

**Can Money Buy Happiness?
Howard Speaks Podcast 043
Doug Carlsen
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[The Millionaire Next Door](#) by Tom Stanley and William Danko

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Howard Farran: It is a huge honor to be interviewing a legend in dentistry. I mean Doug Carlsen, not only is he a dentist, but I mean you are the biggest name in financial writing and your writing is pure because you don't sell financial products, you're not on commission, you're not trying to get any dentist's money. In fact I always whine to you that you should try to make more money off this.

You're just a really smart guy. You're a doctor of dental surgery. You've been studying financial accounting, financial management, managerial economics and all this stuff for a long time- decades.

It's an honor to be with you here. So Doug, I'm going to start with one question first of all- before we get into everything you know, you've been in dentistry- what year did you graduate from dental school?

Doug Carlsen: '77.

Howard Farran: So right there at the 200 year millennium in '76, America's 200 year anniversary to now, you've seen dentistry for a long time and to these young people, some of them think man, is America sinking? Is the sky falling? They say people who are older like you and me, we got out in the golden years and the glory days and now they're coming out and we've got the CEO of Hartland Dental saying that 50% of all dental students now will never own a dental office in their entire career. In 10 years, a quarter of dentists will be working for chains.

What do you think- first of all tell me what do you think is the economic health of dentistry in America- macro?

Doug Carlsen: Incredibly cool question. It's not on our list here but I think it's really important. I approach that with the 88 new dentists back in October in San Antonio and I talked about the golden age of dentistry. Back in dental school in particular, I had a job in 1974 with Vick Chemical where I went around Arizona, New Mexico, Southern California and Las Vegas selling dental products, which was Lavoris mouthwash and Benzodent denture cream. Stopping at those offices I'd get like two minutes to talk to the dentists and try to sell them something but they would always ask me about how's it going in dental school and again, this is back in the early-mid seventies.

I'd say something and a lot of time they'd just go into a rant and say the golden age of dentistry is over, back then we didn't have to deal with insurance and now we have to not only bill the patient but bill insurance. It's going to be so rough on your guys.

Well I went into practice and a lot of us baby boomers in the early 80's and we did okay. Fast forward to 2000 I was teaching at UCLA dental school on Fridays for dental students, I was doing a clinical thing back then and most of the instructors were about my age, around 50 or so. What were they complaining about? The golden age is over.

My God, we've got PPO's taking over, these poor dental students, they can't even get the regular fees. How are they going to make it? Golden age is over.

Guess what? Same thing now. It's corporate dentistry. That's up against us. Does that make sense Howard?

Howard Farran: Yes we were going to talk today about- one of the things on our agenda is to talk about scams and I think the scam that the world doesn't understand is that there's no such thing as dental insurance, we're talking about PPO's, HMO's, chain dentists, there's no such thing as Obamacare. Insurance is 100 people drive a car and we all pay a little bit and one guy crashes the car, so we spread the risk around 100 because one guy is going to need it.

Fire insurance on your house- everybody pays a little bit of money each month and maybe there's one house in your neighborhood that burns down in your lifetime.

Health insurance, there's no one to spread the risk to. Americans basically say, last year in 2013 was the first year that America drank more than half of its calories. We got a government that sees that the fastest growing diseases are dental caries, diabetes and obesity and yet they subsidize the farmers for high fructose corn syrup in the billions of dollars, I mean it's crazy and what they want it they say- well I'm going to be able to smoke a pack a day, be an alcoholic, never exercise, eat lunch every day at McDonald's eating a cheeseburger and when I need \$100 000 bypass I want someone else like Obamacare to pay for it. So dentistry is always going to be filled- when I got out of school the new scam was capitation and because the patient was just going to pay \$11 a month and have everything taken care of while they drink Mountain Dew and never floss their teeth.

So I think until the end of time the number one goal that all politicians are going to have is all the people are going to say none of us want to work and we all want everything for free. So the scams will continue and as the chains get worse and worse and worse people will finally open up the wall and say well, I guess I'm just going to have to pay for quality dentistry and it's never going to go away.

Unlike pharmacy which they always compare it to, pharmacies in France are ATM machines. You just go stick in your medical card and the penicillin comes out of a bottle. That's not dentistry. I've got to lean you back in the chair, I've got to tell you what we're going to do, I've got to give you a shot, I've got to pull your tooth. It's not a commodity and the people who are just crushing it are just completely committed, they're just great personalities, great communicators.

So Doug, we both agree that people are always going to whine about all these scams but back to the financial of a dentist- you're a dentist, you retired in 2004, your practice is in Albuquerque, New Mexico. You haven't had to work, your wife hasn't had to work for a last decade you just do this for love and passion.

How would you succinctly- what is the big picture advice for financial planning a dentist?

Doug Carlsen: The biggest picture, in fact I was just talking to a certified financial planner in Toronto, I'm giving a course in Canada in a couple of weeks, is getting out of debt. Erasing debt. Really that is the biggest problem, especially for young dentists today but even older dentists, 50 and older.

Reducing debt so that they can retire. Savings, yeah that's a big component too but I have more trouble with debt with dentists than anything else.

Howard Farran: Okay but my problem with debt is that there is debt for other people's money, debt, leverage for growing your business versus consumption- the house, the vacation, the boats. This main problem I have with dental students, they always tell me how much student loan money they have, and how bad that is, they're supposed to be a victim and I remind them well there's about 220 countries and in 200 of those countries you have no access to other people's money, so you could have worked for \$7 an hour at Walmart for 20 years, saved up and go to dental school in cash- but you decided to use other people's money, go to dental school now and then pay it back as a doctor earning \$50 - \$100 an hour.

Debt on a pano machine, I mean this goes all the way back to 1987 when I got out of school, these people wouldn't want any debt, they wouldn't sign a lease. Debt was bad. I said well, if you put a pano machine in your office, and back then it was like \$500 a month, and a pano is \$50, paid 100% by the insurance- I said you bill out 10 pano's a month, it's free and the next 10 pano's is profit coming in from someone else's asset and then the dentists will complain that they had \$300 000 in student loans and then they'll go and marry a woman who has no intention of ever having a job in their entire career and will spend \$5000 - \$10 000 a month for 40 years, then they'll go buy a \$400 000 house, then they'll go and buy two \$30 000 cars, they'll take vacations to Hawaii and all the time they're doing that, they're whining about their \$300 000 student loans and won't get a pano or a CBCT or anything else.

