The Lawyer Dilemma

The 10 Behavioral Traps Lawyers Face In Building Wealth.

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The Personality Traits Needed To Become A Great Lawyer Inhibits You From Becoming A Great Long Term Investor

Most lawyers are smart, busy people. Most spend so much of their time protecting other people's interests it often precludes them from giving the necessary time and attention to their own financial interests. As a consequence, many lawyers can't even imagine leaving their law practice at the time of their own choosing because they haven't been able to amass the wealth to do so.

The unfortunate reality is that an increasing number of lawyers are simply not financially prepared to retire on time. But, it's not because they're not smart, ambitious, or well-intentioned; rather it's due, in large part, to the way they are taught to think, operate, and view the world as lawyers, which can shut down nearly every behavioral instinct necessary to be a successful long-term investor.

**Think LIke A Lawyer:
The Common Emotional & Behavioral Traits Of Lawyers**

There is unanimous agreement that there are a common set of mental, emotional and behavioral traits that are common to the legal profession. Some of it borders on the stereotypical, but, most would agree that lawyers have superb analytical and negotiating skills; they're exceptional problem solvers, and they know how to get things done. The general view is that lawyers are successful, knowledgeable and leaders in their community.

Then there's the legal training which develops a set of skills as well as an attitude. In law school, where students are trained to "think like a lawyer," a subtle but powerful shift occurs in a lawyer's world view and how to manage it. For the legions of lawyers entering the legal field each year, the characteristics and traits developed during their training are not only acceptable as a way to conduct themselves in practice, they are essential to their success. However, as many lawyers find after years of trial and error, these natural default settings don't always function well in the world of investing.

Rather than just pointing out their shortcomings as investors, this article seeks to offer lawyers a rationale as to how these traits and characteristics can actually become obstacles to building real wealth. Perhaps then, they will be more inclined to change the way they approach their retirement planning and investment portfolio.

The 10 Obstacles Lawyers Face in Building Wealth

The **10 Obstacles Lawyers Face in Building Wealth** are listed as follows:

1. You're too smart.
2. You're too busy.
3. You're too risk adverse.
4. You're too skeptical.
5. Your ego is too big.
6. You're impatient.
7. You're a perfectionist.
8. You like nice things.
9. You're unhappy in your job.
10. You're more susceptible to getting divorced.

Obstacle #1: You're Too Smart

You're too smart. Unquestionably, lawyers are smart; super smart. They have to be. In fact, they are highly paid to be the smartest person in the room when it counts. The issue is whether they want or need to be the smartest person in the room in every other situation. After years of attending the top schools and working their way to the top in the best law firms, it would be difficult to accede intellectual superiority to anyone without a similar pedigree. So, you can imagine why lawyers might scoff at the fees investment managers want to charge to manage their money, when they know they are smarter than the investment manager. This may be the primary reason why many lawyers attempt to manage their investments on their own which is often a fatal mistake.

Rationale: We've all familiar with the age-old adage: A person who is his own lawyer has a fool for a client. The same can be said for investment management. It's not that investment management is rocket science. It's not. In fact, anyone can learn most of what they need to know about investing in a $25 book from Barnes and Noble. But that just teaches you the "science" of investing. The "art" of investing can't be learned from a book because it involves controlling those behaviors which get most investors in trouble – i.e., jumping in and out of the market, trying to pick the winners, chasing returns, and following the herd in times of panic or exuberance.

The main reason a person who represents themselves in court is a fool is because human nature makes it nearly impossible for us to separate ourselves from our emotions, and few things can make us more emotional than our money. Investment advisors earn their pay, not through the development of an investment strategy, but by keeping their clients focused on what really matters.

Obstacle #2: You're Too Busy

You're too busy. Actually, you're a workaholic. You were conditioned early on in your career that, in order to be successful, you had to work seventy or eighty hours a week. From the beginning, you have been willing to sacrifice all else and delay personal gratification in order to advance your career. Of course, that means you have little time, and perhaps little inclination, to focus on your finances and investments. Besides, giving up any time to find and advisor or meet with the one you have chosen can literally cost you $500 to a $1,000 an hour.

