

Ep #82: Ep #82: David's Path to Freedom with Cory Boatright Part 1



Full Episode Transcript

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Dr. David Phelps and Evan Harris

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

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Dr. David Phelps: Surround yourself with likeminded people, mentors, coaches, that is the fast track no matter where you are in life and I don't care how successful you think you are, you need those people. You need your faith to bring you back up. Don't ever try to go solo in your life. I don't care how smart or what your work ethic is, you've got to surround yourself by other people.

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.

Hi, Dr. David Phelps here. I've got a special two-part interview that Mr. Cory Boatright did with me on my path to freedom through real estate. Most of you won't know Cory, as he's from the real estate investing arena. He's a self-made millionaire and has spoken at Harvard. See what you think and let me know if this podcast was valuable.

Cory: David Phelps, how are you my man?

David: Cory, it's great to see you brother. How are you doing?

Cory: I'm doing phenomenal. Thanks for asking. You are in Texas?

David: I am.

Cory: What part of Texas?

David: Just outside of Dallas, the Big D.

Cory: The Big D.

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- David: That's it.
- Cory: Are you closer to Plano or not?
- David: Yeah, a little bit east of Plano, south and east just a little bit.
- Cory: What's interesting is I'm glad you're coming on here. It's been a long time coming because I know that the success that Freedom Founders is having right now is just unbelievable. I'm excited to talk about that. I wanted to go into more of a focused area of what is your area of expertise in real estate right now? Also, what made you want to get involved with real estate, David?
- David: All right, let's take the latter question first, what made me want to get involved with real estate. This goes back a lot of years, Cory, because I'm a baby boomer now. I've got more grey hair on me.
- Cory: I don't see it.
- David: Yeah, well, it's there. I was in college back in the 70s and I was getting set to go into a career to dentistry, still had a lot of years of school to go. I was getting through the basic requirements: sciences, biology, chemistry and physics, and all the stuff you've got to take.
- Cory: Sure.
- David: I'm thinking, okay, dentistry is going to provide me hopefully a good solid lifestyle, some freedom there. Just provide for my family and have a good outlook in life. I realized though that I still needed some way to be able to invest money, even though I didn't have any money back then. I had student loans like everybody has today, but I still knew I had to figure out how do we invest money.

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There's just something built into me, right? There's an entrepreneurial spirit that I think has always been in me as a young kid. I was reading books on the stock market, this is in college, and I read books on real estate. Well one of the key books I picked up on real estate, there weren't a whole lot back then, remember this is before the internet, so you'd go to the library.

You didn't have Amazon to deliver the book to you. You didn't have Audible. So this is a hardcopy book but it was a book by William Nickerson. William Nickerson wrote the book on how I turned \$1,000 into a million, three million, five million, as he revised it. I read that book and it made so much sense to me. I thought, here's something, you can take an asset that you can see, a house in other words, just a house.

Cory: Right.

David: You could, through negotiating skills, through adding value to it, you could increase the value and you could also turn into cash flow through rents. I read that whole book and I thought, wow, this makes a lot of sense.

When I graduated from college, I had four years of dental school to do right here in Dallas. I talked to my dad who lives a couple states away. I said, "Hey Dad, I'm going to be here for four years in one place, I can pay rent or we could do a joint venture on a house. What do you say, Dad?"

My dad was also a physician but he'd never invested in real estate other than the homes we lived in, so he didn't have any of that skill set. I convinced him. I said, "Look Dad, I think this is a good thing." So he said all right. He comes down to Dallas, we spend a couple weekends with a realtor, figure that's the way to go. We didn't have lead

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generation or stuff like that today. There was no wholesalers out there in the market, at least I didn't know any.

Cory: What year was this, David, right around?

David: This 1980, 36 years ago. I was like all of 21, 22 years old. So, he comes down and we look around. The one thing I got out of that book was you buy the worst house in the best neighborhood, right? Worst house, good neighborhood. That's kind of the basis we went on.

After a couple weeks of looking, we found this big two-story house just a little bit east of SMU, estate sale. Mechanically, structurally solid house but it was dated. Widow, lady had just passed away. She lived there by herself for the last 20, 30 years. So it was dated but structurally sound. Long story short, Dad brought in the down payment money, used his credit to finance the balance. He's the capital partner, right?

Cory: Sure.

David: I'm the manager because he lives two states away. He's got a busy practice. He's not going to be managing or fixing up the property. I got some of my dental school buddies who were just sitting around doing nothing, swimming by the pool and drinking beer. I got them to come up and help paint the house because it needed the basics. It need landscaped, chopping the shrubs and painting the house.