So will you explain that there is a difference in good debt and bad debt?

Doug Carlsen: Absolutely and you already answered the question there. Student debt is good debt, it provides you an education to make money in the future. Student debt is good. Practice debt is good. Basically almost any other consumption debt is wrong and is not good. I can go into more detail if you'd like on that?

Howard Farran: Yes because I hope if you're a dentist listening to this, I hope you go get Muffy, call her up at the mani-pedi shop and say hey Muffy, after your mani-pedi instead of going and having lunch with the tennis club, why don't you come over here there's these two bald guys on a podcast, because I see the women dentists so much happier because three out of ten women dentists marry a dentist in their class and the other seven out of ten they all marry physicians, lawyers- every women dentist I know has a husband earning \$10 000 a month and 95% of all my male dentist friends has a spouse that blows \$10 000 a month.

That my friend, \$120 000 a year from age 25 to 65 is the problem. Instead of having two kids, you had four. Instead of a 2000 square foot home you had a 5000 square foot home. Instead of a Ford Escort it's a Lincoln Town Car and it's a SUV and it just never

stops and then the dentists always wonder why they're drinking Listerine and doing nitrous after hours and have a high suicide rate, I think their lifestyle is crazy.

What per cent of dentists do you think live like rock stars that are 50 years old and still have debt on their balance sheet for consumption?

Doug Carlsen: A lot.

Howard Farran: What per cent?

Doug Carlsen: I would guess probably 40%.

Howard Farran: Yeah so 40% of 50 year old dentists-

Doug Carlsen: The problem is Howard I don't see them. They don't come to my classes. Very few of them will email me or talk to me or phone me. They guys I hear from are the ones who just want some reference or some knowledge that they're doing the right thing, that they've got more than enough saved, that they're doing okay and they're going you know what; I paid this off, I paid this off is that right? I've been told I need to keep my debt.

Howard Farran: And that's what we see, we see all the healthy people have a personal trainer and then all the obese people don't have a personal trainer. So that's what you're saying, so all the athletes come to you and all the non-athletes don't.

Doug Carlsen: Yeah exactly. I'd like to talk about a couple of things here and I quote Phil, he's a psychotherapist at Fairmount involving psychology of debt and I'm going to be reading some things here guys, so put up with it, my eyes are going to waiver a little bit.

First is the psychological principle called future discounting- future discounting, that's when we go- the old car is beat up, our best one is doing fine. Go to the Toyota dealership, want to buy a Camry and 45 minutes later we've got a Highlander Hybrid that cost \$15 000 more. Future discounting, well let's make a rationalization for this.

You know what, the highlander is a much better car, it's going to last longer and honey you can work a couple of extra hours here and there to make up for it. So that's future discounting.

The other principle that he talks about is consumption and personal identity and I actually have a little portion in some of my courses where we talk about our self identity and what we're connected to. Guys obviously its cars, a lot. Men and women, its houses. Women it may be clothes, it may be their kids and where they go to school. Personal identity is really important and it can be very expensive.

With me it's sports. I'd love to go and buy a \$5000 mountain bike right now. It's not in my budget this year.

Howard Farran: Can I just say one thing to the men that have the identity with the cars? When women see a man driving a four wheel drive truck three feet off the ground, what is every woman thinking? Tiny, tiny, tiny. When they see a man in a Smart car, they're thinking I bet it's so huge he has to throw it over the bucket seat just to make room to drive. So it's a compensation mechanism, you need a Ferrari because your mom didn't hug you enough.

Doug Carlsen: Yeah. We talked about homes a little bit, a bigger home versus a little home and I talk to dentists a fair amount about Charles Farrell, he works out your money ratio and it indicates for various incomes how much debt you should have, how much savings, goes into educational loans and goes into insurance even.

He says, and this is actually true, you should never tab a home mortgage that's more than double your family income. Again, you should not have a home mortgage that's more than double your family income and you can get four times or fives times from the banks. This is crucial and almost all these dentists, including me, have cheated on this.

In other words, if your earning \$250 000 a year, don't take out a mortgage for more than \$500 000. You can get a million dollar mortgage easily. The problem with this is not so much the mortgage but it has to do with upgrades, maintenance and property taxes.

That can be especially high. A \$500 000 home, often times it's 3% of that total, so that's \$15 000 a year for maintenance, upgrades and taxes. A million dollars it often could be 5%, it geometrically goes up so you may have \$50 000 on that home per year that you're spending, a million and a half it may be \$75 000 or \$80 000 a year.

The difference between that \$50 000 and that \$15 000, that's your yearly savings for retirement. If couples could only save \$35 000, \$40 000 maybe \$50 000 a year they'd be in great shape. The bigger home eats it all up.

Howard Farran: Yeah and the nicer car and the bigger home also makes them think they're rich because they have a nice car and a big home. It just makes me cringe when I hear some dentist's spouse say well I don't eat at chains, that's for little people, I only eat at boutique restaurants owned by the chef, and it's like what is on your resume that makes you think you're a rock star? I mean do you have a hit album I don't know about? Did you invent a greater lasting light bulb? They live in a big house, they're married to a doctor, they drive a nice car and that just make all of the spending creep up.

The next thing you know they can't buy a purse unless it has brand name on it and they can't eat at a chain restaurant- I used to joke that my ex wife, if I wanted to hide something I'd throw it in the oven.

Doug Carlsen: Absolutely true. You know, Millionaire Next Door, this is Tom Stanley and William Danko, did their first book in 1996 and have done several since them. The first book goes through a Dr. North and Dr. South; they're both surgeons, they're both earning \$700 000 a year, this was back in 1996. Both earning the same amount of money, both have a wife, both have several kids. Dr. South loves Porches. He loves fancy cars. He spends \$72 000 a year on his cars and most of it is depreciation.

