

Ep #84: How One Dentist Found Freedom Faster Than He Ever Expected with Dr. Eric Shelly



Full Episode Transcript

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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.

David: Good day everyone, this is Dr. David Phelps, the founder and CEO of the Freedom Founders Mastermind community, and today your host and facilitator on the *Dentist Freedom Blueprint* podcast. Got with me today a really fun opportunity to talk to a doctor, a dentist, just like probably everybody out there that's listening today, just like you. Dr. Eric Shelly comes by way of just right outside of Philadelphia, Pennsylvania. Eric, let me just say first of all thanks for joining me today. How are you doing?

Eric: Great, David. Thanks. It's an honor to be here.

David: Eric, I get a lot of questions from people who have never been to Freedom Founders. They've heard about Freedom Founders, maybe they follow us, they get the newsletter, they look at blogs or whatever, but I know it's always hard for people to actually sense what is this group really about? Is it a cult? Are they going to a place where people are going to sell them on stuff? I get all that.

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We've both been around the block a few times in our lives and we've both seen that, so I think we all have a healthy skepticism over something that sometimes looks too good to be true, and that's not what we're about. We're not about anything that's too good to be true, it's just what it is.

Before we jump into that, Eric, let me just get a little bit of your background. Now, how many years have you been in private practice?

Eric: I've been in private practice for about 26 years right now.

David: 26.

Eric: I practice with my wife. She was a year behind me in dental school and we ended up buying a practice together in 1991.

David: Then you brought on an associate who also became a partner. Remind me, how many years ago was that that you guys partnered up?

Eric: We partnered up in 2008. It's been close to 10 years, a little less than 10 years.

David: Got it. Eric's not going to say this, but again, I want to be very transparent. Eric is what I would call a decathlon dentist. Again, like most of you, he has studied, taken all the CE. He runs a really well-managed practice and is really still at height, at the peak, of his career, which is very, very cool. Your age is, if you don't mind saying, Eric, you're how old?

Eric: I'm 52 right now.

David: Just 52. I say just 52, man. You've got a lot of life to live. We'll talk a little bit about your freedom path and where

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you are today in just a minute, but I just wanted to make sure people had a background as to who you are.

I'll also say, as we talk about Eric's pathway to his freedom, results are not typical. We have a lot of people in Freedom Founders, and Eric is probably at the more action-oriented level, but we have a lot of people, wouldn't you say Eric, that also in their own right, in their own steps are also taking action. Everybody does it their own way. Would you agree?

Eric: Yeah, I would agree. Everybody I've met at Freedom Founders has something unique about them, they have a great practice in most cases. I don't think I've met anybody that doesn't sound like they had a great practice. I think people are just at different places.

I'm fortunate that I've been able to deploy my resources and do a lot of the things that you teach at Freedom Founders rather quickly, but I think there are plenty of people that do things at their own pace and as long as they take the steps and do some action, they're going to get some good results, I think.

David: Eric, how would you define personal freedom as it relates to you and your wife, your family, where you are? How would you define your own personal freedom? What's that mean to you?

Eric: I guess what I consider to be my freedom point was the point when my decision to work would be mine. If I wanted to stop working, I could do that. I've reached the point where I still enjoy what I do immensely, I still feel like I've got room to grow professionally. By selling my practice, I freed up my mind to focus on practicing rather than managing the practice, and I think that also gave my

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younger partner the opportunity to get into the management aspect of the practice. I think it fit both of us very well at this time. That was part of our reason for moving that up ahead of schedule.

David: When did you first come to your first Freedom Founders meeting, Eric?

Eric: I think it was a year and a half ago. I think it was February, so it's about a year and a half ago.

David: Very good. When you first came to Freedom Founders, at that point, a year and a half ago, what was your timeline at that point for selling the second half of your practice? Which you just did by the way, so people understand what you were just saying. You just sold that, what, like a month ago, four, five, six weeks ago, right?

Eric: Correct.

David: You just consummated that and you have completely sold the practice, but you're still working in the practice.

Eric: I'm still working the same number of hours. The day to day didn't really change very much, just it's not me managing it anymore.

David: When you first came to Freedom Founders a year and a half ago, what was your timeline then, if you had one, as far as when you might sell the practice? It wasn't where it ended up being this year, was it? Where was it at that point, do you think?

Eric: When we did our initial contract for the partnership agreement, the plan was to practice for approximately, I think it was 15 years, and then the second half of the sale would transpire at the end of that time. If I recall, I think

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that was 2021, so we're about 5 years away from that right now.

