Ep #41: The Wealth Building Blueprint with Alia Ott

Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

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.

David: Hello, everyone. This is Dr. David Phelps with the Freedom Founders Mastermind community and *Dentist Freedom Blueprint* podcast. This is going to be a great call today.

I'm very excited to have, who's become—a really recently—but very much a good friend right off the bat because we found we have so much in common. Not just in the fact that we love real estate as a vehicle for what we do in life, but just because philosophically, we come from a lot of commonality. My good friend today is Alia Ott. Alia, how are you doing today?

Alia: I am doing outstanding. Thank you so much, David, for having me on this podcast and being able to share with your audience some of the tips, tricks, and mindset that I've developed over the years. Like you mentioned, we just met recently but already a great friendship has occurred just because of the like-mindedness that we have around helping people create wealth for the right reasons.

David: Exactly. The way we met was through another mutual, common friend. We didn't know each other but we have a common friend that connected us. One of the things that I often say, and it's really taken from Jim Rohn, it's you become the average of the five people you associate with most. Through our associations, through our relationships, by getting outside of whatever it is we do in life and work, for love.

People we're talking to today, my dental colleagues, physicians, and chiropractors, and vets, going to work and being in kind of that cave, that office, it's hard to get outside and meet other people. But it's so important to do so. And that's how we met, through somebody else who said, "Hey, David and Alia, you guys need to connect because I know you've got a lot in common." And bingo, there it was exactly to the point and we made that happen.

But I want people to know a little bit more about you, Alia, before we get into the nuts and bolts of what we're going to talk about today. That's really going to be along the idea of a wealth-building blueprint, that's going to be our subject today. But I want people to know a little bit more about you. So take us back a little bit into your life. You've done a lot of very innovative, creative, and passionate things in your life. Bring us up to speed.

Alia: Sure, thank you. I'm going to take us back about fifteen years. I was working for a nonprofit organization called Network for Good. It was cofounded by AOL, Cisco, and Yahoo. That's where I really got my passion for serving others in a much bigger capacity. To date, I know that Network for Good has processed over one billion, that's billion with a b, dollars online for tens of thousands of charities. I was really blessed to be part of that community for such a long time.

I did realize early on that this was not going to be my endgame. I really enjoyed philanthropy but I wanted to become a philanthropist, not just an employee of a charity, which has its own limitations in terms of income and everything. So early on, probably about a year or two into working for Network for Good, I started investing in real estate on the side.

It was just a part-time thing and I'm sure a lot of people that are listening to this podcast would be interested in that because if they have a practice, whether they're a dentist, a doctor, or chiropractor, they might want to get started in real estate and figure out how to get started part time so that they can build a portfolio that eventually will allow them to either transition out of their practice or at least create the lifestyle that allows them to take time off and travel.

I have a sister with ALS and I'm able to pick up and fly where I need to go to help her to her doctor appointments if I need to. Or, like we met in person not too long ago. I was able to take a week off. I was still quote/unquote working [laughs].

David: [Laughs]

Alia: But we were working on a cruise so a lot of people don't have the luxury of being able to do that. It's really about designing a lifestyle that gives you options and flexibility to be there for the people in your life that you love when you need that to occur. So that was a big driver. It's like my past I'm putting in my future but in a different way. So I'm taking the charitable component. That is the driver that allows me to get up and do my real estate investing on a daily basis with excitement and joy.

David: Wow. That was so well said. Your passion, your drive, or your reason why is just so similar to mine because of my history and my daughter's illness. What I found to be the most important thing for me was as you just said, to build up a lifestyle that allows you to have the options, the ability, the flexibility, the adaptability, to be able to be there, be present, for the things that matter to us most.

For virtually all of us, it's not the money. We think it is. We think the money provides some sense of security but you know, it really doesn't. So once we figure that out, fortunately I figured it out before it was too late in my life, but then we have the ability to go forward and not only transform our lives but transform others. That's what I'm so passionate about. So that's why I love having this call with you because we're so in-step on the same thing.

So now going forward, started in real estate, part time at first. Some thirteen plus years ago and we both know that we love real estate, not just for real estate. We're not trying to be Donald Trumps of the world. But real estate is a vehicle. Do you want to talk a little bit about that and how we use it a little bit?

I'm going to let you take it however you want to because I know you've got … we want to talk about some habits and some mindsets that are important, but I'll let you take it and go the direction you want to, Alia, because I know you've got it framed out.

Alia: Sure, so just a little bit more about my background. It kind of leads me up to today. I realized that having a portfolio of cash flow coming in on a steady basis would be really important to my ultimate goals of being able to take time off and spend time with charities and with family.