Rationale: In investing, time is your most valuable resource – that is, having the time to allow your money-at-work to compound each and every year – it's how wealth is built. You are already at a tremendous disadvantage with a late start in your career and a slower projectory to a higher income than some of your contemporaries, so the pressure to chalk up billable hours prevents you from thinking about your future outside of your career. You think that, perhaps, when you reach your peak earning years you will be able to catch up with your investing, but you fail to consider that you will also be funding your peak lifestyle years; so, like too many lawyers, your time will run out.

Obstacle #3: You're Too Risk Adverse

You're too risk adverse. You spend an inordinate amount of time analyzing risk and ensuring you have the downside covered, because that's what your clients pay you to do. You can't tolerate uncertainty and ambiguity. You know that if something goes wrong with a case you get the blame. Your excessive caution, while prudent in your practice, makes it difficult for you to take risks and make decisions in other aspects of your life.

Rationale: Investors need to understand risk and how to utilize it to harness market volatility and increase stability in their portfolios, because, without risk, there are no returns. Lawyers who bring a "prevent-offense" mindset to the world of investing typically compensate for the uncertainty of the markets by adopting a conservative investment strategy, and that can lead to financial disaster. When investing, lawyers need to focus on building wealth from nothing, not protecting against losing everything.

Obstacle #4: You're Too Skeptical

You're too skeptical. Of all the traits lawyers tend to possess, the one on which they score the highest is skepticism. And, again, considering what you do for a living, this can be quite functional. You need to question everything and, this "critical thinking" is essential to your practice. However, critical thinking, when applied to life outside of the practice really becomes "negative thinking," forcing you to view the glass as half empty, and focusing on the world's problems rather than on what's right with the world. When anyone offers you advice, your first reaction is to uncover the real motive behind it. You question any assertion made by someone else, making it all the more difficult to trust others. This steady diet of negative thinking drowns out any optimism which can result in missing the half-full glasses.

Rationale: Faith in the future is the most important guiding principle for long-term investment success, because it is grounded in the belief, supported by the evidence of history, that optimism is the only valid perspective one can take as they view the future. The stock market has increased in value more than 100-fold since World War II. This in spite of multiple recessions, increasing global strife, massive debt and deficits, and a financial meltdown that nearly crippled the world's banking system. In that time there have been as many bear markets as bull markets, but with each bull market, the losses of the preceding bear market decline were made up and the gains of the prior bull market were extended. Successful investors view the future optimistically, because, to do otherwise would ignore the historical record. It is, therefore, the practical view.

Obstacle #5:
Your Ego Is Too Big

Your ego is too big. I know you are thinking this one does not apply to you, but most lawyers have a need for external recognition. It's not always good enough to just be right. Winning the case is often proof enough that you're right, but there is still a need for validation from peers, and in most cases adulation by clients. On the flip side, this keeps you from admitting mistakes or seeking to understand what you did wrong and why.

Rationale: Warren Buffett often says the key to successful investing is simply to avoid mistakes. Yet, one of the main reasons why many investors have underperforming portfolios is their propensity to make mistakes, not learn from them, and then repeat them. When it comes to investing, lawyers think they know what they're doing, even when they really don't know what they're doing. This is a major obstacle as they attempt to build wealth.

Obstacle #6:
You're Impatient

You're impatient. Lawyers have a high sense of urgency – for everything. There's is a tendency to rush to action while expecting immediate results. Most lawyers lack the patience for the planning involved in long term projects, such as their own financial plan. When lawyers do invest, they tend to focus on returns in the here and now without regard for any long term investment objectives. As such, they are likely to react to the events with a pessimistic view which invariably leads to underperformance.

Rationale: The behavioral instinct of lawyers to rush to action, especially when they feel the need to contain the damage in a case gone bad, can translate very poorly in the investment arena. The need to do something in reaction to extreme market events, almost never ends well. Successful investing requires a vigorous optimism about the future in which patient investors may not know when everything is going to turn out all right; they just know that it eventually will. Successful investors are able to withstand the pain of missing some fad or hot stock in the news, or riding out a market decline in order to minimize the typical and often devastating mistakes that unsuccessful investors make.

