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Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

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You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

Evan Harris: Well I am Evan Harris and I am here with my friend and co-conspirator of wealth building, Dr. David Phelps. I'm honored to have you here. Your mantra is that "There is no such day in the week called "Someday." And you can't buy your life back." How did you come by this philosophy and how does it apply to your other dentists?

Dr. David Phelps: Evan, it's great to be with you today and I'll tell you, I started out in practice probably like every other dentist, professional practice owner, be it chiropractor, vet, physician, all just raring to go. Couldn't wait to get to the degree, to get the license and use all the training and the hard work, that I put in for all those years, and get out there and have my practice. That was the dream, that was the vision. For me we're going back about thirty years. It was a while back, but I still remember very vividly what that looked like. And we were like a fraternity, going through class together, through the gross anatomy labs and physiology and the bio chemistry and we just all did it together and it was

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teamwork. The excitement was there to go. And who isn't ready to hit the ground running after all that?

I was determined to be successful, but it was really defined by some kind of amorphous, really unclear vision about what that really meant, that is, what is success? And I think for, a lot of us, whatever we go into when we're young in life, that's where we start, we think of success being defined by lifestyle. We talk from needing to be able to just provide food and shelter for ourselves and our young families and then we go to the next level which is, stability. So we're not so worried about day-to-day but we still haven't built anything up so we still have to work hard, and then we get to a point where we feel like we're successful because we reach some kind of a lifestyle point, however you want to define that. But you know what, we really want, is we all want security and peace of mind. It took me a long time to figure that out. Because for so many years I was driven by other things that weren't the right things. We tried to define my life by lifestyle. After all we've all worked hard, we sacrificed many years to get where we are, and we do deserve nice things in life, there's nothing wrong with that. But many of us, and, I did to some degree, we think we deserve those things whether we can pay for them or not. In other words ... It almost even, like it's an entitlement. Do you see some of the

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dentists that you work with that maybe feel that way because of the stress, the pressure, that they work really hard, they have worked hard, but to make them feel better and satiate that hard stress that having a nicer house or cars or vacation or travel, that seems to be something that maybe short term, appeases that?

Evan Harris: I sure do. And in many cases I do feel like they deserve it. Just the challenge then sometimes is continuing to fuel whatever it is that was purchased. I have a friend that purchased a fixer-upper mountain house, like a chateau, and unfortunately that house was a continual drain of finances. What once was an exciting property and lifestyle choice began to be a real drain on their life and eventually the practice as well.

You mention "You can't buy your life back". What do you mean by that?

Dr. David Phelps: It means that we can't wait for "someday". I'll say that I had that in my mind for many years. I was going to build up all the security of my family, but it wasn't well-defined, I had to keep stacking it up and having enough money and all this stuff that I thought would be the security, and that's what I call the "someday" syndrome. Someday, when I get everything just right, my practice is humming along the way it should be, and I've got extra cash flow and I'm investing it somewhere, life is good,

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that's when I'll start living my life. The problem is that most people never get to "someday". They get to a point in their life where they've done okay and they get their head above water and they provide some lifestyle but, at what price? What price? The price of not being able to build memories and live your life as your family's growing up. At what price do we do those things and look back and at some point, when we've lost that opportunity to do those thing we want to do, because of either our health, or someone else's health, we lose people in our lives, it happens all the time unfortunately, and then we look back, "Oh, now I've got all the money, now I want to go back and live life", well, that's too late at that point.

Time's a commodity and its value increases every day of our life. When we're young, we think we have endless amounts of time, right? We think, "We've got forever, I'm so young and I could do all these things", and as we get older, we start to wander, "What happened to that time?"

Evan Harris: Yes, you're so right, so many of the doctors I work with have experienced that, and sometimes it does feel kind of too late, they've worked so hard and yet now they're feeling like they're running out of time. Tell me, David, why doesn't the traditional work hard, earn and save method of financial retirement planning work today?

