

Corey Shepherd: Yeah.

Paul Adams: But, we'll get a bigger house. We're going to do whatever we're going to do, and it's because we end up in trouble because we have to, our balance sheet has to cash the checks that our mouths write. That was number 32, “Watch What You Say, It Could Cost You Millions.” If anybody wants to go back to listen to that, it kind of give you some context for it. Physicians know it's coming. If you're an entrepreneur and a business owner, you don't necessarily know when you're going to get that really large income pop.

Now, we have to talk about what are the things that you might see in your life that tip you off, that you could be in the white coat window even if you're not a physician? Corey?

Corey Shepherd: Number one is looking for any kind of spike in income. Anything to you that feels like you just won the lottery. Which could include winning the lottery. Like, people who win the lottery, a doctor doesn't feel that different than someone who just got a big ... you know, money that we're not used to having, and all of a sudden falls on to our balance sheet, our brain has to get used to that, and that's why lottery winners are often in worse financial shape than before they won the lottery some amount of years later.

Paul Adams: Yeah, it's something like near, well, it's over 80% of lottery winners actually claim bankruptcy. Even though they were financially solvent before in some way, file a BK in five years or less. Let's think about that for a moment. The thing is that, they might feel like they won the lottery, but if you're also one of those entrepreneurs that did it over time, lots of hard work, all that, you might be saying to yourself, “Hey, I think we can afford now, the bigger house. We should look at getting that other car.”

Corey Shepherd: Look at your internet search history, and if you've been Zillow-ing bigger homes, if you've been on Lexus or BMW, you may be in the white coat window. This is like Jeff Foxworthy.

Paul Adams: Yeah.

Corey Shepherd: You might be ...

Paul Adams: Here's your sign. It could be, hey we're thinking about getting a bigger house. Watch for yourself saying we really need such and such, because you'll actually start building, much like we talked about all the way back in episode 32, you'll start building the quote, unquote need for things, where you are causing a cognitive liability ahead of the financial one. Where



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for yourself you're saying, "I should have this, I should have that." You're looking at what other people have. You're shoulding all over yourself, and that shoulding is causing you to create a cognitive liability that your balance sheet is going to have to fulfill on.

Corey Shepherd: Another one is if you find yourself throwing money at problems as the sole way to solve them. Which is a sign that you've got this sudden wiggle room in your budget you didn't have before. The one that I discovered was, you know, I like to cook a lot. It works out for my wife in med school because she gets to eat really good meals and I know the key to her heart is through her stomach, so ...

I used to say, "Oh, what do I want to cook? I'll just go to the store." I found I have a talent for spending more cooking in than some people can spend going out and I realized that it didn't have to be that way, and if I just took a second to look in my pantry, like what do I have available? I had to be more creative to solve the problem, and some of my best meals came out of working with what I already had instead of just going to the store and filling out a list.

Thinking about money as the sole way that you're solving a problem. I don't have time for that, just throw money at it. That might be the white coat window.

Paul Adams: Yeah. Other things you may want to be aware of, is any time you're using the word afford. We can afford this or that now where we couldn't in the past. A good gut check for you, and we're going to talk more about this in a future episode here, about two episodes down the road, but the very simple one of what percent of your income is going toward assets? If you've had a significant increase in income and yet 20 or 25 percent of that, after tax, is not going to assets, then you may have yourself in a position where you have made some decisions already that are crowding your window. You're closing your window.

That can be reopened. In fact, many of you who we know are listeners are high income executives and entrepreneurs, it's actually easier for you in some ways than for the physician, because often times if you're a physician listening to this, you know the deal. You get your specialty, you're making three or four hundred thousand dollars a year, and then unless you do something innovative or you end up running a medical group or something else, you're probably inflation adjusted increases from there forward.

