

MJA Careers

Betting the bank

When it comes to investing, the risks may be high, but getting a second opinion can make all the difference in avoiding investment pitfalls

It is a perfectly lovely suburban home in a good neighbourhood — an apparently ideal investment.

The business advisers say they will look after the pest inspection, the building report, the financing, legals and transfers. They've even offered to manage the post-sale leasing of the property.

All that is needed is to provide the deposit and, after a suitable period, sell the home and collect the profit.

When looking for how to best secure your financial future amid the often frantic pace of practice, the convenience of such an arrangement is incredibly attractive.

It's almost too good to be true for the modern medical professional. Sadly, for many Australian doctors, it has been.

The scenario above is one sketched by Julie Smith, director at accountancy and advisory firm William Buck (Qld). She has seen medicos lose up to \$150 000 after paying what turns out to be a huge premium on the market value, on the basis of poor property investment advice.

"The doctor is left carrying a very expensive property that, if they sell, they'll crystallise a lot of losses", she says.

"It's not all property and it's not necessarily a trend, but when it happens, the quantum of the oversell is quite spectacular."

There are myriad stories about where people go wrong in their investment choices — which can

range from pine trees to penthouses. And there are myriad reasons for this — it may be a result of bad advice, too much debt or the idiosyncrasies of the market.

So what are the best steps for avoiding financial disaster? And who can you turn to for advice?

The pitfalls

Many of the more disastrous investment stories involve property. Widely considered a good wealth creation tool, it can appear less fickle than other investment options such as the share market. However, bad decisions can still be made, triggering sometimes critical consequences.

Steve Wilkie is a director at Bongiorno and Partners, one of the largest and oldest financial services firms catering specifically for the medical profession.

He says that when it comes to property, investors need to make sure they understand the product they're investing in; what the risks are and what will happen if things don't go according to plan.

Mr Wilkie points to the Gold Coast property market as an example of where ups and downs can occur and panic won't help.

"Regularly, there are booms and busts in the property market up there. Someone agrees to buy a new property off the plan for \$500 000 and

they pay their 10% deposit or whatever it might be", he says.

"When the property's complete, the bank values the property and, instead of the original \$500 000, it's only valued at \$400 000.

"The investor then needs to make a decision. The

bank will only lend a certain proportion of that \$400 000 so they will have to find the additional cash. Can they afford to do that, or do they walk away and lose their deposit?"

Of course, he says, the converse could also occur and the value of the apartment may increase during the development phase.

Bongiorno has had its own recent problems with property-based investments. In 2009, it reached a settlement, without any admission of liability, with the Australian Securities and Investments Commission to compensate investors in relation to advice provided regarding one of the Westpoint investment products — York Street Mezzanine Pty Ltd.

Bongiorno was required to pay \$2.6 million, returning as little as 43 cents for each dollar of their original investment.¹

Beyond property, there is a long list of other failed investment schemes in which members of the medical

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Julie Smith

“
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 before laying bets of any kind on
 future financial security*
 ”

profession have found themselves mired. A decade ago, doctors were among many pouring money into managed investment schemes (MIS) run by Great Southern, Timbercorp and other such groups.

These saw money ploughed into tree plantations and being rewarded with a 100% tax rebate. But the investments never reached their production targets and returns were dependent on a continuing flow of new investors joining the scheme.

Ultimately, the schemes collapsed spectacularly taking most of the investors' money with them.

“A large chunk of those investments were made with borrowed money”, Peter Alvarez, director at Navigate Wealth, says.

“When the schemes went bust because people stopped borrowing because of the crisis, a lot of the people were left with their lawyers there, but no assets.”

Outsourcing expertise: who to trust

The MJA was told that some groups in today's financial services industry take the attitude that doctors are something akin to “commodities”, ready to be exploited.

“When you come out of university, there are so many businesses that want to sell you a car, or a this or a that”, Ms Smith says.

“All of the young kids get up to their eyeballs in debt and then, as you earn more money, they want to sell you the latest property deal, the latest loan or the latest this or that.

“It creates a whole world of issues. And it can be very hard to know who to trust.”

Mr Alvarez is more direct.

“There are people doing the right thing, and then there are crooks.”

It means that the most important ingredient in a sound investment

strategy is finding the best advice.

