Unconventional Investment Advice For Chiropractors

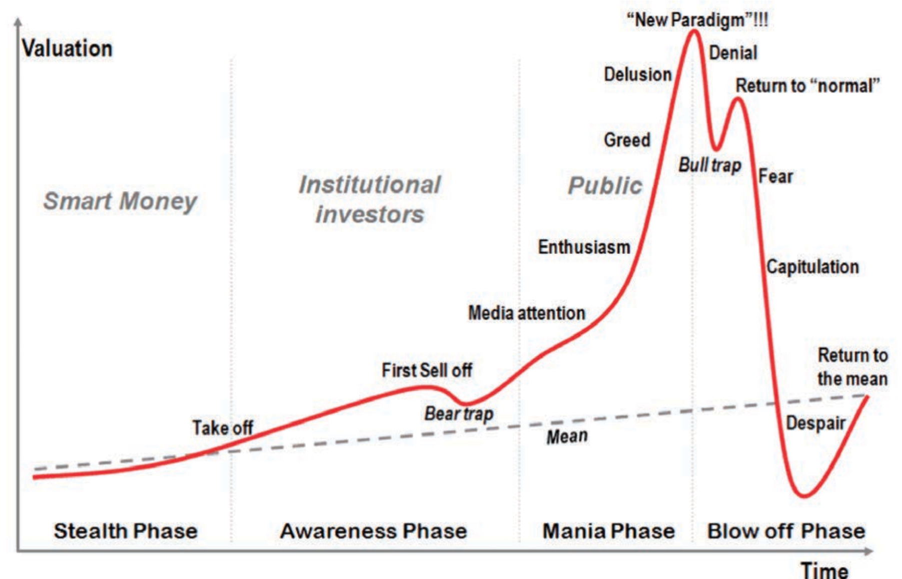
by P. Christopher Music

My purpose in life is to help you, the productive chiropractor, enjoy the fruits of your labor over your lifetime. As a new year approaches, one area that comes to mind and one which seems to give many of you trouble is the subject of investing — how, when and how much. I have been through my share of market environments over the last 25 years in the investment industry, and it is simply staggering to me just how the broken record plays over and over again when it comes to investor behavior and investment returns.

In my research I stumbled upon a wonderful graph from Hofstra University's Dr. Jean-Paul Rodrigue called the "Main Stages In A Bubble" which eloquently plots out the phases of asset bubbles and how investors are relieved of some of their accumulated wealth with astonishing precision every few years.

Yet most investors who are working with financial advisors and who attend my seminars admit that they have the vast majority of their retirement funds invested in the stock market. This baffles me to no end. Why? Because most financial advisors never consider the value of your chiropractic practice as an extremely risky equity asset — carrying about 7 to 10 times more risk than the S&P 500 — when they make recommendations for the rest of your investment portfolio. As a result of this you are then invested too aggressively, and experience more exaggerated losses than you reasonably should when market bubbles burst.

The markets have been setting record highs as of late, and the near-term predictions of most economists and portfolio managers is rather rosy. If you look at the graph, it should be quite obvious where we are in the cycle. That's right, the Mania Phase! This is the time when we get most of the phone calls complaining about the lack of returns in the conservatively managed accounts, and the



By Jean-Paul Rodrigue, Ph.D., Dept. of Global Studies & Geography, Hofstra University Attribution, https://commons.wikimedia.org/w/index.php?curid=8327217

chase is on to cash in on those double-digit returns. We are 8 years into a rising bull market and the average percentage of down years in the S&P 500 is 27.1 (28 of the last 88 years). In other words, more than one out of every four years is a negative year in the markets.

If history is any guide, we can expect a relatively quick run-up in stock market valuations with a rise in interest rates over the next many months. (How many? I have not a clue and please don't ask me to predict; only the insiders know and I'm not sitting in the closed door briefings at the Federal Reserve, so I hear the same incomprehensible double-speak that you do.) The more enthusiasm and cheerleading you hear, the more good news about corporate earnings and new highs, the closer we are to the Blow-Off Phase when the inflated value inevitably evaporates, leaving the average investor with unrecoverable losses. The death knell is, of course, the refrain that "This time it's different!" Well, it's not. Carnage invariably ensues and we begin the cycle all over again with scars, tears and lighter pockets.