So we fixed it up, rented it out. I actually lived in an apartment. I rented the house because the rent on the house, I could put have put buddies in there but I thought, you know what, I'm going to do it this way. So I rent it to a family and it worked out. Long story short, rented it out,

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four years later we sold it. We split about \$50,000 in capital gain profit each. So \$25,000 each.

Cory: Nice.

David: Here's the big takeaway, Cory, I also waited tables all the way through school. At nights, during the week, weekends certainly, and I made pretty good money working at a steakhouse here in Dallas. But if I added all the money and the tips together over those four years, it didn't add up to the \$25,000 I walked away from that one property.

Cory: One deal.

David: One deal. I'm going, hmm, how many hours did I spend on that one deal versus waiting tables? Huge difference.

Cory: How many? How many hours do you think you spent on it?

David: Yeah, we had the time looking for the house, so we probably spent maybe ten hours. Then I had the fix up time with my buddies, so there's another ten or fifteen hours. Then management-wise after that, I mean, really I had one family tenant in there the whole time with very little in maintenance or anything.

Cory: 30, 50 hours? Somewhere in there?

David: Oh, man, max. That turned out right there to say that you know what, capital assets, that being real estate, can provide the best wealth producing and passive or semi-passive—however you look at it—cash flow. Much better than if you were the highest skilled brain surgeon or attorney making \$1,000 an hour. Real estate could outperform that.

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That turned a light bulb on and I graduated dental school, took my \$25,000, my half of the deal, over the next probably 15 years I parlayed that into 35 properties. Had a bunch of them paid off after 15 years because I just used the cash flow and threw extra money at the loans because I was buying everything with financing, subject to stuff that you can do all the time and I just paid them down. 15 years, I had pretty solid passive cash flow coming in.

That's the long and short of how I got into it and why I'm such a big believer today and really why I help other doctors and dentists look at real estate from the same vantage point. It's absolutely the best wealth builder and passive cash flow investment asset that's out there today.

Cory: Right now, David, you are focusing more on fix and flip or buy and hold?

David: I've never been a wholesaler because to me, that's a business, and there's nothing wrong with it but I had a business. I was a dentist for a number of years, I'm not today, I don't practice. Wholesaling is great if you need a business to get cash or cash flow for your lifestyle and to put into long-term real estate.

I was always a buy and hold guy all these years, mostly single family. I do have a mobile home park. I've had a little bit of commercial property. In the last few years, putting some money into some joint ventures on multifamily. Predominantly, I'm a longer-term investor.

I'll lend money to flippers all day long. If they've got a good market and I know they've got a great track record, all day long. I'll lend money like with self-directed retirement accounts, so that's a great option. I'm pretty much a long-term guy. I'm not so crazy about going in

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and out, in and out. It's a great business but that's just not for me.

Cory: Did you have a breaking point ever where you said like, "Enough is enough?"

David: Oh, heck yeah.

Cory: There's a point where you just, you've got that tipping point, David?

David: Yeah, the tipping point was 12 years ago. It was in 2004. I remember the day. I was in my practice that day. It was a little before lunch time and I was finishing up on a patient before lunch. One of my staff members comes up and lightly taps me on the shoulder. I'm thinking, what the heck are you—? Don't ever bother me when I'm with a patient. I mean, there better be a fire in the building or something. You do not do that.

I'm thinking, what is going on here? It's a little light tap and I look back and she's got a post-it note. On that post-it note, it says, "Dr. Phelps, you need to take this call right away." I'm thinking, "What the heck?" I'm thinking something bad has happened. I mean, that's the worst thing you think about. Something has happened to somebody.

I go take the call and I get on the phone and I say, "Hey, this Dr. Phelps." On the other end a female voice says, "Hey, Dr. Phelps, this is Jamie at Texas Children's Hospital in Houston. I've got great news for you." I'm going, yeah. She goes, "We have a liver for Jenna." Oh man, I mean my heart started beating fast. I started sweating.

My daughter, Jenna, who was 12 at the time, a cancer survivor, a survivor of epilepsy, but now was facing life-

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saving transplant surgery for her liver, which she was in end-stage liver failure. I knew that she was in end-stage liver failure, she had been diagnosed about two months before, put her on the transplant list. You don't just sign up and go, "Hey, I need a liver, we'll just come down and get one." Anybody who needs an organ, you've got to get on the list and they rate you and all that kind of thing.