“Unless you have somebody in your corner who provides a sounding board and really good advice, sometimes it's very difficult to see the pitfalls before you jump”, Ms Smith says.

The Abbott government is now in the process of considering submissions regarding its amendments to the Future of Financial Advice (FoFA) legislation governing the financial services sector.

The intention is to lessen the financial and administrative burden of the original FoFA requirements. However, some are concerned that in doing so it will reduce the consumer protection the legislation was designed to create.

Even today, there are notorious stories about real estate developers paying commissions to financial advice firms to boost sales at the expense of any retail investors.

Whatever the outcome of the FoFA amendments, take the time to find the right person or organisation and don't be afraid to put them through their paces. The adviser should know the medical industry well as well as knowing the financial services field.

- Ask them what they recommend and why
- Ask industry-specific questions to determine their knowledge level, eg, “What should I do with my Practice Incentives Program income?”, “How should I deal with my private health fund debtors?”
- Determine what the cost will be in the long run
- Ensure all commissions and rebates are disclosed. Are there different commissions depending on which product is chosen? A good adviser will initiate that discussion.

Even after finding a good adviser, it's important to ensure there are rigorous



checks on any advice provided as well as on the procedures behind any investment.

“The biggest risk factor, if you were wanting to point your finger at one major issue, is doctors getting their financial advice from the same firms that they get their accounting advice”, Mr Alvarez says.

Nevertheless, the convenience and efficiency of having the full gamut of financial issues dealt with by one group is very attractive when there are already not enough hours in the day.

If it is a one-stop-shop financial services organisation, ask about the independence of the organisation's different arms: Would accountancy be willing and able to tell financial planning that their latest concept was flawed?

Ultimately, the simplest advice offered by the experts when it comes to avoiding bad investments, is to ensure you have a second opinion before laying bets of any kind on future financial security.

Many medicos make good investment choices, but even the best should take care to get a second opinion before going ahead.

As Ms Smith puts it: “If it is really good, a second opinion is not going to hurt, is it?”

1. Australian Securities and Investments Commission. Actions against financial planners. ASIC, 2009. <https://westpoint.asic.gov.au/wstpoint/wstpoint.nsf/byheadline/Actions+against+financial+planner.s?opendocument#bongiorno> (accessed Mar 2014).

OPPORTUNITIES IN GALWAY, IRELAND



Galway City is a thriving, bohemian, cultural city on the west coast of Ireland. The city is well known for its many festivals throughout the year with huge crowds gathering for the annual Galway Arts Festival, Horse Racing Festival and numerous other events. Two higher education institutions are located in the city, the National University of Ireland, Galway (NUI Galway), and the Galway-Mayo Institute of Technology (G.M.I.T.). Galway is a leading global cluster for medical devices and diagnostic products with investment by the world's top medical technology companies. Galway, and its surrounds, is world renowned for its scenic and beautiful countryside with the Cliffs of Moher, the Burren and rugged Connemara landscape all within a short driving distance.



‘Excellence in Patient Care’



The Galway Clinic is a leading 146 bed, state of the art private hospital in Galway, leaders in the application of new technology to a healthcare setting, committed to bringing the latest medical advances to Ireland, as well as a leader in infection prevention. The hospital, located on the outskirts of Galway city, has a wide range of services including eight theatres, five inpatient units, emergency care, daycare, oncology, radiology, radiotherapy, cardiothoracic surgery, robotic surgery, cardiac cath. lab., hybrid/vascular OR and ICU.

The Galway Clinic has a well-established Emergency Department. Part of the remit for the successful candidate is to provide on call services to this unit. There has been a strong tendency for increasingly acute patients to be admitted to private hospitals over the last few years. This alliance would provide the opportunity to rapidly develop a busy practice and to become firmly established in the community and with GPs.

The Galway Clinic recently opened the Limerick Clinic, providing consultants access to rooms and diagnostic services in the mid-West.

The following specialties are covered in the Galway Clinic:

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Flying visits for rural angel

Dr Carol Cox came to Australia from Scotland in the mid 70s expecting *Skippy the bush kangaroo*. What she found was life-changing for both herself and the rural people of Queensland she serves.

Rural medicine is close to the heart of Dr Carol Cox.

Based in Toowoomba, on southeast Queensland's Darling Downs, Dr Cox is a medical officer with the Rural Women's General Practice Service (RWGPS), a division of the Royal Flying Doctor Service (RFDS).