Dr. North spends about \$15 000 on his cars. One lives in a big house, one doesn't. One has the kids in private school, one doesn't. He went through four, and I can't remember them, categories of spending right now, it's got to be clothes, country club, cars and his house. There is a difference of \$250 000 in spending per year between these two doctors. One at this point, Dr. South had saved I believe it was \$400 000 in his early 50's, which is not horrible. Dr. North had saved over seven million. Again, similar families, identical income, identical practices, it's amazing.

Howard Farran: Yeah. So when dentists are stressed out, when they're very stressed out especially with their practice and they're trying to squeeze every dime out, I always thought they should just spend less effort producing and more effort on cutting spending. Spend less, spend less, spend less and I think a big part of it is social animals want to please everybody around them, social animals don't want to be the bearer of bad news, confront, because they want to be liked and they can't stand up to their receptionists or hygienists or assistant and they can't even come this close to standing up to their spouse.

They just run faster and faster and faster and the stress builds up and one day they just explode. When they explode it's not pretty, it could be a suicide, it could be a divorce, it could be a midlife crisis, a girlfriend, it's just crazy and another thing is if you want to change something big you have to change something little every day.

So if you want a big retirement long time into the future you've got to save a little bit every day. If you want to lose 10 pounds in a year you've got to eat just a little bit less every day, but if you want to change something, you've got to do a little on it every day or it's never going to change.

Doug Carlsen: And I'm trying to think of a little thing that dentists could do in their practice or personally that would make a difference. You know, financially, personally, just getting one loan taken care of, say paying off one credit card that has \$10 000 on it. Just paying one off can make a difference. Just starting that snowball that Dave Ramsay talks about.

Howard Farran: And the interesting thing also in a dental practice is they always complain that my sundries are too high and I look at dental sundries- in dentistry they vary 4-8% so half the dentists are paying twice as much for supplies as the other half and then you go to that dentist, you say well do you really need three bonding agents? Can't we do one? Do you and the hygienist and the assistants really have to have three different kinds of gloves? Can't we do one? And you lay out all these decisions of how you could get the 4% sundries and they're like no, no, no, no- and when they're done saying no, they say: why is my overhead so high?

Doug Carlsen: You know I think it comes down to the old maxim: hire people that are smarter than you. Hire smart staff. I've been in offices, you've been in offices where you open a drawer and there's all these little syringes of all sorts of different bonding materials, etch, whatever, they should be in the refrigerator anyway, but they're just thrown in there. Absolutely guys waste. They waste, they waste, they waste and they need inventory control.

Howard Farran: The other thing is, they need emotional control. I always tell dentists that only 1 billion out of 7 billion people live in a country with any form of dental insurance. When you go to China and Africa and India and Brazil, they don't even know what you're talking about. In fact, it's so funny trying to explain dental insurance to Chinese dentists, they're like if you drink Pepsi and don't floss, why would your boss pay for your root canal? That doesn't make any sense.

And it's funny, you're talking about national health insurance in Tasmania, Africa, dentists will say well, if you're fat and eat cheeseburgers and smoke and drink beer, why should your president pay for your bypass? Because if you had to pay for your bypass, wouldn't that make you quit eating cheeseburgers and smoking and drinking beer?

It's hard to explain it. The dentists, I always tell them spend 5% of your money marketing, advertising, attracting half of America, which would be like 175 million people that come in there because if you sell a product for a dollar and you make a dime on it, you have a 10% profit margin and the average dentist that signs up for a PPO job's fee 30%.

Doug Carlsen: Then there goes his profit.

Howard Farran: And there goes all his profit and I say well keep your profit 10% but if you raise the price of this from a dollar to a dollar ten, you'll increase your price 10% but you raise your profit margin 20%. Spend 5% going after the margin, and they say no, and then someone will send him a PPO contract, signed without blinking. But where it gets crazy: you say well since you reduce your fee 30%, why don't you quit using expensive lab and use a cheap lab? No, I only want what's best for my patient.

Well maybe instead of doing a composite filling, why don't you use amalgam? No. How do you talk to these guys?

Doug Carlsen: Good question. You're the man with the answers for practice management. It's tough and it can be an emotional rollercoaster. It's amazing. Hey I've got a thought here that I wanted to add in to the other stuff that I sent over and this kind of goes in this area. This was Wall Street Journal this week, it's an article called 'can money buy you happiness' and I'm just going to read one little brief thing.

There's a professor Thomas Gilovich that wrote this. He calls hedonic or hedonism-hedonic adaptation that makes it so hard to buy happiness through material purchases. This is about happiness and money. You know higher income brings you happiness up to about the \$75 000 level and not that much above it, but he's talking about material purchases versus actual things that you do. He says it's so hard to buy happiness through material purchases. The new dress or fancy car provides a brief thrill but we soon come to take it for granted. Experiences on the other hand tend to meet more of our underlying psychological needs.

They're often shared with other people giving us a greater sense of connection and they form a bigger part of our sense of identity. If you climb the Himalayas that's something you'll always remember and talk about long after your favorite gadgets are gone.

There's one other little thing here that I'd like to read if I can find it- there it is. I've got a pile of papers here. The other thing that they wrote about is research shows that spending money rather than saving it, the researchers agree that spending more than you can afford is the route to misery.

Savings are good for happiness, debt is bad for happiness but debt is potentially 'more bad' than savings are good. That's just another area here.

First thing I wanted to talk about though was that experiences are more important to you than just buying things. I thought that was really, really interesting. I had not heard about that before. You buy a car, within a couple of weeks yeah that's just my car. Buy a big home, within a couple of weeks something breaks and you have to fix it or you decide you know, we've got to make this look new so let's put in a new kitchen. Well it is a new kitchen, you just bought the house- whereas experiences, going and travelling makes a big difference.

I encourage dentists, and this is practice management again, that you've got to take vacations. Absolutely have to take vacations. You've got to recharge your batteries. That'll be better for you than going out and buying something. Some thoughts from you about what I just said?