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Dr. David Phelps: I think statically, you and I both know, because we both have the opportunity to work with and be around many of our colleagues in the dental and other professional practice areas and, we know that less than 4% today, can retire at age whatever-they-thought, age 58, 60, 64, whatever you want to call it, they can't retire without decreasing their lifestyle, that they've become accustomed to while they're working and producing, or, if they want to maintain that lifestyle that they've become accustomed to, then they have to work to age 70 and on, not because they want to, but because they have to, and I don't think that was the dream or the vision that we began with. Working hard, earning, saving, and investing in, say paper, or financial assets, that's been the traditional model of financial planners, stock brokers, money managers, CPAs, and why? It's because that's how they were trained.

You talked about that on one of our podcast shows, is that's the training that's there with well-meaning people, and that's how they put food on their tables. They're not trying to necessarily deceive or provide bad advice, I know many who truly believe in what they do, but essentially, when things don't work out, it's easy to blame the marketplace, the financial markets, and the problem with financial markets or paper assets, is that those markets, unfortunately, are highly manipulative.

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It's like where the individual, what I call the retail investor, that's like you and me, we're called marks, M-A-R-K-S, marks. We pay retail, for those investments in the hopes that we or our advisors, can guess the trends in the market, and those people are the wholesalers. They're the one that leverage all the capital markets, the Wall Street traders, those who work for them, they take the profits off the top and they leave us, the retail buyers, to provide for their margins, and we get left holding the bat when the markets fail.

So work, earn, and save, cannot out-run the tax and wealth redistribution models that we have in this country today. If you're an entrepreneur or business owner, you are a mark or a target. Ask anyone if they were surprised or shocked when they got their tax bill this last April. And they had to ante up a significant amount of extra tax money, due to tax changes that when into place January 1st of 2013. It's not over. This country's in massive debt, it's essentially bankrupt, and the socialists are running the programs. I'm not going to try to be political here, but I'm just saying it is what it is. I'm an eternal optimist and, you and I both know, that by collaborating and accessing the best people and information that we can still survive and thrive but we've got to do things differently than we did before.

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Evan Harris: Yes. And when you say that our dentists and other professional practice owners are being misled?

Dr. David Phelps: Let's put it this way: everything is different today. Our culture, our society. We're moving as I said very quickly into a socialist culture which means there's generally, generally less opportunity for everyone. Again, not being a pessimist, I still believe that this country can right itself, but in the meantime, right now, everyone listening to this podcast needs to consider how they should be strategically positioning themselves in what I call the new economy. You can't keep doing what you've been doing because, you'll be left behind and you'll have to scramble to even keep your head afloat.

Evan Harris: Yes. I hear you talk a lot about freedom, and practice freedom, and I also hear you talking about "breaking the chains". What does "breaking the chains" mean to you?

Dr. David Phelps: Yeah, good question, Evan. As professional practice owners, we wear what I call the golden handcuffs or chains. What I mean by that is, we can make a decent income and have a better-than-average lifestyle, but only as long as we're working. What I call trading time for dollars. Once we stop working, then the income stops, and thereby, that's the chains analogy. So we've got to be chained next to the chair, or where we see our patients. Walk into a McDonalds, and go up to the front

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counter, and ask to speak to the owner. What do they tell you? Well, the owner's not there. Where's the owner? They're not back there flipping the burgers, mixing the shakes, or working the fry basket, the owner's where the owner should be. Either they're taking time off, spending time with their family, or they're working on, now repeat, on, the vision of their business or businesses. We're not even trained, Evan, or given the permission, to run what I call real business, an entrepreneurial business or practice that's not solely dependent upon the owner, the doctor. We're taught that a practice, is all about us. Now, that model maybe works forty or fifty years ago. But I see the solo practitioner, really in all health fields, quickly eroding. And now, right now, is the time to re-position.