She is, in effect, a fly-in, fly-out (FIFO) general practitioner. In the week she spoke with the *MJA*, Dr Cox had been in a different outback town every day for five days — including Cunnamulla, Thargomindah and Quilpie — before heading back to Toowoomba for her shifts at the Mary Street practice.

Scottish-born Dr Cox was a medical student at the University of Edinburgh when she first came to Australia in 1975.

A trip with the RFDS to Mt Isa and Mornington Island in far north Queensland proved to be a life-changer.

"It was a complete eye-opener", Dr Cox says. "My introduction to Australia up until then was [television show] *Skippy the bush kangaroo*. Little did I know."

She had already met her future husband, John, an Aussie studying paediatrics in Edinburgh, and after marrying in 1977 they returned to his homeland in 1978. It was John who had suggested the elective study with the RFDS in 1975.

"We've been in Toowoomba since 1981 and we've had the best of all possible worlds here", Dr Cox says. "It has all the advantages of being a regional centre, in that it's slightly less frenetic, as well as being a university town."

Toowoomba is also the gateway to Queensland's outback with a rail hub, decent-sized airport and the major highway west running through it. That's made it a great jumping-off spot for the FIFO doctors.

And there's never been more need for health services in the bush, with Queensland in the grip of a horror drought.

"It's a terrible time out there", says Dr Cox. "It's the driest I've seen it since

I started working with the RWGPS in 2001.

"There have been instances of people shooting their beasts and then shooting themselves in recent times — a measure of very real desperation. The men feel like they're letting the family down. The young people do not want to stay so the older people are working themselves to death. Women are trying to find off-farm income."

Towns are losing their permanent GPs. Cunnamulla is a case in point. With a population of around 1200, the town lost its full-time GP three or four years ago and has relied on FIFO GPs ever since.

"The ethos of the FIFO doctor is not a bad model", Dr Cox says.

"It provides a relative continuity of care for non-urgent medical problems and women can expect to see the same doctor about six times a year. That's important to them."

"It's arguably better than having a series of junior doctors who are perhaps out of their depth."

Dr Cox is currently a senior lecturer at the University of Queensland's School of Medicine's Rural Clinical School, and the topic of encouraging young doctors into bush practices is one she feels strongly about.

"Rural doctors have tried very hard for a long time to make rural training more attractive for medical students", she says. "If you're young and single, the social life in a country town can be very limited — the person you're going out with may turn out to be a patient, for example, which is an ethical dilemma."

"And if you're already married, then something has to be found for the spouse to do that is satisfying for them."

As medical graduate numbers continue to increase and employment opportunities in the cities dry up, Dr Cox feels rural training and practice will become steadily more attractive.

"There is much more back-up these days with telehealth and supervision much more accessible than it was."

Market pressures will eventually operate to help fill the gaps in the rural areas."

The ubiquitous "if you were Health Minister what three things would you fix" question doesn't stump Dr Cox for long.

"We've fallen into a very muddy place in terms of the lines between private and public health care", she says. "A decision needs to be made — make the public system free for everyone and organise the private system so people who pay premiums are not also paying huge gaps."

"It's become a nebulous, ghastly mess, particularly here in Queensland, and we're not doing the best by anyone."

Her second wish would be to improve generalist skills in rural areas.

"We have been deskilled out in the bush. It's ludicrous, for example, that women can't have their babies closer to home", she says.

"There needs to be an attitudinal shift. At the moment we're dealing with expectations that there will be a perfect outcome to every birth, that we're going to live to be 100 and that there are spare body parts we can just put in place."

Her third wish goes to the heart of medicine's purpose at the end of life.

"We need to have an open debate about end-of-life treatment, quality of life and the way we fight to keep people from dying", she says. "We — doctors as well as patients — are very squeamish about what to do when treatment becomes futile. We need to be having this debate — morally, ethically, economically."

In January, Dr Cox was named as a Member in the General Division of the Order of Australia "for significant service to medicine in rural and remote areas as a general practitioner, to education, and to professional medical organisations".

"I'm very happy and content with my life", she says. "I have to pinch myself sometimes. I'm looking forward to retirement and spending much more time with my five lovely grandchildren."

Cate Swannell

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