

Ep #81: Part 2 - Dentistry Uncensored
with Dr. Howard Farran



Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

[Dentist Freedom Blueprint](http://www.DentistFreedomBlueprint.com) with Dr. David Phelps and Evan Harris

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Howard Farran: “Be street smart. Keep one eye on your patient, one eye on costs. Everything that you buy has to pass four finger test. Is it faster, easier, cheaper, better? If it violates one of those, walk.”

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 Phelps: Hi, Dr. David Phelps back with you and part two of the Dr. Howard Farran interview. You’re drinking from the fire hose on this one. Listen in as I take Howard deeper into what’s happening in dentistry today and how you can best position yourself for the future.

Let’s talk a little bit about you have your four boys, and what are they? Age 20 on up or thereabouts?

Howard: 21, 23, 25, 27.

David: All right, so all millennials, right? Today education, college, professional school, graduate school, costs a lot of money. What’s been your advice to your boys? Are any of them going into dentistry by the way?

Howard: I don't know, is the youngest one going into dentistry? I don't know. They've both done two years. One spent two years selling ads for Dentaltown. One is doing my podcasts. The other one has been my assistant for two years.

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In regards to colleges, you got to look at the extremes. There's like, what, 2000 basically billionaires and half of them don't have a college degree. I mean Bill Gates dropped out of Harvard. Mark Zuckerberg dropped out of Harvard. Most of those people, they follow their dreams. They follow their passions. Steve Jobs went to one class, his first class in college, went to one lecture and said, "Well this is bullshit" and walked right out.

This mindset that you got to go and get this piece of paper is a belief system. It's like my mom believing the Catholic Church. If you believe you have to own this piece of paper, I guess you got to go get the piece of paper. The bottom line is these millennials can learn more watching YouTube videos and listening to audiobooks while they're lifting weights. There is so much massive amounts of information, I would say the only thing you need college for is if you need a license to do your trade. If you don't need a license to do your trade, I don't know why you would want to spend all that money on college.

David: So what's the best way in your opinion to help your kids, our kids that are coming up today, to develop and find out where their passion is before they go in and decide, "Well, I'm just going to go down the traditional route of going to all this school because I think I want to do that." Your boys have been in a way apprenticing with you, yes? So you're going to give them a chance to see, like you did with your dad, you got to go see what business was like. Is that part of it you think?

Howard: Yeah. You know, when you go around the world, at least a third of the workers are in a family business. If you wake up and you're born in Tanzania, Africa and your dad is a goat herder, that's all you've known. I was in Kansas, my

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friends were in a couple different camps. You were either a wheat farmer or a dairy farmer. So if you grow up and you've been milking cows your whole life and you just know that business and you know that trade and that way of life, it just makes total sense.

What I would tell people over and over is follow your dreams. You only live once. You're going to die anyway. So if you do what you love, you'll never have to work a day in your life. I don't think I've ever worked a day in my life. I put in 40 hours a week all through high school with my Sonic Drive-In.

After school I would go to my dad's restaurant and it wouldn't close until 11:00. We wouldn't get home until 11:30. But my god, you're hanging out with your dad. You're eating cheeseburgers. There's a bunch of good-looking carhops. I mean, what was the alternative? To go home and watch what, *The Lawrence Welk Show*? I never thought it was a chore to go hang out with my dad until 11:30 every night.

When I was in dental school, the reason I learned endo, perio, did all that, is because it was just so damn fun to learn all those tools and do all those things. I just loved it. Whenever I got bored of it—and I've noticed this with a lot of successful dentists—they'll go take a bunch of ortho. They'll do like 100 ortho cases and then they'll think "I want to go learn implants." So they'll learn something which helps them diagnose, treatment plan. They got more tools in their toolbox.

I was just having dinner the other night with Craig Steichen. We both did a bunch of ortho classes, did a bunch of ortho cases. Then we just moved on. Then just one day we didn't do any more starts for a long period of

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time. But if something happens where we need to do one for whatever reason, we can do it. So I never worked.

Look at this podcast. When is our two-year anniversary? Next month is our two-year anniversary. I mean, two years ago I had never even listened to a podcast but I kept having all these people call me up and asking me to be a guest. Then they'd say the same thing after every show, they'd say, "Thank you so much for doing this. I can't get anybody to come on my show." Then I instantly thought, "Hell, I could probably get 10,000 people just from Dentaltown to come on my show."

So I did a couple and it's like right now, it's like I'm having lunch, it's like we're at a bar having a beer and this is an honor for me. Fun for me. Stimulating for me. So every day out of 24 hours I spend one hour talking to a homey about what I love the most, dentistry. I think it's been incredibly fun, but hell, we've done 500. I may wake up the next day and say, "Okay, I did 500."