She's getting sicker by the day because her liver is not processing. There's no dialysis like there is for kidneys. You can't put it off. So this was like in some ways a good day, but it was a scary day, because this is major surgery, right? They do a major, we call it a Mercedes incision, straight down the middle down the sternum, then a V shape. Wide open. Old liver comes out, new liver goes in. It's about a six-hour operation.

My kid, she's sick. She's been going downhill. So it's a good day but I'm sweating. As I hop in my car after taking that call, I mean, I'm out. I'm out. I'm in Dallas, I'm driving to Love Field. I've got to fly to Houston, that's where she's going to have it done. Jenna and her mom are already being picked up by an Angel Care flight. They've got this thing wired down, right? Because when someone is on a transplant list, when the call comes, they've got pilots that, thank God, they volunteer to go take sick people to wherever they have to go get the surgery, in this case.

So she's already on the way. I'm going to Love Field to get on the plane. When I'm driving to the airport, Cory, I'm thinking, "Is this going to work? This is the big day but is this going to work? Is Jenna going to survive this?" See I had already been through Leukemia with her, which was tough enough, right?

Cory: Yeah.

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David: Then she had all these seizures and then she has this liver failure. I'm going, what in the world is going on here? You think life is not fair. Well, you can't sit on that very long because life isn't fair. But still, I'm scared. I am scared. I'll be honest with you. All I can do is pray, literally pray. All the education I had, all my hard work, all the money I could save up, none of that could fix what was going on with my child.

So when you ask was there a breaking point, yeah. I tell people today, that was my wakeup call. I'm, like most other entrepreneurs, I'm kind of addicted to work. I'm addicted to work, only from the standpoint, not that I'm trying to get away from my family. I'm just addicted to challenges. I'm addicted to problem solving. I love real estate. I love doing dentistry. I love just being in the mix.

You know, you're that way. We all have that in our past. You've got your story about what was your wakeup call, with your cancer. Well, that was my wakeup call. She got through the surgery. I'll just fast forward, she's 24 years old, just last Friday. As healthy as she's ever been, so God is good. I'm just revealing, so that's good.

Back then, while she's going through the recovery, it was months down there in Houston. I had to get an apartment down there for her and her mom. I went back and forth to the practice. As I'm doing that, I'd stay down there a week at a time and my practice would still run because I had an associate. I'm starting to think while I'm there just waiting the hours away, just being with her, and just praying that this is going to work. She had complications. I'm thinking...

Cory: What's that time worth?

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David: Yeah. I'm thinking, why am I still so focused on this thing about making money and being the best? I'm thinking, wait, where are my priorities? Why am I not spending time with her? Why didn't I figure this out earlier? But gosh, why don't I do it now? Almost immediately, I decided I'm selling that practice.

Cory: Wow.

David: I don't care what it takes, I'm selling that practice. So I set out to do that. I had the practice sold within like 12 months. Now, there's more story there but I don't want to go too long in between. I'll take a breath here for a minute and let you jump back in.

Cory: That's pretty powerful. I can see where work became this obsession. I think all entrepreneurs at some point kind of obsess with work. They want to fix all the challenges and have the solutions and work. There's some type of value that they get from that, and making money, kind of keeping score.

Then what happens is all of the things around us that don't require work necessarily or things that we just have, like our kids or our family or things that we're around all the time. We take those for granted until something happens to one of them, right? Until something happens to one of them. Your mom gets sick, your dad gets sick, your daughter gets sick, your son gets sick. Then, everything becomes clear of what's real important. What's really important is that time that you have with that person.

What if you don't have that time? What if something, God forbid, happened to them? What would that regret be worth to you? I think that having that kind of light bulb moment as you put it where what am I doing all this for?

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What's really important? What's my priority? Then gave you a great clarity on what you should do from that point on and not letting that continue on in that path, so when you sold your practice.

Now, when you sold your practice, I know that obviously real estate was something that was important to you. It's passive income, you're a big proponent on passive income. I am as well. Let's talk about quickly, what's one mistake that you went through with real estate? What's something that you went through in real estate investing that was a mistake and how did you get through it, before we start talking about what your big successes are.

David: I think the biggest mistake I made in real estate was just a few years after I got rolling. I had the one house, parlaying it. About two years after I graduated from dental school, so that would be about 1985, there was an investor who had a package of eleven houses that he wanted to unload. I'm thinking, "Hey, yeah, baby, scale, scale." The big part was he fit my parameters, he would owner finance.

Cory: Okay.