Howard Farran: Oh yeah, I mean I love taking my four boys, a lot of times we do a cruise every year and what I like about a cruise is you pull them out of their environment, they're not with their friends. A lot of times in the house, you're in the same room and they're texting and they're this and I love getting them on a cruise ship where you're just locked in a very small cabin and you got them for seven days, or taking them to a foreign country. Last year I took them to Belize and London and Italy and yeah, I also had a very fun vacation this year climbing Kilimanjaro and then worked in an orphanage. What I love about that is I just think when you're ripped out of your routine, waking up and putting on the coffee pot and checking your email and just doing all the things you do, when you wake up and you're 19 000 feet on mount Kilimanjaro your day is going to be a bit different than when you're in your office in Phoenix at sea level.

I want to ask you the first question- where should a dentist go for investment advice? What I love about you is, you're not trying to sell me anything. You're just a dentist, so you're one of us, and this has been your passion and hobby for as long as I can remember but where do you recommend a dentist goes for financial advice?

Doug Carlsen: I'd like to read a couple of quotes here first of all and then we'll talk about brokers, insurance companies, investment managers and such.

All your funds should go, first of all, Warren Buffett says most investors both institutional and individual will find that the best way to own common stocks is through an index fund that charges minimal fees. Index funds. ETF's are fine. Index funds. Those falling in this path are sure to beat the net result delivered by the great majority of investment professionals.

John Bogle, he's the founder of Vanguard, he's an old fart, and he's like 92 years old, sharp as a tack. He says the stock market is a giant distraction from the business of investing, in other words the stock market is gambling. Index funds, plain vanilla funds that cover the whole international universe is the way to go.

So who do you go to? Traditional brokers. I think traditional brokers may be going the way of travel agents- they charge too much. A lot of them are extremely intelligent, they're great for the people and are wonderful. A lot of them aren't so well. Basically they sell products. Yeah they have to take a test so they can sell products but it's not a difficult test. Many charge front loaded fees which are commissions and yearly assets under management fees. Often times, expenses for the products they sell are 1% per year and 1% for them to manage your assets. That's 2% and that's way too high.

Again, most of the guys I've talked to have used traditional brokers. I'm not sure that's a great idea anymore. Insurance companies, I'm just going to talk briefly about that. There are fees that are hidden and you'll never know what they are.

Those agents normally don't have much financial education, they certainly know how to sell products though. So insurance companies I'd be extremely careful of.

Investment managers. These people manage your money and they charge a certain amount per year and an assets under management fee. There's the new robo-investors out there that I need to bring up. These are groups like Wealthfront which is on the west coast in Silicone Valley and Betterment which is on the east coast. They will actually put you in ETF funds normally or index funds which are basically the same and charge 0.25% per year, which is really, really low.

That's what's going on. Now do they give you active management advice? No. They're not going to say this sector, like healthcare, is going to do great this quarter and then we're going to get back into commodities which are down but we know that are going to go up. No, they will only invest for the long term.

Next group, Howard, financial planners. Financial planners, that's the gold standard, CPA's often have a certificate for financial advice that they use. Those are the big ones. They provide full financial services like debt management, insurance, advice, estate planning and often times they'll manage your wealth also. These are normally good guys. If you do go for a certified financial planner, try to pick someone who wither charges a flat fee, which may be several thousand dollars a year to manage your funds and give you advice or an hourly fee.

Howard Farran: Okay so with Dentaltown.com, no dentists ever asked the practice. So again, we're both dentists, we're both Townies, give them a name. There are some dentists out there in Parsons, Kansas saying well Doug, give me a name, give me a website, a phone number.

Doug Carlsen: Perfect. Financial planners, there's a group of them nationwide, it's called Garrett Planning Network. Sheryl Garrett is the founder, G A R R E T T.

It's either Garrett Planning Network or Garrett Financial Network.

Another guy that I really like, his name is James Osborne, O S B O R N E- he provides a lot of advice on light code investor, which is the physicians blog which does basically the same thing that I'm doing. James Osborne is at Bason Asset Management- B A S O N.

Those are two areas where I think you're going to find good people who are going to give you honest ethical service for a good fee.

Howard Farran: I want to say a note to our listeners that when I started listening to podcasts, what I hated is I would be out on my bike ride or I'd be whatever and I'd have to stop and write down a name or number. So I always do a transcript of our

conversation and then Doug, if you want to email me any names, phone numbers, websites whatever, you email me that and I'll put that in the notes in the transcript.

So if you listen to these podcasts on Dentaltown, it's got the whole written transcript, so if you're on a treadmill right now, don't hit the off button.

Doug Carlsen: Exactly. You guys should get in touch with me also. I'm always at drcarlsen@gmail.com, all small caps, all one run together d r c a r l s e n @ gmail.com. So yeah there are good people out there, they're pretty darn hard to find though. They really are.

So again, their investment managers that can handle your funds, but I really like the new robo-investors, robo meaning they're just machines, they're computer based and I think that works better than someone who says I think I can beat the market.

Because in the long term they can't.

Howard Farran: So do you have a website Doug? What's your www?

Doug Carlsen: It is my wife's last name Golich- G O L I C H.

Howard Farran: What is she a hockey player?

Doug Carlsen: Actually she's a provost at the university and works way too hard, way too many hours and I have to take care of the things at home, but yes.

Howard Farran: Isn't that an eastern block name though? A hockey name- Ukraine, Polish, Russian?

Doug Carlsen: Football player Mike Golich I think too. Anyway G O L I C H, Carlsen, C A R L S E N. Golich Carlsen.

Howard Farran: Right on. Okay so I want to ask you first of all, this should have been my first question, but Doug, how much money does a dentist need to retire and what age range is this going to happen? If you're a dentist out there and you're 40 years old, when are you going to retire and how much would you need? Talk about that.

Doug Carlsen: Yeah and this I deal a lot with. In fact I give courses where people can on the fly just figure out how much money they're going to need for retirement and how much they need to save per year and we go through budgets one by one, no preparation needed.