So what we have done recently, this is a newer model for us, Terri and I, this is my business partner at Investors in Action. We started Investors in Action in 2010. Shortly thereafter is when I left my day job working with the nonprofit that I was employed at.

I have since built up a portfolio of about ten commercial properties. Our goal is to hit about twenty. That should provide us with the monthly income that we can rely on month over month, over month, year over year, really for the rest of our lives until we decide to sell the properties or figure out another transition for that.

We've chosen the asset class of self-storage in particular for a couple different reasons. One, it's a fairly easy asset class to manage remotely. I live in southern California where the price to purchase a property and get a decent amount of cash flow is almost nonexistent. So we go outside to places like Texas, Alabama, Florida, Georgia, etc. We're looking more in the southland for properties that we can pick up at a lower price point with really good, strong cash flow.

A lot of people have different models. Some people like single family. Again, we like self-storage because it's low maintenance but high cash flow for the dollars that you are investing. My partner and I, we work with other investors who are interested in participating with us in a slightly different way. We're a little bit more hands-on.

So right now, we're creating and building the wealth and buying properties that are lower occupancy. And we bring the occupancy levels up. So there's a bit of marketing and hands-on work that we need to do in managing the property managers. So for people who are thinking about developing what I refer to as the freedom day blueprint where they're at their job, they're thinking about either leaving their practice or leaving their job, and wanting to slowly transition. It's not an overnight success.

That's definitely one thing that I'm sure you and I both learned about real estate, is there are very few people that make their wealth off of one deal. It’s a series of consistent investments that people make over time. And either make them with other people who are doing all the work for them, so they might be building passive income as a private lender or an equity partner in a deal. Or they choose to take on something a little bit more active. Even if it’s a rental property, you're hands-on managing a property manager.

So there are multiple ways to build wealth in real estate. Like you said, it’s a vehicle. It’s like going to the car lot. Which car are you going to choose to be your vehicle for the day? I’ve chosen to do lending and I've chosen to do the self-storage property investment so that I could build wealth long term and rely on that cash flow.

David: You know, I love self-storage. We won’t get deep into the details of that today but you mentioned so well that with self-storage, there’s no plumbing [laughs]. There are no actual humans, or shouldn’t be any humans, occupying those spaces. So the actual moving parts of it are not nearly as involved as multi-family or as you said, single family.

But, yes, you're right. Every asset class has advantages and I don’t want to say disadvantages, but everything comes with its own particular nuances. I think being diversified is a key thing. Now one of the things, Alia, that a lot of the doctors who first connect with us at say Freedom Founders is they're very excited and interested about real estate because they know intellectually that one can make a lot of money.

But for many of them, there’s a fear factor of they’ve been burned before, either investing with other people or they tried it themselves and have been burned. And they’ll hear about something new that sounds like it's a great opportunity and they'll think, "I need to control this myself. I want to do this myself." Yet they're still busy in their practice.

Could you just kind of break into that a little bit and talk about why most people that are already engaged in an active income-producing profession or other business shouldn't just say, "Well I want to do all this myself."

Alia: Yes, I definitely can speak to that from experience. The first few deals that I did were not great deals for a couple reasons. One, when I started out in real estate, I thought, "Okay, I need my real estate license and I'm going to go onto the MLS and I'm going to buy a house." And that's not really the way that you invest in real estate. It's not the mindset of an investor who's going to be successful.

What I found over time is that it's really about the people you surround yourself with. You made that point earlier. I think the best way for people to get started is not necessarily by doing it themselves but working with somebody that they can trust and partner with.

So if somebody has even a small amount of savings that they can partner up with somebody and get started and learn from that partner as they're building their wealth part time, then they have less risk in that opportunity. They have less time that's taking them away from important investment activities that are required to make that investment successful.

So Terri, myself, our partner Al, and we also have property managers, we're a full-time team that gets the job done. It requires different people with different skillsets to make all the parts move correctly.

So even owning a single-family rental, yes, you could do that part time, especially if you have a good, qualified property manager. And that could be a way for somebody to get started. That was the way that I got started. But I wouldn't suggest somebody in the medical profession decide that they're going to be a weekend warrior flipping properties. I just don't think that they're going to be successful at that from the get-go.

They might develop the skillsets over time but like I said, I think it's really important that they find … we've got a number of trusted advisors that come to your mastermind, people who have been vetted. I would always ask for referrals if you're partnering up with somebody or lending to somebody. Just make sure that the person that you're putting your trust and your money in is not going to run away with it. That they're going to be somebody who reliably provides the returns and do what they say they're going to do.