David: That was big for me because I'm all about the leverage back then. I didn't have a whole lot of extra money, right? I couldn't buy it for cash and I really wasn't big about going to the bank. I did a few properties, my practice building, but I did very few ever going to the bank. I usually used private capital or seller financing.

He had this package of eleven properties. He would finance the whole package for me for \$1,000 down per property, so \$11,000 down. I think the total note on the whole package was about \$350,000. These were

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\$25,000, \$30,000 properties. Nice little frame properties, not in war zones. I thought, man, I'm scaling up, baby.

I bought these properties and they were older. Some of them were occupied. Some of them, that class of property, there was tenant turnover. I was learning on the fly that there's a certain segment of properties you should focus on for buy and hold. Looking down the road, that wasn't it. Now that's not the big part of the story. That's one lesson I learned was what properties are good for buy and hold. If I knew today, I'd probably wholesale or flip or seller finance on the backend of those properties, but I was going to hold them.

What I didn't understand back then is the note that he created that I signed, was a wraparound note. I signed a note to him for each property. I think it was a wraparound note for \$300,000 some dollars. Well, underlying that, he had already had obligations, senior liens on those properties, every one of them with balloon payments in three years. I didn't understand that about real estate. I didn't go and get title checked.

Cory: Oh no, you didn't do a title check on them?

David: I'm young...

Cory: Oh god, David.

David: There was no forums. So I'm just out, you know, this is 1985.

Cory: You saw opportunity. You capitalized on it, okay.

David: When I first learned about this, like within a year there's some mortgage company, like Lincoln or somebody, sending me this notice of default. I'm not personally liable, but still there's an underlying lien and it's getting

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foreclosed. Why? Because he's not making payments. He got the \$11,000 from me and just goes, "I'm out."

So I'm quickly learning on the fly, what's all this mean? There's balloon payments coming due. So here's the short end of that story though. I always say you can make lemon out of lemonade—no, it's make lemonade out of lemons.

[Laughter]

Wait, wait, yeah, I want lemonade out of lemons. So I had these lemons, right? I learned how you can actually go to the mortgage company, just like people do today, like on short sales. Even back in '85, we didn't do short sales, but you could still contact—they were savings and loans. They weren't the big banks like Chase. You actually could contact somebody, Trinity Mortgage, Lincoln Savings, I'm just recalling a few of them. You could actually contact someone. They'd talk to you on the phone.

I actually negotiated down, and in true short sale style, the ability to knock some of those down. So I recouped about half of those properties. Long story short, I worked my way back out of them again and came out the other end. Kept probably the best five or six of them. The other ones I just let them go because it didn't affect my credit. I wasn't on the line for them, got foreclosed out.

I learned a lot there. Had there been forums and people, I could have gotten some help, like a coach, a mentor, a mastermind community. I could have gone to them and said, "Hey, I've got this opportunity and they would have fleshed this out on the fly." And said well, "Did you check that and check that?" I didn't know what I didn't know.

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Real estate has never hurt me, Cory. There's always been deals I've gotten into, like I'm sure you have, where it's taken longer to exit. The initial plan A wasn't exactly what I hoped. But real estate, if you buy it right and you always set up a plan B, it doesn't really matter what the market does.

There's always an exit you can make if you don't screw up on the financing or something stupid or don't buy something way overpriced. There's always a way to exit. Maybe it takes a little bit longer but real estate is so giving. That's why I love it. It just works so well.

Cory:

It is great. Whenever you have that kind of specialized knowledge to be able to buy something low and know that even if it goes up or down, you got it at such a great deal that there's so much equity in it or you're positioned in it well that you're not going to get just obliterated.

Now, sometimes people that got into deals, they got in the wrong way. The market crashed on them. They lost everything. It was a horrible deal, but just as your situation, you were able to get out of it. Even though when you noticed those balloons were coming, the guy wasn't making the payments, instead of just giving up on it, you said, "How can I make lemonade out of this?" and that happened. I think it has to do with being creative and really asking yourself is there a creative way that we can solve x challenge, whatever that challenge is.

Let's talk about some of the ways that you have been creative and what's working really well with your investing strategy. We call it our profit master investing strategy. Can you share what's working really well right now in your business? Maybe even inside Freedom Founders, which I know is just phenomenally growing in a big way right now.

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David: Yeah, I started out as I mentioned earlier with being a very active investor, buy and hold primarily. I would find, negotiate properties I could buy and handle the rehab, renovation, whatever is needed to make them habitable. So I was really a boots on the group investor during the years I was in practice.