Obstacle #7:
You're A Perfectionist

You're a perfectionist. For fear of making a mistake, which any lawyer can ill-afford, you have to make sure that everything is done perfectly. That means, if is to be done right, you need to do it yourself. That's why you need to control everything – the people around you, the process and, if possible, the outcome. Of course, this trait also translates poorly outside of your career often resulting in stressful relationships and a largely cynical view of other people's opinions.

Rationale: The evidence clearly shows that investors who try to micromanage their investment portfolio in attempt to achieve perfection usually underperform the market. Just checking your investment account each day, or even each month, increases the anxiety of wondering if you should be doing something differently. For investors without a long-term investment strategy, the need to control the outcome – that is, the weekly or monthly returns on their portfolio – drives them to make changes which rarely turn out well. Of course, if you feel that, the only way to ensure something is done right, is to do it yourself, you're certainly not going to listen to an investment advisor even though he or she offers the best chance for you to stay out of trouble.

Obstacle #8:
You Like Nice Things

You like nice things. Your whole career is based on delayed gratification. You lived like a pauper during law school, and when you began collecting your first paycheck a big chunk of it went to pay off debt. So, naturally, as your income increased, you allocated larger and larger portions to upgrading your lifestyle. Increases in income has equaled increases in lifestyle. To get to where you want to be you delay starting a career, you delay family life, you delay many of the things that make for a normal life outside of a career, which is why, when you have it, you spend your money as if you were going to be living in the here and now forever.

Rationale: Big spenders make lousy savers. The mistake many lawyers make is to assume that they can wait until their prime earning years and then max out their contributions to their retirement plan and acquire additional non-qualified investments. First, it's far more costly to wait, as the basic "cost of waiting" tenet tells us. Secondly, practitioners in their prime earning years are also in their prime life-style years making it more difficult to reduce their consumption in order to increase their savings. It's far easier in the early to mid-stage of one's career to smooth out your consumption in order to increase savings. More importantly, lawyers who begin their retirement accumulation early create the condition that enables them to commit a much smaller portion of their earnings to savings during their prime earning years. This enables them to enjoy a better life style in their later years.

Obstacle #9:
You're Unhappy
In Your Work

You're unhappy in your work. How often do you wish you were your client? Many lawyers are unhappy in their job, even though they are well on their way to achieving their dream of a prestigious and lucrative career. The law can be depressingly demanding, and, even though they're paid to be cynical, it can wear on the psyche. An increasing number of lawyers would leave their job tomorrow if it weren't for the sinking feeling that being a lawyer is the only thing they're suited to do.

Rationale: For people who are unhappy in their jobs, there's typically transference to life in general. Lawyers suffer additionally from delayed gratification in all matters outside of their job. Relationships and family functions are postponed to some future time when the pressures of the career subside; except, for many that time never comes. This is one of the primary reasons why few lawyers can even envision themselves in a life of leisure after their career. It's for that reason they don't rush into building a financial plan or setting long-term objectives, without which there is no real inspiration to start the planning process.

Obstacle #10: You're More Susceptible To Getting Divorced

You're more susceptible to getting a divorce. Divorce, not the next stock market crash, is probably the quickest way for you to lose half of your portfolio value. As a financial advisor, I avoid counseling my client on marriage issues, but the one critical piece of advice I do offer is to do what it takes to work on your marriage. A troubled marriage is one of the bigger impediments to building wealth, but a divorce can be a wealth destroyer. Not that concerns over money should be the only reason to save a marriage, but no one is prepared for the ensuing financial devastation a divorce causes.

Rationale: The divorce rate among attorneys is significantly higher than that of other professions. Let's face it, you may not have all of the traits or characteristics listed here, but you still need to recognize that nearly all of them are marriage-straining attributes. Whether it's your need to be in control, your skepticism, defensiveness, ego, or perfectionism, when coupled with the ingrained training to "think like a lawyer," it crowds out most of what a marriage needs to endure.

Instead of trying to fix what is broken, many lawyers revert to trying to solve the problem with logical reasoning while avoiding personal involvement in making any changes. Lawyers need to learn how to flip the switch on their default settings to be able to listen without judging, accept feedback (criticism), admit mistakes, and communicate from feelings. It's not easy, but those who can flip the switch often find themselves happier in their marriages, and wealthier in the end.