Evan Harris: You said a lot there and I think there's a lot of people on the line right now thinking, "Well then, what?" In a nutshell, what's the answer for dentist and professional practice owners today? How is wealth-al freedom achieved?

Dr. David Phelps: First of all, we have to start with the practice, the business, because that is what we train to do and gave us the license and the right to go forward and have the ability to earn an income and provide a lifestyle for our family. There's a sacrifice period that we all pay at some

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point in our lives unless we're trust fund babies and I'm not and I know you're not. You go into your practice, your career and yes, you're going to work hard, you're going to trade time for dollars but, the point is, you don't have to do it your whole life. How quickly can you start to leverage who you are, what you know, other resources, and other people's time skills, to create a real practice. We could spend hours and days on this subject and in fact, we'll spend other podcasts going deep into these areas, but in a nutshell, what a real practice, a real entrepreneur practice needs, it needs real systems, operations, sales and conversions, fulfillment, retention, and re-activation, along with direct-response marketing. Now that's a mouth full, but that in essence is what it is.

Now did I say anything at all about taking more CE or buying more technology or higher-education courses? I didn't. Now that's not to diminish those things, trust me. I was a dentist full time, private practice for many years, over twenty years, and I took a ton of CE. And we do have to do that. And it is fun to take our ability and our technology and do the work and provide the care. Let's just say I'm putting that in a box and we're not going to forget that box, but the real things that generate the ability to leverage who we are and what we have in place, are those other things that we'll go into deeper in other podcasts. When I was in dental school, none of

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those business aspects were taught. And to my knowledge, there's still very little or no real business training in school. It's really based on the "build it, and they will come" model. We know what that's about.

So number two, once we have a business that's not solely dependent upon us, then we've got to build equity, wealth, and net worth, outside of practice. We can't put all the eggs in one basket. Today medical practices are practically worthless to the solo practitioner today, if he or she hasn't already sold out to one of the corporate models. Dental practices are not there yet but they're headed that way. While we've got a business that's running well, we need to be acquiring other capital assets, which can be a real business or businesses, so you could do it with practices or businesses. You could do equipment leasing. Or my favorite and your favorite, which we're going to deal a lot with on these podcasts, is real estate. And particularly the single-family-based assets, which is, I think, the really key to securing your freedom. Cash flow that is not dependent on the owner's own labor.

Evan Harris: I was talking to a couple of guys here in a study group, and it was amazing how it seemed like the 30s and 40s doctors, their age group, they're very optimistic and just head down, grab the hand piece and go. Just treat the

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patients. But the 50s and 60s, they were starting to look down the road say, "Evan, it doesn't look good. We're starting to run the numbers." Or, "My wife is asking me, 'Hey, when can we start traveling?'" Or, "The kids are getting ready to go to college and that's going to be a big expense and we know that retirement's out there somewhere." What would you say, not to the 30s and 40s that are just crushing it, they're just go, go, go, go, go, which I feel like they have a little more time. If there's a fast-track that can allow the dentist, and I'm talking about the 50s and 60s, now of course, if you're a 30s and 40s, listen up because I think this will apply to you too, you just have even more of a head start. Talk to my 50s and 60 doctors, how can they get to their freedom point faster?

Dr. David Phelps: Great point. Let me say this, initial response to that is that, in the mastermind in consulting programs I'm a part of that I host and facilitate, we have primarily doctors that are in their 50s and 60s. And why? It's just for the reason you just said. It's because they're realizing as they're getting towards the last 5, 10, 15 years of practice, that those things that they thought they were building towards, they're not coming to fruition, they're not coming true, and there's stress there, as I alluded to earlier, about the fact that, "How do I retire, how do I know when I have enough?" Those are again subjects

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that I can't wait to get into because there are good answers for those.