What I tell doctors to do today, because they're busy in practice like I was, and it's the way I invest today, is I prefer to invest kind of through or with other people. That's like joint venture investing. For me, it's about your network. We're in masterminds together, we're in the Collective Genius together, where high caliber real estate investors from all over the country come, in different geographic niches and different models.

For me, where I'm at in life, it's easier for me to invest through other people. Now, you've got to find the right people. Integrity, track record, knowing what their culture is, I mean, critical pieces to this. I'm not trying to make it easy, you just go out and find someone that's doing deals and put money with them. No, no, no. You step back and you definitely evaluate. When you find those people, which they're out there, we know them right and left, then investing through them.

I lend money short term, long term. I can keep options. I can do shared appreciation mortgages. I can have an inflation index. I can buy turnkey properties with awesome management on the backend so I don't have to manage properties. I still have a portfolio today. But going forward, like the last four, five years, I have just been strictly investing through other people. I will do some funds together while we'll go take on projects like you do, just putting money together into an LLC fund. There are actual hedge funds that invest in paper and equities.

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So many buckets or so many portals you can invest with other people that are pros at what they do, and they're pros in their market. Why should I, where I'm at in my life right now, where I want more freedom, go out and try to create what some of the geniuses in our group do very, very well? They got teams, boots on the ground, massive lead generation. Find the wholesale deals.

There's plenty of meat on the bone for everybody to have a piece of that action. I don't need to create it by myself. Too many times entrepreneurs, we think, "Well, I'm smart enough, I'll work hard enough, I could go do this all by myself and then I'll keep all the profit." What you do is you give up all the time.

Cory: Yes.

David: Just as we got done talking about, what's more important to you? Well, when you're young you've got more time than money. So when you're young you have time and energy, no money, right?

Cory: Right.

David: Then you get to middle age and you still don't have time because you're working your butt off but you have more money and you still have energy, but you don't have that time. Then when you get to be an old guy or gal, then you have money and you have time, you've got no energy.

The problem is we go through these stages in life thinking, "When I get there, I'll have it all." Problem is those stages in life, you never have all three. You've got to back it up and go, at some point, after I do that first sacrifice period of my life, when I'm getting going, when I am trading time for dollars, I'm doing whatever I do. Wholesaling, some business. Start generating enough

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cash to put it into deals. I want to get to the point early in life where I've still got my energy, I can have time, and I've got enough money to do enough at that point. I'll grow it. Stop waiting for someday, because someday may never come.

Cory: Yeah, it's not one day of the week, is it?

David: Not at all.

Cory: I think you're right on target there. Money is just a tool and I think sometimes we make it the end all, be all thing. We forget about what's sacrificed in order to get there. Having that understanding of how valuable energy and time is, is crucial. I think those are great things to talk about, obviously things that are working for you really well and within Freedom Founders group, which we'll talk about here towards the end of the interview.

What's one of the greatest lessons that you've learned? That's really helped you get to where you are today, David?

David: Cory, the fast track for anybody, no matter where you are in life, no matter what you're doing, what your career is, no matter what your family dynamics are, relationships, good, bad, there's a fast track. There's somebody, or more than somebody, people, who have gone ahead of you or gone ahead of us in some form or fashion. Maybe it's real estate. Maybe it's in learning how to have a better family relationship or a better marriage. All the things that we all stumble against, right? We all have our weaknesses. There's people that have gone before us.

There's a famous quote that says, "Success leaves clues." Absolutely. My point is, find mentors, coaches, a mastermind, a board of advisors. People who are

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likeminded in spirit, have the same core values—that's very important, core values, faith, integrity. They're walking a walk in life that you go, "Yeah, I like that person because of their values." They've gone ahead. They've gone through the turbulence and the ups and downs of life, just like we all do.

They're there to help us wherever we are in our life to breakthrough those barriers, whether they're real or imagined many times, our self-limiting beliefs that say, "I can't do that" or "I'm not good enough" or "that person's successful because they're smarter than I am." Well, baloney. None of that's true. You've got to have people that believe in you and will also hold you accountable to make steps through.

To answer your question, that's a longwinded answer, but it's surround yourself with likeminded people, mentors, coaches, that is the fast track no matter where you are in life. I don't care how successful you think you are, you need those people. You need your faith, to bring you back up. Don't ever try to go solo in your life. I don't care how smart or what your work ethic is, you've got to surround yourself by other people.

Hi, David here. That was part one of Cory's interview of me. Stay tuned next week for part two. I know you'll like it. It's my story from dentistry to real estate to freedom.

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