David: Bumped it up by about five years.

Eric: About five years, yeah.

David: You indicated one reason why you bumped that up was because it was a great opportunity to let your partner really jump in and take the lead. You felt like it was a good time to hand off for him. Now, what about for you though? What about what everybody thinks about when they finally sell the practice and it's all, "Oh my gosh, I've lost control here. Maybe I can still work as an associate or in some form or fashion I can still earn dental labor income in the current practice or somewhere else."

What really allowed your mind to free that up and also for Margaret, your wife, who again is part of the practice, what allowed you both to say, "Hey, it's okay. We're safe. We're not going to be hurt by letting go of this practice asset that we've built up over all these years."

Eric: I think it came about primarily because we had reached the point where Margaret was going to retire. I think years ago we decided that we were going to aim for her retiring in her mid-50s, so we were coming up on that within a year. We started talking to an attorney about how to disengage her from the practice agreements and everything.

The comment came up from the attorney, it's like, "You know, that's going to be kind of complicated, but have you thought about maybe just selling the practice now and make it a clean, simple transition?" My partner and I and obviously my wife, we looked at each other and said, "You know what? We really hadn't thought about that

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option, but let us kick that around for a couple days and we'll let you know."

We started discussing it and we pictured what it would look like. For Dr. Fort, he needed to look at what his financial picture was going to be, whether he could get financing or not. For Margaret and I, we needed to look at did we have enough assets in place if we decided to stop working or something happened and Dr. Fort needed us to leave the practice for whatever reason? Would we have the assets and the capital to cover ourselves?

Part of what Freedom Founders allowed for me was that I found a way to deploy all our savings and IRA accounts in such a way that I felt very confident that we would easily replace that income. Even without the practice sale we were probably okay, but with the practice sale, most certainly was going to be plenty. We looked at it that way.

We also looked at the dental environment, and who knows what it's going to look like in five years? If corporate dentistry enters our area as strongly as it is in some areas, it might be challenging to sell the practice for what it's worth right now. Basically what we decided was that as long as Dr. Fort was okay with it, if he was able to get the financing, we were going to go ahead and proceed with the sale.

David: To be fair to our listeners, Eric, you mentioned it a little bit too, it was a redeployment of some of the capital that you and Margaret had through discipline and through mostly, I'd say, probably traditional modes of financial management investing. You had built up a fair amount of capital that you had invested in, I guess probably stock market and bonds, and then obviously the sale of your practice, so you had done a good job.

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You weren't starting from zero, want to make sure people are clear, but again, I think it's important to let people know, maybe again, without giving them exact numbers here of course, but just maybe in terms of magnitude. If you could make up a number, your ability to take what you had prior to the sale of your practice and then have the equity sale of your practice, and now you've got this nest egg, whatever that number is.

In terms of magnitude of passive cash flow and continuing, building that wealth with what you've been able to do through Freedom Founders, is that two-fold, four-fold, six-fold, eight-fold? Make up a number. I know you don't know exactly. How does that feel to you in terms of what you [inaudible 00:09:57]?

Eric: I'll see if I can do something with that. Let's see. Prior to Freedom Founders, all our money was tied up in IRAs, stocks, bonds, that sort of thing. It really wasn't cash flowing any income. It was building up, and if you know what it's like to read brokerage account statements, it's really hard to determine how much money you actually earned in a year. I guesstimated that maybe we were making a third of what we were making from the dental practice in investment income through the stock market. It could've been as much as a half, half as much as we were making from the dental practice.

However, when we redeployed a good amount of that capital into the investments in the Freedom Founders group, we probably at least doubled it, possibly even more. I feel right now that as soon as all the assets that we have purchased come online, there's some things that we have under contract that haven't started producing rent yet.

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David: I think you told me last month you said you actually made more income passively through your real estate investments than you did actually working in the practice. Was that correct?

Eric: That was the first month that happened. Yes.

David: That's a great change. What attracted you to Freedom Founders in the first place? How did you find us? How did you find me? Tell us a little bit about that if you recall.

Eric: It was funny. I was looking at my Facebook feeds and I saw your name a couple of times, I guess a little blog post. I'm not sure what the source was. I don't know that I still know anybody that knew you before I came to Freedom Founders, but that's how it started.

I saw a Facebook post, I listened or clicked on it, read the blog that you had posted there, and I signed up for your blog posts or whatever. I guess I started getting emails. I suspect maybe I was following Mike Abernathy and I was getting some of the summit emails and I thought about it over the last year or so, and I have a feeling that was the connection because I think I was following him on Facebook or something like that and I think you probably cross-posted things. I believe that's where it came from.