David: That last part is so important. You said it well. I don't want people to miss that. That you are exactly right. I am a huge believer in partnering with other people and piggyback off of other people's deals and learning that process.

Without making this a call about due diligence, which we could spend a lot of time on that, but anything else that you would say in terms of vetting people out that has worked for you? Or maybe it's a lesson you learned, Alia, when you were first starting out. Did you have any bad experiences? What would you do differently?

Alia: Yes, a couple lessons I learned. One, I would cautious of who you partner with. So don't just choose a family member because you like your family member to be your business partner. Find somebody who really has a track record. That should be easy enough for that person to show and demonstrate.

I would also be cautious of gurus. There's a number of people that are on the speaking circuit and they do very well speaking in front of an audience. They're great at marketing themselves. I've invested with individuals like that who really fell down on the job on the back end just because they were in front of the room, they were consistently in front of the room, and that's what they were excellent at. They weren't necessarily excellent at managing the deal.

I'm not saying that every person that stands and speaks in front of an investment club or that type of audience isn't trustworthy. You just have to be able to distinguish one from the other and really find the people that have done deals with them before. Make sure that they've been vetted by asking the right people the right questions that don't have a motivation to help that person sell whatever it is that they're selling. Does that make sense?

David: Yeah, that's very well said, very well said. Could we talk a little bit about money habits? Because I think that plays a huge part into people actually defining and getting to the goal of having financial freedom in their lives.

Alia: Oh, yes. Money habits are a huge factor in the success of somebody who's getting started, whether it's real estate or just creating wealth over time. There is a necessary discipline that people need to have when it comes to saving and investing their money. There needs to be a level of delayed gratification I believe when you get started and taking a look at where your money is going.

So one thing that an individual can do is they can take a look at their last few bank and credit card statements for let's say a two- to three-month period at a time. Identify really where their money is going. A lot of times, there are places where people can save that don't necessarily need to be spending that much money. A great example of that is going out to eat. If you use like the entertainment book and get 50 percent off or just cut back a little bit, eat at home a little bit more, there's a huge amount of savings to be had for people and professionals that go out to eat quite a bit.

Other things that you can monitor in your life: is it necessary that you put all your items on a credit card and then run that credit card up to where you're just paying a minimum payment every month and you're having this huge balance of interest? That over time that $100 item ended up costing you $400 just because you were paying interest on your credit card for months and months and months. So there's a lot of money and spending habits and saving habits that people can adopt relatively easy to start shifting them in the right direction to build wealth.

Now wealth building is, again, not an overnight process. It's discipline. It's taking $100 or $300 a month, whatever the amount is that somebody can feasibly do and put it into something that's either interest bearing, could be an investment, could be a loan to a real estate investor, it could be an equity investment. Perhaps they're putting it into a 401k or a self-directed IRA. Those are all great ways to start building that snowball.

You can liken it to an avalanche. An avalanche starts with one snowflake. Then ten more snowflakes. And then pretty soon that set of snowflakes turn into a small ball and it rolls downhill and gets bigger and bigger and bigger. That's how wealth building goes. It's just starting wherever you're at with the discipline of putting a little aside and once it gets big enough to invest, you start investing that. Then being more opportunistic about the choices you have.

Having cash available is also something that in the money habit category is really valuable. I say cash is king, right? So if you're going out to the marketplace and you're able to negotiate something, a lot of times you can get a much better deal if you have cash in hand versus saying, "I need to charge this on my credit card." Or "I need to get a loan to pay for that," where you're going to be the one paying the interest. I'd rather be the bank and people pay me interest than the other way around. So that's where people can really start shifting their mindset around dollars and discipline.

David: I like that. Those are well-stated habits. You're absolutely right about delayed gratification and that snowball effect that starts to occur when you have the discipline of the right money habits.

Here's something that just came to my mind as you were talking about that, Alia. That is, fortunately, I got started with real estate when I was very young. Actually, before I graduated dental school, I was learning about real estate and how I could use it to compound wealth and cash flow.

The thing that was missing for me, and this is where I want to go next, is in my early years, in fact for probably at least the first maybe ten years that I was involved in real estate—I was in practice at the same time—I did not have a real blueprint.

In other words, Alia, I didn't know where this was going to go. I didn't know how much is enough. Without that, what

I found myself doing is I was just working so hard at trying to create, using more good leverage and acquiring properties, but not having a good blueprint that in some ways I went so hard on the delayed gratification that probably I made some mistakes and didn't have a good balance there.