Conclusion: How To Flip The Switch

Granted, you may not fall into all of these behavioral traps. But, all it takes is just one of these obstacles to keep you from achieving your wealth dream. The first step in overcoming them is to recognize them and acknowledge their power over your ability to make your dreams reality. It requires that you be able to switch off the default settings of "lawyer think" to be able to view the world of finance and investing differently than the way you view the legal world. Here are some first steps:

1. **You're too smart.** Realizing that, although financial advisors may not be as smart as you, the right ones know how to help you set goals, create a plan, and keep you from making the behavioral mistakes that kill portfolio returns.

2. **You're too busy.** Realizing that you may be giving up hundreds of dollars in billable hours now, but the time you spend creating and implementing a financial plan and making sure your assets are invested prudently, can be worth millions of dollars to you in the future.

3. **You're too risk adverse.** Risk in law is bad and should be avoided or eliminated. Risk in investing is necessary if you understand how to harness it and make it work to generate higher returns.

4. **You're too skeptical.** Realizing that critical thinking becomes negative thinking in the real world. Turn it off, and a whole new world of positive thinking opens up. Optimism and a faith in the future is a requirement to be a successful long term investor.

5. **Your ego is too big.** It's OK to have a large ego, what successful person doesn't?. But only the egomaniacs among us will never admit to their mistakes and will be bound to repeat them. Don't be that person.

6. **You're impatient.** The world is not going to end tomorrow; and, as it has for more than a hundred years, the stock market's downturns are temporary and if you are patient and disciplined, the future's upside is inevitable.

7. **You're a perfectionist.** Perfection may be a requirement of your job, but it's not a requirement in life. You'll be happy to know, however, that there are few things more perfect than the stock market. It's highly efficient, and it rewards patience and discipline.

8. **You like nice things.** You really can't know what you should be spending today if you don't know how much it will cost to secure your financial future. You may be surprised that, with some planning and a sound, long-term investment strategy, you may not have to sacrifice too much today to live well the rest of your life.

9. **You're unhappy in your job.** Perhaps there are some things you can't change about your job; however, unless you take the time to step outside of it and envision your future, you may remain forever unsatisfied.

10. **You're more susceptible to getting divorced.** It's just a cautionary note to consider. You may think it won't happen to you, but figure out ways to spend more time with your spouse and family, and find a firm whose partners respect this. It can save your marriage and your wealth.

About the Author

From an early age, when his friends were thinking only about sports and music, Craig Slayen became enamored with the stock market, idolizing the heroes of Wall Street, such as Warren Buffet, Benjamin Graham, Peter Lynch and David Dodd. After graduating from the University of California at Berkeley, it was no surprise to anyone that Craig would start his career with an investment management firm in the Bay Area in equity research, analyzing companies for the firm's investment portfolio.

After being in charge equity research for the firm, Craig was placed in charge of fixed-income trading where he analyzed and traded municipal, corporate and government bonds for client accounts. For the first half of Craig's career, he excelled in a world where research was coveted as the fuel for finding stocks and bonds to outperform the market.

It wasn't until he began to manage client relationships that Craig experienced an epiphany which would forever change his view of investing and ultimately transform his career. Having the opportunity to work closely with many of the firm's clients, largely affluent families with substantial assets and complex planning issues, Craig quickly discovered that the best research and stock selection that money could buy could not consistently outperform the markets. This led Craig to ask the question "Is it even possible for a portfolio manager to consistently outperform the market?"

After several years of compiling the data from client accounts, Craig discovered that the inconsistencies in portfolio performance were not based on portfolio management skills or the accuracy of research, rather it was because of the sheer randomness of the market, and all of the academic research he studied confirmed it. That experience inspired him to start his own investment advisory practice which he founded with his wife, Melissa in 2006. The firm's investment philosophy is based on 80 years of academic research on the science of investing.

About Winship Wealth Partners

Winship Wealth is a goal oriented and planning driven investment firm, in a culture that will always be market focused and performance driven. They specialize in helping clients plan for retirement and navigate the myriad of issues and opportunities associated with this big life transition. They believe in an integrated approach to planning and investment management and are dedicated to providing objective council to help their clients make smart decisions with their financial resources.