Look at that 30-Day Dental MBA. We did that in '99. It's on YouTube for free, iTunes for free. It gets views every single day and that was, god, 16 years ago. If I stopped today at 500 and died ten years from now, ten years after I died they're still going to be listening to these videos on iTunes and YouTube. I've already done every subject a dozen times. I've had a dozen pediatric dentists. A dozen oral surgeons. A dozen periodontists. I don't think any of those are going to massively change in the next week or two, you know what I mean?

I just have fun. The minute it's not fun or something else more interesting, I just move on.

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David: Yeah, that's good. Howard, any lessons that you've learned doing everything you do? You seem to have no fear. You set out, you've got a course, you've got a baseline from which to work you set out. Any lessons you've learned? You've given a lot of great insights today but lessons, lessons that you've learned that you'd do differently if you could go back.

Howard: The main lesson is you keep one eye on the customer and you keep the other eye on costs. You use your God-given three and half pound brain to drive down costs so your customers get the freedom to afford what it is you have.

I look at dentists, they walk out of school \$350,000 in debt and then they go buy a \$60,000 BMW. Then they marry some girl that thinks, "You're a rich doctor. Let's not get a little three bedroom, two bath home for a \$150,000. Let's go get the \$500,000, \$600,000, \$700,000 home." Then they go buy a big office.

Then they look at that office and there they are taking an Impregum impression for \$18 and sending it to the lab and getting it back two weeks later for \$99. They go, "Well I could fix that. I'll buy a \$30,000 oral scanner. Then I'll need \$1,000 in software. Then I'll buy \$150,000 milling machine..." Every time they turn around, they just spend more money and dig themselves deeper and deeper and deeper in debt.

Let me tell you something about fancy cars. You notice everybody that drives a brand new BMW is leasing it or financing it. Then all the people who have the \$100,000 in their savings account, look at that \$100,000 in the savings account and look at that car and think, "I'm not going to

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give you \$100,000 of my cash.” You only give 100,000 people ...

It's the same thing with CEREC machines, CAD/CAM, cone beam, \$85,000... there's nobody with \$85,000 that says, “Yeah, I'll give you my \$85,000 in this savings account for that laser.” Oh, no. That's all done with debt, other people's money. Then that leads to stress and doing dental procedures that you don't want to do. You want to refer this case out but you're doing it because you've got all these minimal monthly payments.

So I just say minimalistic. Every time you spend less money, every time you downsize. I wish you'd just ride your bicycle to work. Every time you do that—look at Warren Buffett. When I was at Creighton University, there he was worth 50 billion dollars and he just lived up the street. Sometimes me and my friends we would go there and we'd drive by his house. He didn't have a security guard. There he was in a 100-year-old house and he had 50 billion dollars. The only thing he ever spent money on that was stupid was a private jet and he called that “The Indefensible” because he thought, “This expenditure is totally indefensible.”

I see the dentists that are happiest are the ones that have their overhead down. They don't buy all the fancy stuff. They live within their means. They actually learn how to cook. Most dentists, if you go over to their house, if you want to hide something, you put it in the oven and no one in the house will ever find it. They eat out every night. They join country clubs. It's just crazy.

Then all that spending, I mean look at divorce. A third of it is over money. A third of it is over substance abuse. A third of it is over sex. Well, what's a lot of the substance

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abuse? They're so stressed out of their mind that they go home and they have to drink six beers and a shot of tequila to go to bed at night. Then that spirals out of control. It's just all spending, spending, spending.

Then they get stressed. They start drinking or saying they're burned out. I mean how could you be burned out at dentistry when someone comes in and they're in pain and they can't sleep? You're like a fireman and the house is on fire. You're like a police officer and this is a bad guy. I still just think it's—you're like Superman when someone comes in with a toothache. You can numb it up and pop that tooth out in five minutes and not hurt them, or do the root canal. Dentistry is awesome. So why are you burned out? Probably because you're living like a rock star.

I'll never forget this last financial meltdown and Lehman Brothers—what was it, November 2008 or 2009?

David: 2008, yeah.

Howard: November 2008, Lehman Brothers popped the bubble. This dentist came over to my house. He was crying because his cosmetic practice had just evaporated. I said, "You've got five cars. Why don't you just sell four of them?" They were all leased. Then he had this big ole multi-million dollar home and it was underwater. He owed more on it. I'm looking at this like, why? You're a dentist. You're not Rod Stewart. I mean, are you in a rock and roll band that I'm not aware of? How the hell do you have five cars and a 20,000 square foot...? Just crazy stories.

Then you meet some of the happiest dentists in the world in that little first starter home they bought when they first got out of school, three bedroom, three bath, whatever the heck. They're still in there and they've got a pile of

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cash in their savings account. When they have that pile of cash and they go to the dental convention, they don't part with it. But if they have all debt and they're jonesing, they've got to buy something, whatever. So be street smart.