And then on the opposite side there are, as you said, the 30s and 40-year-olds who are heavy-duty in the practice, I mean they're go-getters, I get it, I've been one, I still am a go-getter, but I think it's about being heads-up in a lot of different areas and it's difficult to do that when you are the business owner, you are the sole practitioner or you're trying to run the practice and provide the care, you're trying to wear all these hats. You just can't do it, you've got to be aware of what is coming down the pipeline and that's where the 50s and 60-year-olds really shine because they can, in their own way, give back and start to let the younger practitioners start to see that timeline a little bit ahead of when they get there. And again, it's not too slow them down; it's not take the zeal away from practice, not at all. But there are just some smart things that anybody in practice no matter where they are on that timeline, can start to do that will enhance their ability, to build those options that we talked about, to have that freedom so that they can then really practice the way they want to, get past that first five years.

I see no reason why a doctor who's willing to get in and do the work, meaning not just the labor work, but I

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mean, be associated, be affiliated with other like-minded and other entrepreneurial people who can lead the way and show them what the whole movie looks like and not wait to get to the end of the movie and go, "What happened? Where did all the time go? All this money that came through my practice over the years." In a thirty-year career, the average solo practitioner is going to have probably well over 30 million dollars that will pass through the practice. Now, we know that there is the overhead that has to be paid. We know that after the overhead then, before the money comes to us, we've got to pay taxes on it. But you think about all that money and what's sad is that there's so little, what I call real net worth, real wealth left over after many years in practice. There's maybe a house with some equity in it. The practice may have some equity. But, you know and I talk to everyday doctors that are in their 50s and 60s that still have a lot of debt, and that's not good at that point.

So let me just kind of re-cap that by saying that, think about some of these people that we all know well. Here's some names that I'll mention: Michael Jordan. Tiger Woods. And my namesake, Michael Phelps, although, we're not related ... What do those three very prominent athletes have in common besides being just good athletes? Think about it for a minute. Do they do it all by themselves, do they just wake up one day and go,

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"You know what, I want to be the best swimmer in the world, I want to be the best basketball player in the world, I want to be the best golfer in the world", they just went out there and just hit it by themselves? No. No, what they have in common is they all have a head coach or, actually, coaches. Multiple coaches. People that can look and see the blind spots. The things that we can't see in our own lives. So the question I would say is, how many of us, as business owners, as practice owners, had coaches when we were younger and we were in school and we were either involved in athletics or the creative arts? I would say most of us, to some degree, had somebody that was teaching or coaching or helping us become more proficient. So why don't we have business coaches today? Why? Because it's not the norm. We're supposed to know all that we're supposed to know once we have the mandatory education, we pass the boards and get licensed. The fast track for me, and I know you're the same way, that's how we met, is to have multiple coaches and to participate in what I call brain-trust groups, mastermind groups. That's where the blind spots come out because we can't see the forest, that big picture, because we're deep in the trees of our everyday life in the practice and all that stuff that we have to put out the fires, we can't see that bigger picture, we don't know we don't know.

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Evan Harris: Yes, well said, absolutely. Well, David, I appreciate that, that is a lot of information. Is there something else you want to wrap up there with?

Dr. David Phelps: I would just say this: going solo is foolish. I'll just be very frank. Going solo, trying to do it all yourself, is foolish. But that's where most of us came from, it's get out there, work hard, have a good strong work ethic. I'm all about that. But going solo is foolish. The fast track is to be part of a group, a community, a mastermind, have coaches. That's what's going to get you where you want to go, get you to that freedom, that security and that peace of mind which is at the end of it all, what everybody wants. I'll leave it at that.

Evan Harris: Excellent, David, thank you very much. This has been the Dentist Freedom Blueprint with Evan Harris and David Phelps, two guys on a mission to make a difference and show dentists how to create freedom in their own lives and their practices. By the way, David, we received a five-star review, from Todd T., and he said, "You guys are real. And you are giving huge value to your listeners. When your listeners put into practice what you suggest they will be truly free." Thank you, Todd, and to all of the listeners out there, if you're listening on iTunes on a podcast, please review, share with us what you like so that we can give you even more

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