I deal a lot with people in their 30's, 40's, 50's, 60's and even 70's as to how much they have and how much they need. What got me involved in doing this thing was that I found early on that there is a curve, you know a distribution curve and a lot of dentists

out there need to have about \$150 000 in income per year to live on, that's the sweet spot.

I know dentists who are making \$800 000 a year or have made that amount of money, in retirement they're spending a little over \$150 000, maybe \$200 000, it's close to that range, or dentists that have made \$150 000, they may want to live off of \$110 000, \$120 000.

So \$150 000 is a pretty serious goal for a lot of us, no matter what our income was beforehand. Yes I've seen people that need up to \$300 000 but that's pretty rare. So what kind of income do you need to generate that \$150 000?

You need a couple of million basically. Two to two and a half million.

Howard Farran: Two to two and a half million?

Doug Carlsen: That's including the sale of your practice but not your primary residence. Now you may have rental properties or whatever, that's included. People tend not to live in a less expensive home in retirement. They may downsize, but the downsize home is on a golf course so you're really not going to have much less money- you're not going to have a less expensive home in retirement. So the two and a half million seems to be what most guys would like to have in retirement to live in the same style that they did beforehand. In other words the budget is about \$9000 a month is what we see, that's not including taxes and we're assuming that we're going to be taxed on most everything.

Social security is 85% right now, it's going to be 100% and that's assuming that you're taxes deferring a lot of your funds. So two to two and a half million. What age can you reach that at? That's a really good question.

Howard Farran: Let me ask you this way, at age 65, what per cent of the dentists are there with two and a half million, no debt and live off \$150 000 a year?

Doug Carlsen: It's not 4%-

Howard Farran: So 4% is a media hype? So what per cent is it? For dentists specifically or for the general population?

Doug Carlsen: Good question. I don't have a good feel for that. It's definitely less than half and it may be between 10 and 40%, that's about the best I can hone it in.

Howard Farran: Between 10 and 40% of dentists can retire at 65 on \$9000 a month, \$150 000 a year?

Doug Carlsen: That's just off the top of my head. There's no real research for it whatsoever. What we do find though is that guys that are still practicing up to about age 70 just because the longevity is so much less, a lot of guys can retire at age 70 even if they had meager savings at 55 or 60, just because they won't live as long.

Howard Farran: Why won't they live as long? Oh you mean because they're already 70?

Doug Carlsen: Yes. 70 to- we compute to age 95 usually.

Howard Farran: I'm going to ask you a question- you say you retired in 2004 but in my mind, well you just quit doing clinical dentistry in 2004, I can't really see Doug Carlsen retiring and so my question is, I personally would find that a nightmare to retire. I couldn't imagine getting up every day and not having twelve gazillion things at work to do.

Doug Carlsen: You're the perfect foil for this, this is great, I'm glad we're talking about this. Go on.

Howard Farran: So maybe a dentist shouldn't retire. Maybe a dentist should change his practice. I have dentists tell me- one of my friends right up the street from me, I'm not going to say his name because it'll get back to Bob Sunberg, he said I'd rather be taken out in the backyard and beat with a stick than do a root canal. I'm like dude, don't do root canals. There's 5000 endodontists and I've always thought, whatever it is you hate about dentistry, you need to fix that because it can cause you to burn out and retire and quit at 50 or 60 or 65, it'll cost you millions as opposed to just doing what you love, doing it in a play box of staff that you love playing with, because if you just kept working and earning until you couldn't work anymore, that would be worth millions in retirement if you could practice dentistry. In fact the oldest dentist for 20 years that ever went to my seminar was George Drury in St Joe Missouri, his son George Drury, the second one's a dentist and his great grandson George Drury the third was my roommate in dental school, he practiced till he was 92 and just loved it and I shouldn't say this but he just loved it.

He was the hottest commodity in the world because his spouse passed away in the '80's and here he was a 92 year old dentist that put on a suit and tie every morning and he would just brag about how he's dated every woman in St Joe that was over 80 years old, he'd go see a patient and take some hotty-80-year-old to lunch, then go see another patient, take another hotty to dinner.

Doug Carlsen: Weird visuals Howard, I'm getting weird visuals, this is scary.

Howard Farran: But the other guy, he just beat that. I just had a dentist come up to me, 93 years old in LA, survived the Auschwitz holocaust in Poland and he was just talking a mile a minute about how he just got this CBCT and he got into surgical guided placed implants and I mean he was the happiest guy I know, it was just amazing.

He was telling me, I mean he's already placed 100 this year. He's crushing it and he's 93 so maybe is wanting to retire insurance policy about worse case scenario, I have a mini stroke, something goes wrong with my instruments, I can't practice.

Doug Carlsen: Absolutely. To have the ability to retire if you want to. To have enough money that, again, worse case scenario, you get sick of it or you have the worst patient ever and it's either get out of dentistry or commit suicide, speaking of that I have three friends that are engineers that I go skiing with once a year, or had three friends. They were all engineers, they all worked for government and they all retired at 55.

Two of them are still alive, one of them committed suicide within the first year. So retirement itself is not necessarily the goal. To be able to have enough money to do what you want to do, and I made the conscious choice to not practice dentistry anymore. I made that choice but you don't have to. You can work as long as you want as long as love doing it.

Whatever is best for you, but to have enough money to make your choices is fine. Personally I'm working harder right now, and I've had to change some things just in the last month. I'm working harder now than I ever was in dentistry. I'm much busier. Much busier and I'm enjoying it more.

Howard Farran: What I don't understand about wanting to get right out of dentistry is okay, so I mean when I go to my office, most of the staff in there have worked 10 to 25 years for me. I love them like family, like I've got five sisters from mom and dad and I have a bunch of them at work. Patients are coming in and they're in pain and you're getting them out of pain, they have a problem and you're helping them and you're making their smiles better and I just- when people sit there and tell me they hate dentistry I'm just like, we really have to talk about this because what is it you hate? You can't hate helping people? You can't hate going in a sand box with five of your best friends? So either you're in a sand box with people you can't stand or you're doing dental procedures that your eye-hand coordination just doesn't like to do and why don't we work on building a staff where you just walk in and it's like friends, and helping people and if you don't want to be the solution to specific problems, like say endo or pulling wisdom teeth or whatever, don't do it.