I'll give you another example. Street-smart people, they want to learn implants? They just buy Carl Misch's book for \$200 and read it. Other people have to fly all the across the country and go to \$4,000 weekend courses. You want to learn cosmetic dentistry? There's \$200 textbooks that you couldn't read in a month that will teach you all that. YouTube it. Dentaltown.

Dentaltown CE is usually, it's less money than if you flew to these courses, when you took a cab from the airport to your hotel, the cab fare would be more than this course online. If you don't even want to buy the course online, why don't you just Google that course title on YouTube and you'll probably find something similar to it. So street-smart dentists, they read textbooks, they go to Dentaltown, they do courses online, they go to YouTube.

Or, they want to learn endo, so they'll just walk across the street to their endodontist and say, "Hey, I don't have patients Friday, can I just pull up a stool and assist you on Friday and try to pick up some endo deal?" The same with perio, they want to learn implants so they just go sit with their periodontist or oral surgeon. Just be street smart. Keep one eye on your patient, one eye on costs. Everything that you buy has to pass four finger test. Is it faster, easier, cheaper, better? If it violates one of those, walk.

David: Great points, Howard. A lot of dentists today are whining and complaining about corporate competition, managed

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care insurance, future of dentistry. I know you see it's wide open, but why do so many dentists see it the other way? They're feeling like they can't survive this because the world is changing right now and change is not something that most people are very adept at dealing with.

Howard: I would say that we live in a country with a third of a billion people. Let's say you want transportation, you can buy a Lamborghini for \$300,000, a Cadillac, a Buick, an Olds, a Chevy. When two people talk about cars, seven out of every ten cars sold is a used car. Then there's the bus, the train, the subway, the bicycle. So there's going to be wide market segmentation.

Look at housing. I could live in a trailer. I could live in the hood. I could live in an apartment. I could live in a one bedroom house, two bedroom, three bedroom, all the way to a 25,000 square foot mansion with a nine-car garage. There's always going to be the low cost, the high cost, but the vast middle is going to be in the middle.

Insurance, they're just whiners. You go to Singapore, Russia, India, China, Brazil, there's no such thing as dental insurance. You go into America, almost 45 percent of the people have zero dental insurance and they buy their iPhones \$800 in cash. It's only the dentists whining that the employer should pay for this, Obama should pay for this, everybody else should pay for it because the dentist doesn't want to sell it.

When you go to China, it hurts their brain when they try to talk dental insurance. They look at you and their eyebrows are crunching, "Well if you drink Coca-Cola and Pepsi and you don't brush or floss, why would your employer pay for the root canal?" I'm like, "I know, dude.

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It just makes zero sense.” I mean it hurts their brain to think about it.

Look at the insurance in Tokyo, Paris, and London. Three amazingly great, rich countries who all believe the Bernie Sanders message of free healthcare. So the reimbursement for a molar root canal is \$100. Do you really want free healthcare? Those dentists are looking at you thinking, I get \$100 for a molar root canal and I get \$70 to pull it? “Yeah, we can't save your tooth. I'm sorry. That thing has got to come out.”

I've talked to the providers in Tokyo. They're like, “This is crazy. \$100 for a root canal?” The files and the dental assistant, I lose money. Then you cross the ocean into Singapore, they don't have dental insurance. The dentists say, “Well, how did you buy an iPhone? Well, it was \$800. My molar root canal is \$800. You want your tooth or your iPhone?”

Then corporate dentistry, I don't understand corporate dentistry. These dental offices are open 168 hours in a week. They only see patients 32 hours a week. That's only 19 percent utilization. Their phone is ringing off the hook, they're closed. So here's an American, they want a pizza delivered in 30 minutes and they're closed.

The corporate dentistry are offering jobs to all the graduates. We just had 6,000 dental school graduates graduate in May and the private practice dentists aren't hiring them so they all go to Heartland and Pacific and all these Aspens and all these dental deals because the younger dentists—then the middle age dentists bitch about that. Well, you didn't offer them a job.

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Look at how much they bitch when they want to go sell their million-dollar practice and the kid coming out of school doesn't have any money. Then they call Heartland and Heartland will go there and sign a check in cash that day. So the corporates are offering liquidity to the ... selling it. By the way, when you go to sell a house in Phoenix right now, you put up a three bedroom, two bath home, it's sold in a week. You put up a one million dollar home, you might not have any offers on it for three months. That's called liquidity versus illiquid. Right now, the only thing moving is the dental office around the \$700,000 mark.