Once I started reading your blog, then as I usually do I start trying to find everything I can about something that intrigues me. I think I sent away for your book, I filled out

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your little interview application, and then we got on the phone and had a real nice interview. That's how it started.

David: Even doing that and talking on the phone, reading the book, reading the blog posts, you still had to have had what I would call a level of healthy skepticism, correct?

Eric: Well, a lot of times you read about a course or a training or something like that in the dental field and outside of the dental field. It generally promises a lot more than you might be willing to commit to it. A lot of times they can deliver what they're offering, but it really takes a significant commitment from you.

For example, when I took sedation training, that required me to go get a license in Pennsylvania that required an 80-hour course. One of my considerations was if I get into this, am I going to have to devote all kinds of time and training to learn how to do it properly, or is it something that I can jump in and do? What's going to be the barrier to entry? I think that was what I was trying to find. It's like, what is going to be the barrier to entry here? I really found that in terms of learning how to do this and getting in touch with the right people to do this, I didn't find any barrier there. I was very pleased that it was very accessible once you got there.

David: That's interesting you talk about barrier to entry because I think you're so correct. There's a lot of great things that any of us as entrepreneurs or business owners, professional practice owners, can take advantage of to better ourselves or better our practice, but you're right. What's the barrier of entry? Is that going to take us off focus of something else that we could better leverage?

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In mentioning that barrier to entry, how long did it take you after you came to your first meeting to feel comfortable about actually starting to redeploy some of your assets? Do you remember? Was it a meeting or two? How did that evolve for you? Because again, you come to this room—and maybe you can describe a little bit too, Eric, what was it like at your first meeting? Was it what you expected? Different? What did you feel like once you got there and experienced a weekend at Freedom Founders?

Eric: I just remember I'm walking into a room that I have no connection to other than the phone call that I had with you. I remember my plane was late because of a frozen coffee maker, so I was really stressed about getting there. I think I arrived about, maybe about 45 minutes into the meeting. I think you were on a break. I walked in and I recognized you and introduced myself, and then I sat down at my assigned table and started introducing myself to the people there. Everybody was extremely nice. Everybody was very welcoming.

I basically had my brain exploded that weekend because almost every word was something that was very new and very interesting to me. Most of it was out there where I sort of got what they were talking about, but I didn't really understand it. The more I listened the more it started to click. Obviously when you talk to people that were there for the first time also, we were comparing our assessments of what was happening and then we started talking to some of the other members that were there, and they were starting to give us a feel for what was going on.

The group was very welcoming and it was easy to introduce yourself to people. I know back at that time you

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had the group split into two groups and I found that I only knew about half of the group, and so that was a little strange at first. I just remember coming back from that first meeting and just saying, "Wow, this is so interesting. I am so into doing this." I was very anxious to get started.

David: You talked about the right people. Could you talk a little bit about that? What do you mean by the right people? Lowering the barrier of entry by the right people being there or access to the right people in terms of the deal flow. Talk about that a little bit if you would.

Eric: I think that the group of advisors that you put together, they're quite easy to work with. They're in a variety of different areas, which I find good because it's not three guys trying to give you the same kind of product. There's enough variety and they all do enough different things that there really isn't a competition between them. It doesn't feel like you're getting pulled different directions by the group. Nobody is pushy or forceful. Every one of the trusted advisors sat there and waited for you to come to them.

I remember even talking about one of the people that was there from Ron Phillips' group. I said, "You know, I ended up buying three houses from this guy and I don't think he ever asked me once if I want to buy something." He just showed me what was there and I finally said, "Yeah, I'll take those," or, "I'll take this one." There's really no hard pressure, which I find is great. They're really there to educate you. Through educating you they know you're going to make the right decisions and you're going to do something that works well for you which is then going to be a successful deal.

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David: What have you found to be, what I would call, the backend customer service? Any time you're involved with any kind of business, same thing for our dental practices, patients come and we provide service, but what about the backend, the after sale, if you will?

After the investment, if you have questions or an issue comes up or you don't understand something at any point, do you find the people that you've invested with have been there to support what you want to know, knowledge base, all those kinds of things, customer service? Has it been there?