Whereas if a 35 year old executive gets to where they're making half a million dollars a year, they'll probably be making a million dollars a year ten years later, because they can continue to stack skills, network, identity, raises, move to a new company. That doesn't happen the



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“I think that our culture of consumerism has a big pressure to spend the money that you have... oh, I'm making X, so... the reserved doctor parking space should have this car in it.”

same way for a physician, so you can reopen your window with income, but we encourage everybody to open their window with habits and practices, which is what we're going to cover on the rest of the seasons. What do you do on your balance sheet? What do you do in your spending? What do you do in your overall financial life to put yourself in the position that you can monopolize on your window?

Corey, anything else that you would add as people are going to be listening through this season, and they're going to be listening through the lens of the white coat window, the increase in income, that people have enjoyed at some point, they may have capitalized on it or they may not have. How are they going to feel or what or they going to discover as they go through this season?

Corey Shepherd: I think that our culture of consumerism has a big pressure to spend the money that you have. If you're feeling, oh, I'm making X, so now I should have ... or I should be, you know, the reserved doctor parking space should have this car in it. The executive, like, "I own a business like this, I should look like this." That's all society. We tell a lot of our clients to stop shoulding on yourself, and that's really big here is put your strategy together.

For doctors, it's easy for me to say, look, I know school was stressful, and maybe you didn't have everything you want, but think about living on what you were living on for the last five years. Are you okay? You're not dying. Right? You were okay physically, and we can put a spending plan together that you can spend way more on life than you used to and have it be way less than everyone else and still feel really good about yourself and still build assets on the side.

Paul Adams: Yeah, and so I want to close this episode so we can get into the rest of the season with a story, and it had to do with a friend of mine and I. We worked together as advisors on one particular physician client who was a cardiologist. He had just come out. He's making great income. I think his first pay package without bonus was 375 a year. Now, this is going all the way back to like 2007.

He moved to one of these markets in the southwestern United States that was really, really hot real estate wise. We had a long talk with him, like, you've never had this much money before. You've been living on literally like 65 thousand dollars a year up till now. Put yourself in a position where you're super conservative with your money. Save a hundred a year. Because we don't know what's going to happen. Save a hundred thousand dollars a year, you can still expand your lifestyle greatly, over where you were before, but he couldn't do it.

He had felt like, and this happens, the same thing, entrepreneurs scrapping it together, physicians scrapping together, as if they



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had tightened their belts so tightly, it's a little bit like what happens after you go on a crash diet financially speaking. They get out, and they get after it, and so he bought a home with little or no money down, we're going to talk about that, but for like 900 thousand dollars, and in the city he was in, that bought a lot of house.

He also put two brand new cars in the driveway, and he had also used up some cash I think on a second home. But it was like he was cash poor suddenly, even though he had built up some assets, and then 2008 happened. When 2008 happened, actually his income wasn't affected that badly. His investments were down. His income went from like 375. I think they had to modify something in the pay package for all the physicians and he was down to like 350.

Now, suddenly, he couldn't pay his bills, and he's on the phone with me and the other professional he's working with, saying, "I got to cash things out." We had to talk him off the cliff, like, here's the thing. This is temporary. Unless you have some enormous amount of malpractice, or you literally punched the head of the hospital in the face, as a physician you're not likely to lose your job, but you made a series of decisions here that put you in the position that you're in.

You could have been, and this is why it resonated with me ever since then, I remember saying to him in the moment, "You could have been like in the eye of a storm, like when a hurricane is crushing everybody else and you could have been peacefully in the eye of the storm, watching all of this happen, and the only reason you're having to participate in this economic downturn, the only reason you're even feeling it at all is because of the decisions you made that put you in a position where you closed your own window."

What we want for all of you as you dig into this episode as your incomes climb, as new opportunities present themselves, is that we're going to give you the knowledge that will be required for you to maximize your income, your increase in income, and your balance sheet so that we put you in a position that you're able to actually design, and then build a good life.

We look forward to seeing you on the next episode.
Thanks so much for being here, Corey.

Corey Shepherd: Thank you.

Speaker 2: I want to acknowledge you for taking the time to tune into Sound Financial Bites. You stopped long enough in your busy day to reflect on your finances and your future, to help you design and build a good life. Please take a moment to subscribe to this podcast and follow us on social media. You can find us on Facebook and LinkedIn.



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