25 000 specialists in the United States, there's no reason you have to do any form of dentistry you can't stand.

Doug Carlsen: Exactly and in fact my practice was basically all restorative. I didn't do any endo, didn't like it, didn't do any ortho, didn't do any perio, I just did basic restorative.

Howard Farran: I don't know how anyone could not like endo. I mean you're Stevie Wonder picking a lock for an hour. I mean that is just, you just want to start singing Oh Cherie, I love endo.

Doug Carlsen: I got you.

Howard Farran: By the way, you said you went skiing with three engineers. Can I tell you my own engineer joke before I ask you another great question?

Doug Carlsen: Got to do it.

Howard Farran: So there's three engineers and they're sitting around a table so if you plug in it takes electricity then its electrical engineering. Have you heard this joke? If you don't plug it in to take electricity and it moves, like a motor then it's a mechanical engineer and what doesn't take electricity and what doesn't move, like a building or bridge is a civil engineer.

So the three of them are sitting around a table and the electrical engineer says you know, God had to be an electrical engineer. They said why? He said well look at the human body, it's all electricity. The brain, the spine, the nerves, it's all electricity.

And the mechanical engineer says no, I went to a ballet last night and I saw that moving ballerina and the way she moved, God had to be a mechanical engineer, and the civil engineer says no, God was absolutely a civil engineer.

And they said how could he be a civil engineer? A building or a bridge, how could he be a civil engineer? And he said who else would put a wastewater treatment through a recreational park?

Doug Carlsen: Ouch.

Howard Farran: So I want to ask you the next question, what scams do dentists- now when we talk about money, a lot of my consulting friends- Sandy Pardue is one of them, love her to death, she says if she walks into any office off the street and does a check for embezzlement, 50% of the offices are being embezzled in front and the doctor has no checks and balances, has no idea, the lady getting the mail is the one entering the checks and making the deposit, sometimes she's even the one paying the bills, the cancelled checks aren't even mailed to the doctor's house, they go right to the office, you've got one person doing everything, she won't take a vacation unless the doctor's there.

Besides embezzlement, and you can talk about embezzlement if you want to, are there any common scams that you see people preying on dentists or scams they should avoid?

Doug Carlsen: It's called the media. Almost anything on the media- radio, TV- is crap. I mean I watch Jim Cramer, I watch CNBC all the time mostly that is just noise basically. Guys on the radio up until a few months ago, they were really on the gold and silver bandwagon and you know where that's gone recently. Others were trying to sell safe investments which means insurance. So let me go down the list here.

First of all there's something out there guys, REITs- real estate investment trusts, that should probably be part of your portfolio. Totally makes sense but there's something out there called non-traded REITs where they will promise you a lot more money. The problem is they're almost impossible to sell and they have commissions as high as 15%.

Howard Farran: You've got to love non-liquidity though, you love to put your money as far away from cash as you can so when you need the cash you just can't get it.

Doug Carlsen: Yeah. I had listed here IPOs, watch out for IPOs. Alibaba, if I would have gotten in at the right time it would have been great, obviously there's a couple of others that have done- Facebook was crappy at first then got well since then. Be aware of anything that seems to be too good to be true. That's the bottom line.

I wrote down here free seminars with meals attached.

Howard Farran: That's a good one.

Doug Carlsen: These are 100% insurance salesmen. Now I've gone to lectures which are usually given at universities by certified financial planners where they're giving you straight, good advice. Sure they'd like to have your business but they have maybe cookies and coffee. That's not a full buffet meal. So the insurance guys - it's like time share which is another one of them here. They'll try to get you, to sell you something because you're so well fed, so be very careful with that.

Time shares, Howard you have a time share?

Howard Farran: No I do not.

Doug Carlsen: Yeah. Doesn't make a whole lot of sense. A lot of people do. The reason being that it doesn't make a lot of sense is that I can normally get a room next to your at the Merigot, the same hotel that you have time share and probably pay less money than you do, and the amount that you're spending in assessments, maintenance fees in particular, taxes, you're probably paying more per year than I have.

Howard Farran: Why would you not want the flexibility of picking a different vacation spot? I'll give you a class example-

Doug Carlsen: You can trade but there's always problems with that, but yeah having the flexibility of getting a room wherever you want.

Howard Farran: You practiced in Albuquerque, New Mexico for a long time, my best dentist friend Craig Steichen lives there, we went to dental school together, University of Missouri- we thought our best vacation every year, four years in a row was going deep sea fishing in Cabo. Me and Craig are the only two dentists we know that just love to go deep sea fishing. Most of them go to golf or something else, we love deep sea fishing but four years in a row, you could've rationalized to me and Craig, you should just buy a place on here because this is your best vacation ever. Then the environment changed in Mexico and the last time we went there, we said my God, and I don't want to get into that but we actually got pulled over walking back by the police and they took all of our money and drove off.

Doug Carlsen: Ah man, no that's cruel.

Howard Farran: We're just like wow. Two American dentists down here on vacation and the police just took all of our money. So I'm never going back unless- something changes in Cabo. I wouldn't want to go to the same place every time on vacation. Tell me this Doug- what do you read? Are you a big fan of the Wall Street Journal, The Economist, what about internet stuff or do you like Motley Fool, what are you reading?

Doug Carlsen: I'd bring the list right now, it's in Dentaltown.

Howard Farran: Well you can attach it to the email with the notes and we'll put it in in your transcript.

Doug Carlsen: Off the top of my head, let's talk about videos first of all. Consuelo Mack has some really, really good business videos. It's called WealthTrack.

Howard Farran: WealthTrack.com?

Doug Carlsen: WealthTrack.com.

Howard Farran: And these videos you buy?

