Alberta Doctors' Digest

What is an accountant’s definition of a gold mine?

I’m happy to have made it through another winter. Though COVID’s still around, it seems to have settled into another one of the annoyances with which we all contend.

Speaking of annoyances, I know it’s tax time again (at time of writing). I’m sorting through a welter of tax slips and receipts for dental care, pharmaceuticals and donations to give to my accountant. There’s inevitably something missing; I attend to this then wait for good or bad news – a refund, possibly, or a bill.

I’ll groan and complain to anyone who will listen about a tax bill. “You should be happy you have enough income to pay taxes,” my accountant offers. But he tells me that every year and says the same to all his clients.

“It’s only money,” he’ll go on, and in a sense he’s right: our lives are replete with mishaps and pitfalls that are equally important.

It has taken me scores of years to approach my investments, bills and taxes equably, to have a modicum of financial savvy. My aging self is all about making things simpler and soon enough I know they will be – death and taxes, as the saw goes. But money and its management remain the medium in which we conduct our lives. Many physicians, perhaps most, remain self-employed and responsible for the needs of their households, including retirement, so I’d like to see money management included in the curriculum of things we need to know.

Retirement and vacation plans are intact, but there are no yachts and no Ferraris.

My first lessons came half a century ago, via my very first secretary. I'd finished a surgical residency in Toronto, after umpteen years of clinical work, with profligate, perhaps indulgent forays into research. Post-residency, I had more ideas and new frontiers in mind but was dragooned into service when two of the five staff surgeons came down with life-limiting illnesses, and I was thrust into staff call with little say in the matter.

I inherited – though that isn't the right word – an office and a secretary from one of the two ailing docs and found I needed funds to reboot the office. Years of training had left me in debt, and I was broke. The local bank manager (and this was in the day when one got to see a manager, rather than a "service associate") told me I'd need someone to co-sign my loan to get the funds.

Ethel, my newfound secretary, was appalled. She was a sixty-odd-year-old spinster who'd worked for several docs before me. She was no nonsense, of United Empire Loyalist stock, and so frugal that she collected string. She fumed at the unreasonableness of my dilemma, took my newly printed letterhead back to the bank and returned with my funds.

"The doctor," she'd told the bank manager, "needs the money." And that was that.

I was propelled into a busy practice, at first under Ethel's tutelage, but I came to know that this small, formal, elderly woman who had worked as a medical secretary for 40 years was wealthy because of her investments. She had started with nothing but kept to a strict budget and had worked extra hours in the post office during the war years – and for a pittance. Ethel spent her leisure time investing, buying bonds and accumulating interest. If she needed money, she'd use the interest reluctantly.

"But never touch the principal," was the adage she lived by. By the time I met her, she'd amassed a million dollars and had a broker who would deliver certificates to her in person. Her discipline and her frugality were lessons to me, not immediately, but eventually.

Restraint was not the "spirit of the time," however, and busy professionals, especially young ones, sought any means to reduce their taxes. Along with colleagues, I was soon enmeshed in multi-unit residential buildings (MURBs) and oil exploration in the USA and the Beaufort Sea.

"Think of yourselves as oil men," I recall an industrious pediatric surgeon tell a crowded room of physicians with their check books at the ready. Our collective chests swelled at our prospects given this rosy sentiment, and for a time we did.

We paid less in taxes, I recall, but we didn't hit it big. We hit it small, if at all, and were troubled at our reporting requirements for bits of revenue – 18 or 20 dollars, here and there – from far off places.

We produced work for our accountants, it was certain, and a bespectacled fellow of the time told me that his definition of a gold mine was a hole in the ground with some docs standing around it.

Enterprises promising tax relief became ever more complicated. I remember one that was looking for gold or oil – I can't remember which. It carried a possible double whammy, with the possibility of finding resource in the ground and paying off attendant promissory notes with Brazilian cruzeiros, or some such currency that was said – almost promised – to be falling like a rock in value.

The double whammy never happened: no gold/oil, and the cruzeiro and the indebtedness climbed in value. I missed this “opportunity" – always lucky – but colleagues added to their mortgages, and others declared bankruptcy.

Did I say there was a tax-related fever in the land?

Some of us were undeterred. Our city went through the run-up in house prices that occurs with regularity. Three of us – two docs and a lawyer – bought at an old brick house near the city center. Our plan, simply enough, was to add a few cosmetic improvements – some paint here, a new window there – and flip it at a profit.

But we were all busy with our professional lives. Days passed in neglect of our purchase, then weeks and then several months. On a cold New Year’s Eve, I got a phone call from a neighbour warning of trouble afoot. Indeed, there was: I found a rising crest of dank water in the basement that smelled of cats. Rummaging in the mess looking for a shut-off valve proved a watershed of sorts. My co-investors and I became realistic. We hired professional help and buffed up the house.

The real estate market had crested while we were dithering and had become as cold as the water in the basement. We were chagrined but relieved to sell our refurbished house back to the old woman who sold it to us in the first place. It was our only offer, and we returned it to her for less than we had paid, not to mention our repairs.

These and other lessons tempered our exuberance, and we resumed lives with more safety and traditional investments. A variety of money managers have come and gone since, ones affiliated with the major banks, and our results have been unexciting but modest. Retirement and vacation plans are intact, but there are no yachts and no Ferraris.

My own handful of “advisors” has driven home the fact that such advice, at circa 2% per annum, is reasonable and disciplined, but not magical. I’ve continued managing half my funds on a solo basis, with an eye on quality and diversity and have done as well as – and perhaps a little better – than my outsourced funds.

I’ve learned two things. First, considering risk is paramount – risk associated with a particular investment, one’s bank or institution, advice, currency, or anything else you can think of. Second, I’d agree with Albert Einstein. Compound interest over time is close to magic. In addition, I’m a major fan of Warren Buffet, whose yearly letter to stockholders is its own treasure. As Buffet maintains, investing is straightforward and uncomplicated, but it isn’t easy.

My lessons were worth the struggle, but I'd appreciate a shortcut.

If there is one.

Banner image credit: Peggy Marco, pixabay.com