Why does this occur over and over again? The answer is simple. Look at the graph. Notice that really boring dotted line which rises slightly as you look from left to right? That is referred to as *the mean,* which is the average of the rise in actual values over time. All market values eventually "revert or return to the mean," a sophisticated way of saying that all markets will eventually be priced at what they are truly worth, even if for a short time before demand pushes prices up again. The only difference between the red line and the dotted line is economic and psychological manipulation.

When is the best time to invest? Look at the lowest point of the solid red line, when the values are below the mean. You nailed it! But this is much easier said than done since the world just ended and there is blood in the streets. However, if you can rise above this cacophony, you will actually buy assets that are undervalued and will safely make returns through the Stealth Phase and the Awareness Phase, before values become too inflated. This is what the smartest investors are doing rather systematically, and quietly. If you're buying during the Awareness Phase, then you are already too late, i.e. you are buying assets that are already over-valued.

As an investor you are paying more for something than it is worth — a method that is not conducive to building wealth. No, you're playing a dangerous game, one which is called the "Greater Fool Theory." You're buying the over-valued asset with the hopes that there is a greater fool out there who will buy it from you for more than you paid for it, i.e. until the greatest fool is found and there is no one left to buy. This, unfortunately, is the preferred method of investing for retirement since most financial advisors and do-it-yourselfers are using various types of mutual funds as the investment vehicles of choice.

Here's some sage advice during this time: Take your gains and protect them. It's about to get exciting, and the investment markets will take on the atmosphere of a gambling casino. Remember that if your investments provide you with any interest, excitement or entertainment, then you have long since stopped investing and began speculating — *you know* the assets are overvalued!

But this is not what typically happens. Notice where "Greed" is on the graph. I can hear it now. "If we just hang on long enough to hit the top and sell! Boy, we can really kill it!" You hang on too long; deny the collapse of values as the end; get a short reprieve with some gains to trap you into thinking the "new paradigm" is real; and then the collapse ensues. The resultant financial and emotional toll gets worse and worse every time you experience it. You can't sell now because you have to make up the losses; panic and despair rule your life. The crime here is not only the monetary losses but also the emotional impact, and the time it will take to get back to "even." These 2 calamities compound the monetary loss into an egregious shot to the chin, one from which some never recover if the force was strong enough.

Take a look at what you may have lost in the Great Recession in terms of actual monetary value and the number of years it took to make up the losses from your business, real estate and stock market losses…if you ever did. Then add the emotional toll: the stress on the body and relationships, the lack of focus at work, and the residual resentment harbored (and rightly so) against the instigators of the fallout. You may recognize that price as too much to pay to be the effect of forces outside of our control.

There are alternatives to watching your wealth vaporize with the next crash; you just have to do the unpopular thing and not follow the crowd. And that takes courage and the ability to look and think for yourself. If you can do this then you can be and will be a successful investor, confidently funding the most important goals and purposes you have for your business and your family. The important thing is to focus on booming your practice and making it an enterprise that someone will eventually pay a fortune to acquire, and allocate your money outside the practice into safe investments and debt elimination. Keeping to these basics will take you a long way on your route to financial freedom.

About The Author: P. Christopher Music is a 23-year veteran financial advisor, best-selling author and well-known speaker. Founder of Econologics® and president of Econologics Financial Advisors, he works with private practice professionals. He is also the creator of The Private Practice Millionaire® series of live workshops and home study courses, and has appeared on ABC, CBS, NBC, and FOX affiliates throughout the U.S. Also, he has been published in Forbes, Newsweek, The Wall Street Journal and various healthcare industry publications. Visit PrivatePracticeMillionaire.com.