Doug Carlsen: No they're just online. Everything is free here except books obviously. So that's a really good one to get into. As far as other websites, White Coat Investor is a really good one. This was started by Jim Dahle, he's a 39 year old physician and ER doc who tried to kill me at Snowberg last year in April and didn't- anyway he's got a very cool blog where he writes, he has a lot of experts write on his blog for him. It's a really

neat site and I go to that a lot for something like a backdoor IRA, other types of 41K's, he gets into a lot of detail about all sorts of different financial investments in particular.

I'm the great simplifier, I'll say you know what that's cool but watch your fees, watch your expenses. If you're getting into defined benefit pension, be really careful as to how much you're really spending on it. Jim Dahle does those sorts of things.

Let's talk about newsletters. Newsletters, there's so many that dentists read that are proprietary newsletters which again are active trading, active investing. I don't really read anything other than consumer reports, there's a money advisor is what it's called, consumer reports, money advisor.

Books that I really like best- John Bogle wrote one called Little Book of Common Sense Investing, it's short, it's to the point and it's really cool, at the end of each chapter he says if you don't believe me, here's a reference to somebody else and it's all about index investing, fees, how much you should pay, how much you shouldn't, that's a fantastic book.

Howard Farran: I need to stop you. You keep mentioning these terms and I think we forget how old we are. There's dental students who don't know what index funds are.

Doug Carlsen: Excuse me, yes. Thank you. Index funds are a bunch of funds, they follow an index like the S&P500 which is all the large cap funds in America. So there are 500 companies in there, it's an S&P500 index, it follows all of them. How they're weighted depends on how they want to do it but it just follows all of those companies.

Dow Jones 30 Industrial is 30 very large corporations. There's an index fund for that. There's bond index funds which follow US treasury.

Howard Farran: But explain to a dental student why an index fund has such a lower cost structure than say calling a brokerage house and buying their energy fund or their gas fund?

Doug Carlsen: Basically it's a bundle of funds where there's nothing to be done, there's no real advising, no managing of the funds. It just follows how they do on the stock market and there's an average say between all 500 funds in the S&P500, it just cracks that. It does nothing with it. There's no work involved and the fees are very low and over the long term using these big baskets of fund does better overall than picking and choosing the little ones that you want.

Howard Farran: And the number I always hear thrown around is that beats- the index fund beats about 70% of all funds?

Doug Carlsen: It beats- yeah, of all financial advisors.

Howard Farran: Because they're not taking a commission, there's no human making a living off of your money.

Doug Carlsen: Exactly.

Howard Farran: And because of that lower cost structure you're going to have more net profit than about seven out of ten funds, right?

Doug Carlsen: Yeah. And there are investors that say, you know what I'm going to buy a basket of funds and I'm going hand pick and they're going to do better than this huge group of funds. 70% of those will not beat the large group of funds.

Howard Farran: Doug you know I read a lot of books, I got my MBA at Arizona State University, I subscribe to The Economist and Forbes and Fortune and all that stuff but you know what I like reading the most?

Doug Carlsen: What?

Howard Farran: All kidding aside, I'm not blowing air up your skirt, it's you. On those- what I like the most about Dentaltown messaging board is like, I think I have a question about something, a bonding agent, an implant or a laser whatever and when I see that question asked on Dentaltown I just do a search for the question, I don't start most of the questions. The question has already been asked.

But what's funny in my mind is I'll ask a question and I see what the other dentists are asking, I wasn't even smart enough to ask that question. And what I like about financial planning is on Dentaltown, my God you have answered every financial question for a decade. Some of your threads you have, have 10 000 comments and I'm reading through there and I think, I see this guys response and I think oh well this, and then you will say something that I didn't even think about and all of your colleagues are wickedly smart, I mean to be a dentist you had to get an A in calculus, applied math is physics, that's so hard. Applied physics is chemistry. These guys got A's in all of that.

Applied chemistry is biology, they got A's in that, applied biology is- the questions and the feedback and the banter going back and forth, half the times I'm reading your threads I wasn't even smart enough to know that's where the debate was at and it's all dentists so it all applies to dentistry and I'm 52 so that's about the average age of the dentists out there and God, you've written 70 articles.

I also want to tell our viewers that on Dentaltown magazine we have 92 000 direct requests, that means- and what a direct request means is, if I just mail out 125 000 Dentaltown magazines and nobody signs that card, the post office says well that's junk mail, you're spamming people and they charge me the highest postage rate, but if I get 51% of the people to sign a card that says it's not spam, I actually want to receive this,

then that's what lowers our postage from third class to same class, if you move or retire or die or whatever the postman returns the magazine, so our database is clean.

We have 92 000 direct requests and then that magazine is online, so not only online, we get to see every article, who's viewed whatever and dude, you're number one and it's a big joke because everyone's like why do you let Doug Carlsen have a column and all these articles, you have like 70 published columns around the United States in different magazines.

You said earlier that people should hire people smarter than themselves, and what I'm proud of is that I'm on Dentaltown and I let you outshine me every month and it's just an honor that you write this creative, genius stuff, your material is tested because anybody that doesn't agree with Doug Carlsen, they'll just say Doug, you're wrong, I don't agree and you're right there and you debate this stuff in a sweet way and unthreatening way, you're never throwing rocks at people.

You're just a sweet, nice, brilliant dentist, financial genius and my God, how many hours have you spent on Dentaltown in the last 10 years answering all those questions? Have you thought about that?

Doug Carlsen: A couple of hours I think.

Howard Farran: Do you log on every day?

Doug Carlsen: Yeah, pretty much.

Howard Farran: Pretty much, I mean how many hours a month or a week or a day, how many hours a day are you on Dentaltown? I mean how many minutes a day?

Doug Carlsen: It probably averages an hour a day I would guess. Sometimes it's quite a bit longer than that but you know an hour a day, counting seven days a week. Threads like the new dentist thing; that goes on forever- that takes a lot of time.

Howard Farran: You help these dentists from being stressed out of their minds, you've probably prevented suicides and don't even know it. I mean you're just like a father figure on that site. I mean Dentaltown wouldn't be the same without you.

Doug Carlsen: Can I show this to my wife? She needs to know this.