So you build up this 1.5 million dollar office. Some of them get as high as two, three, four million, well who do you think is the only people in town that can buy that? Heartland. So corporate dentistry offers liquidity to the illiquid asset. You know, never let your money get too far from cash. They provide jobs. So the dentists wanting to find corporate, they should get a digital phone system to see how often their phone is ringing.

One day they'll realize, well if you already paid the rent, mortgage, equipment, ... computer, insurance, malpractice, you paid all your dues but you only work Monday through Thursday, if you put an associate dentist in there at say \$200 a day and they had one broken tooth for an \$800 crown, you're making money. They could see one crown on Friday, one toothache on Saturday. They're just not putting their business hat on and they're not serving customer.

Getting a digital phone system, I want to see the phone reports. I want to see how many calls came in your office this month compared to last year this month. That's the

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only way I can measure if your marketing is effective, that's the only way I can measure—you say you don't have room for an associate and yet 13 people called your office on Friday, Saturday, and Sunday and 9 of them weren't even patients of record and you're telling me you couldn't have gotten a dental school graduate to come work for you on a daily rate? If you've already paid all your bills and you guaranteed them \$250, that's one filling. You're telling me that she's not going to do one filling per day for two days in a row?

David: Yeah. All right. I was drinking through a fire hose there but you're so right. You're so very right.

Howard, last question, besides your father, who have been other influential people in your life, mentors, or maybe books you've read? Any people that stand out that you'd like to share with our audience today?

Howard: My gosh. All my best friends are dead. They all wrote books. Thomas Watson, Jr. of IBM, the making of IBM. Ray Kroc *Grinding it Out: The Making of McDonalds*. My gosh, I mean, GE. Warren Buffett. I have read the autobiography of every single billionaire that ever—not biographies, but autobiographies.

I thought to myself, here's these legends that take the time, like nuts, the story of Southwest Airlines. These billionaires take the time to tell you how they think and all leaders are readers. To sit there and listen to dentists talk about Kim Kardashian and her sister Khloe. "Do you think she looks fat in that dress?" I don't even care. The Kardashian mentality is so bizarre. There's so much information.

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I'll tell you another thing about millennials is our generation sat in a chair and read and all the elders always yelling at everybody that we didn't read enough. But now they have audiobooks. That's what I learned about my book. I put my book out and I'm an old guy, I'm 53. The sales I thought were great but everybody kept saying, "Dude, no one under 30 is going to buy this book."

So I sat down on a Skype and I read my book for five and a half hours. I put the audiobook up there. Oh my god, the sales exploded because millennials, they don't want to sit in a chair and read a book. They want to listen to a book while they're doing the dishes, cleaning the car, on a treadmill, commuting to work. That's why podcasts are doing great.

I've talked to so many people that love your podcast. Every single person that told me they love your podcast told me they listen to it on their hour commute to work. So they're multitaskers. Right now, we have an election coming up. We have, it's just crazy, dirty, gross, icky, when I watch any of it, it gives me anxiety. It makes me mad. I want to throw something at the TV. That's why I don't like to discuss religion, sex, politics, violence. I'd rather listen to a podcast.

One of my sons just loves listening to Grant Cardone. I mean, my god, that's how I got him on my show. My son has bought everything from him. He said, "Grant, you're my hero, will you come on my dad's show?" He said, "Sure." He's a good ole Louisiana boy. I want to fuel my noodle every day with positive stuff, reading positive stuff. I love books, biographies. I love podcasts.

When smart people I can listen to, is it going to make all my decisions better, faster, easier, cheaper? I think I've

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never had an original idea in my life. If it was, I don't know what it was. I stole ideas from Colonel Sanders, you name it. So read, read, listen, YouTube. It's amazing on YouTube. Like if you just wanted to sit there and say, "Well what's the difference between managerial accounting and financial accounting?" Well just exactly type that into YouTube, just like you asked it. You're going to find about 1,000 million catrillion videos that explain that. So what's that instead of the Olympics?

David: Howard, this has been amazingly good stuff. Thank you so much. It's been a pleasure and an honor to have you on the podcast to share your great insights or experience with so many people today. Obviously, people should know that they can connect with the community, Dentaltown, Dentaltown.com. Your *Dentistry Uncensored* podcast with Howard Farran. Is that multiple times a week? How many times a week are you putting new podcasts out right now?

Howard: One a day.

David: One a day. Other ways to contact with you, Facebook, LinkedIn, how do you like people to connect?

Howard: Howard@Dentaltown.com.

David: Thank you so much, Howard, it's been a pleasure visiting with you this hour.

Howard: Thanks for having me. It's an honor that you wanted me on your show, buddy. I love listening to your podcast and so does my son, Greg. He likes Grant Cardone and you.

David: That's awesome. Thank you very much.

Howard: All right, buddy.

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David: Take care. Bye.

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