

# Doctors Are Smart, But Are They Wealthy?

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Physicians are not only extremely intelligent, they also earn among the highest incomes in the nation. Logically, this suggests that doctors are wealthy. “Not necessarily so,” says Jay Zagorsky in a recent story in *Intelligence* (February 2007).

Zagorsky, an economics research professor at the Center for Human Resources at Ohio State University, studied indications of financial success in relationship to IQ including wealth and income. Wealth was determined as the difference between assets and liabilities. Clearly, the ability to save money and invest it wisely plays an important role in wealth accumulation. Income was what the individual earned.

The investigator used data from the National Longitudinal Survey of Youth, which measured data including IQs of approximately 7,000 teenagers from all over the country in 1980. They were again tested in 2004. That data was released to the public late in 2006. This was the foundation of information for [Zagorsky's paper](#).

## **More Emotional IQ**

It was no surprise that there was a positive relationship between IQ and income. Those with higher IQs made between \$200,000 to \$600,000 more per year for each IQ point above 100. This means that someone with an IQ of 120 made on average \$8,000 more in 12 months than his neighbor who had an IQ of 100.

To the surprise of many, however, there was not a positive correlation between IQ and wealth. The average IQ was 100 +/- 15 points. Those who scored in the top 10% (IQ 120) or 5% (IQ 125) on testing, which is consistent with most physicians, were not wealthier than those with lower IQs.

Professor Zagorsky suggests that the wealth gap for individuals with a higher IQ may be explained, in part, by a deficit in emotional IQ compounded by time pressures. Emotional IQ is the ability to perceive and manage one's emotions. Busy doctors may not have enough time to devote to this area and thereby come up short on knowledge of themselves and how to get what they want financially. Additionally, doctors who are focused on their job often do not have enough time to spend on serious wealth-seeking behavior such as concentrating on the scientific principles of investment management.

These qualities can add up to what Bailard, Biehl, and Kaiser called the “Celebrity.” This is someone who has little time or investment knowledge. Therefore, he/she latches onto investment opportunities presented by a good salesman rather than constructing his/her own well thought out plan. Because doctors have to be confident about their medical decisions, this confidence transfers over to financial decisions even if it isn't warranted

## **MD Targets**

Certainly, not all doctors are this way, but those that are do have trouble accumulating and maintaining wealth. Many financial professionals lick their chops when they encounter this type of individual as indicated in a financial blog posted by Warren May 31, 2005:

“Why doctors are clueless about investing”

“At Harvard Business School, I had a great investment management class with a professor who has schooled many of the best in the business. If an investment we were analyzing turned out to be a real dog, he would ask us "who do you sell this to?" and the class would shout "doctors!"

Doctors are clueless about investing because they know absolutely nothing about the world of business. They are not required to take any classes in accounting, finance, or economics, and then they work in a socialist sector of the economy.

Yet at the same time, doctors have huge egos. Part of it comes from making life and death decisions, and part of it comes from working at hospitals where everyone treats the doctors like they are superior beings. So they get it into their heads that they know everything, even everything about investing, when in reality they have no clue.

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