Howard Farran: You're a self giving person, I mean and you give all this advice for free. You're not even selling this and it reminds me of- I used to do a slogan about Dentaltown is sort of like the AA for dentists because people that go to AA, they're volunteers and I've had some of my dentists friends like what- I'll never forget being chewed out by one of my very good friends, I said really dude, you have to go to AA every day after 30 years just not to drink beer for breakfast? And he goes no, Howard,

are you that dumb? He goes I go there every day for an hour before I go to work because I'm trying to save some dumbass kid from what I ruined my life 30 years ago.

That's what Dentaltown is. I mean you guys are there sharing for free because you truly want to the dentists to get out of debt, you truly want them to lower their lifestyle, you truly want them to save, you're doing all of this out of just passion from your heart. That's so sweet and special.

Doug Carlsen: There's some real heroes out there too financially that have really done it right. Both of us are connected. It's about connections. Most of my material comes from other people, in fact basically almost all of it comes from other people. There's smart people on Dentaltown, there's extremely smart financial dentists and there's a lot of dentists out there that are extremely intelligent and have no clue as to what they're doing because they're being led in the wrong direction.

We're listening to others and yeah not everybody agrees with me and every now and then Carlsen, you're full of crap, and I just laugh and go yeah I am! Let's see what we can do to figure this out. This is how you deal with it too, so you have instituted something that's very special that other physicians do not have. Other types of doctors do not have where they can get online, go after each other and come up with important information.

Howard Farran: Well what I love about Dentaltown is, what you just said, is there's 47 forums and you can't be on the top of your game in endo and perio and pedo- you can't be on top of your game in 47 forums so at some point you have to realize as a practicing dentist there's nine specialties, you can't do nine specialties to the level of the specialists. It cannot be done.

There's a lot of kids that, they're just trying to get out of school and then they're just trying to get their practice open and then they're just trying to do all these things and the financial planning stuff is going to the back burner, what's neat about the threads you have, in fact I want to ask you, if you are finally ready to start thinking about this and sit down with your significant other lover and read together and go over what all these smart passionate people are talking about, what thread would you recommend that they read through, they're 35 to 40, they're spending too much money, they're starting to realize they're not going to live forever, they need to be able to retire in 25 years.

What thread would you recommend are must-read threads that you've-?

Doug Carlsen: The financial ones? What threads? Oh my God, that's too big of a question. Talking about my articles or you know you can look for the number of hits, there's a lot of financial threads that I'm not involved with. I'm trying to think, there's some that have like 8000 different hits. I'd look at the numbers on them. Most hits are

going to have the most information but anything that has to do with debt, I've just written an article for Dentaltown about the stupid financial mistakes I made. There's a couple of those threads that I quote occasionally. What in the heck did I do so badly? What was my biggest mistake? I made all these mistakes that everybody else did. Somehow I was able to save 20% per year. That was how I did it, not by making all the right financial moves or by having the right financial planners or even having debt necessarily under control. We saved.

Howard Farran: Yeah. So we're out of time, we're at 59 and a half minutes so I think the biggest take away from this is, it's not what you make, it's what you spend. Reduce your spending. That's the bottom line. I've got one last question, I went to Creighton, Nebraska and we drove by Warren Buffett's house, he still lives there, he's the second richest man in the United States, it's this little 50-75 year old little-bitty house and that's the second richest guy and I was just lecturing in Stockholm, Sweden a couple of years ago and the dentists there drove me by the founder of Ikea, I mean unbelievable, this guy is worth like 87 billion euros and he had a house half the size as Warren Buffett's, I mean it was just incredible and the guy told me that his passion was just trying to figure out how to make furniture last the longest at the best materials for the lowest price.

What do you think about Berkshire Hathaway, I mean is that kind of like a mutual fund? Is that kind of like an index fund? I mean he's the second richest man in the world, he's the richest financial advisor; what do you think about holding a bunch of Berkshire Hathaway?

Doug Carlsen: I'm going to go with Warren Buffett, he said recently that if he dies before his wife, he's going to put all of the money that he has from his estate into Vanguard index funds, not Berkshire Hathaway. Berkshire Hathaway has done fantastic over the years and it's a good fund to buy, if you had to buy just one stock, it's not really a stock it's an ownership of a bunch of different companies. If you wanted to buy one stock, that may be the one to buy, but Warren himself says no, I would not invest in Berkshire Hathaway, I would put it into Vanguard funds because that's probably going to perform better in the future.

Howard Farran: He's saying do that if he's dead or do that today?

Doug Carlsen: I think he's saying do it today.

Howard Farran: Do you think if we woke up to the news that that old guy passed away that that stock would take a hit?

Doug Carlsen: Don't know, but what he is saying here and I just mentioned it, I think he feels that maybe along the way he's a bit lucky. The guy is shrewd as hell, he checks out all these companies but there's a bit of luck involved and with a smaller portion of

the market with Berkshire Hathaway, doesn't have any foreign investments at all and it may not do as well in the future. So he says just get broad based index fund, buy the whole universe of funds.

Howard Farran: So Doug how many articles do you have on Dentaltown?

Doug Carlsen: 60 or something.

Howard Farran: Yeah so you need to do this as a family, you need to sit down with your kids, you need to get your lover or your significant other and you should start reading through Doug's articles. Doug I want to thank you so much, not only everything you did for clinical dentistry and your patients in Albuquerque but everything you do for Dentaltown. You're an amazing guy, love you to death, thanks for all that you do for everyone.

Doug Carlsen: Thank you Howard, this was fun and you dressed really nicely for this.

Howard Farran: You know seriously I don't own this tux, it's a rental and it's a \$5 tux shirt, I just love it.

Doug Carlsen: And I'm wearing my Hawaiian shirt because it's 26 degrees outside in Denver today.

Howard Farran: Well actually we're freezing to death here in Phoenix too, it's not even going to hit 80 today.

Doug Carlsen: Oh my God what are you doing to do?

Howard Farran: I'm going to take my shorts off and put on some long sweats.

Doug Carlsen: Okay sounds good.

Howard Farran: Alright buddy, good to see you, see you on the boards.

Doug Carlsen: Okay. Thanks.