You talk about measuring your runway. Could you lead into that and talk about how that works? And how today, with the wisdom that many of us have through our experience and what we do together on our network, we actually create a blueprint that actually starts to make sense.

Alia: Yeah, the runway analogy that I use. So just imagine a whole airport, right? You've got airplanes, you've got air traffic control, you've got this runway. The runway is what I liken to how much savings and how much passive income do you need to get your airplane off the ground?

So that airplane can represent your real estate business. It could represent your medical practice even. But at what point does your income, passive income, residual incomes, start to excel and exceed what you need to live? So there's that runway of "I need to make x dollars per month or x dollars per year to have the lifestyle that I choose to have and how long is it going to take me to build that?"

So some people might have a short runway. Let's say they don't have any savings. Let's say they only have $500 a month coming in from residual income. Well if they left their job or quit their practice, their runway is very short and their plane is going to crash. So your life is in that airplane and you want it to just be able to continue going as long as your runway is. I mean, you could stay on the ground, you could lift it in the air, either way, you need to have a long enough runway to get that plane off the ground and be successful.

David: Great. So if I understand you correctly, then determining that runway, you really have to reverse engineer, right? You have to say, “What is my, or our, desired lifestyle that’s required by the passive income?” That is when I’m through practicing or through with my business, I've quote/unquote retired from active income production, what is that runway going to look like? Reverse engineer it so what that lifestyle overhead or lifestyle burn rate is and of course, then we have to throw in things like taxes. Unfortunately, they're always going to be there.

Then we have to also have some kind of predictor, even though we can’t be 100 percent clear on what it looks like. But, increases in costs of living, you know, inflation, health care. Those things that we don’t have any control over. They are what they are, right? So it’s a little bit hard but still people can come up with at least a reasonable idea of what that runway needs to look like, correct? And then reverse engineer?

Alia: Exactly, exactly. It’s typically a combination of income plus savings and it’s income that you don’t have to work for. It’s income that comes in regardless of whether you wake up and go to work the next day. It’s not the time per dollars or appointment per dollars. It’s really that passive income stream that’s coming in plus whatever savings you have.

If you need $100,000 and $3,000 a month to get to where you need to go financially in creating more residual income and more investments that increase your wealth, then that’s what you need to look at. So that’s essentially the runway analogy is, just making sure that you have both the income and the savings to get your airplane off the ground, which is essentially your life [laughs].

David: Exactly. Yeah, exactly. Excellent. All right, well this has been very good. I know, Alia, that we could have numerous conversations. So number one, I'd like to say thank you for today but also, would you be willing to come back and we could go deeper into some of these subjects?

I know people would like probably more conversation on the different asset classes. Definitely like to learn more about self-storage, which is your main focus today with you and Terri in your platform, Investors in Action. So would you be willing to come back and do some more follow-ups?

Alia: I'd be delighted to, thank you.

David: Good. Now I know you also, because you are a giver, you have great information, best way for people to contact you and maybe glean more from what you have to offer to the mindset, the habits, the wealth building that we're all about?

Alia: Right. So my business partner at Investors in Action, we provide a number of different ways for people to stay in contact with us via webinars, live events, or just one-on-one communication. So I invite anyone who's out there listening to stay in touch with us.

You can text the word "freedom" to the following number. So again, that's the word "freedom" to (702) 522-0336. Again, that's (702) 522-0336. That allows us to communicate with you if we have events, if we have online trainings, if we have any opportunities to engage in, and just the wealth building creation and any collaboration, of course, that you and I have, David, would be involved in that as well.

David: Well, I'm happy to tell our listeners that you have agreed to become a part of our Freedom Founders mastermind as one of our trusted advisors. I'm thrilled to have you help with that collaboration because it is, it's all about the network. Our network is our net worth.

Without relationships, without other great people to learn from, collaborate with, and to partner with, we can't do it by ourselves. Going solo is not a winning strategy. But learning how to go with other people, leverage other people's time, their skillset, their experience, is something that a lot of people have to learn. That's something that we do a lot of at Freedom Founders.

So thank you for being a part of this. We'll definitely have some more calls and some more great information with my good friend, Alia Ott. So, thank you again very much, Alia.

Alia: Thank you.

You've been listening to another episode of the *Dentist Freedom Blueprint* podcast with David Phelps and Evan Harris. The place to be to create your freedom lifestyle with more time off, security and peace of mind. Please subscribe, download the podcast, and share it with others who want to create real freedom in their lives and practices.