Eric: Yeah. Everybody has a great support team. I actually learn management skills from watching how they utilize their team. There's always a person that's responsible for making sure this is done, they pass you on to the next person until you get through the whole process. I've found that to be true with every one of the trusted advisors I've worked with. Their teams have been fantastic. They make sure that you understand what you're doing, they'll follow up after the deal. If I've run into problems with managers or tenants, I can always talk to them and they give me advice. Sometimes they even make a call on your behalf. I've found nothing but great help with follow up and education and all that.

David: Let me ask you this. We talk a lot about plan B and passive income. That word "passive income," I'm actually going to change that a little bit. I think I'd like to call it annuity income because passive income really means that the investor just really does nothing at all. They put their money in something and some financial advisor, manager goes and works it. Like you said, you get statements and you come back and you hope in 10 or 15

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or 30 years you've got something there. Many times not. Again, not demeaning people whose profession that is, but I think they're just dealing with a commodity, a Wall Street that just doesn't work for most.

In terms of passivity, let's be frank. You just mentioned tenants and properties and managers. How much time do you feel like it takes for you to be more involved in your finances than maybe you have before when you were involved in the stock market with your IRAs, now you're investing in real estate assets as a lender, as an owner of turnkey property. Let's be frank with people. To do a good job of this and do what you've done, how much time are you putting into it, a week or a month, to make this happen?

Eric:

That's a hard question to answer because most of this happens while I'm at work, believe it or not. I have ten minutes between patients and I'll make a phone call or I'll fax something to someone.

The most challenging thing was getting qualified for the lending. There's a huge demand for documents. You need to have all your tax forms, every bank account statement. If you have properties, you need to have leases, you need to have proof of insurance, tax forms, all this stuff. Once I realized what it was going to take to get this qualification done, I started just digitizing every conceivable financial form that I get, and that way when it was needed, I could just fax it off or email it off. I would say that was the most challenging part.

I also think that with turnkey rentals, the challenging part is getting the tenants online as you're getting these properties settled. Some of the properties that I bought

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were new constructions so they weren't completely occupied when I finished buying them.

So for the first month or two you're chasing after who's paying rent, who's coming in halfway through the month, just trying to get that initial rental flow in your head and understanding what's supposed to come in and what is coming in. I found that to be the most challenging part of it, but again, those are the bread and butter investments that you know are going to be a check in the mail every month, and so those are the ones I spent the most energy on.

Hard money lending has been a breeze. That's so easy. That takes, like, 10 minutes, 20 minutes sometimes to get one of those deals under control.

David: To be clear, as far as the equity properties that you own, you're not dealing directly with tenants or contractors on the construction just to be clear, correct?

Eric: No, not directly. I'm working with property managers. I guess three different property managers right now among all my properties. I've had one or two small tenant issues where appliances were broken and things like that. It wasn't a serious investment of time, it was maybe an hour discussing this is what happened, what do you want to do, that kind of thing. It's like delegating at your office. They basically take care of the issues, give you the options, you make a decision, they follow through and carry out your wishes.

David: In the end, is it worth it to you, to do what you're doing?

Eric: Sure. Absolutely. I had rental properties before I joined Freedom Founders and I managed them myself. My first office had two apartments. I thought it was easy because

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we were on-site. Then I realized that if you do that and you're not on-site, it's much harder.

David: Right.

Eric: Back when I finally sold that rental property that I had with a partner, I just realized that you either have to have enough of these so that you can use management or you don't want them at all.

David: Exactly. Eric, based on your own experience and what you know of others like yourself who have joined Freedom Founders, what would be your impression of the overall difference that Freedom Founders is making in people's lives? What's the real outcome?

Eric: I think what I like about Freedom Founders as compared to some of the other things that I've been involved with, there is a real focus on taking action and helping us focus down on what are the action steps that you need to take to make your goals happen? I think that's one thing that you particularly are very good at conveying to the members. You have great worksheets, you have great sessions during the meetings, you put us together with other people so we can hash it out at our tables. I think that is really probably the strongest thing.

I always leave with a sheet filled out with who I'm going to contact, what are the three top of mind projects that I need to get done, and a strategy laid out to go and do that. Every time I do that I look back at the two or three sheets that I filled out the time before and I'm amazed at how much of that I've actually gotten done. Almost everything on those sheets has been completed, and that doesn't happen to me very often. I'll be honest. I tend to procrastinate certain things. I think writing it down,

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committing it in front of other people, I think that makes it a whole lot easier to do and I think that's what Freedom Founders is really strong about.

David: Focus is, I think the key. Focus and then obviously, as you said, implementation is the key. There's so many ways that any one of us can get off track, run down rabbit holes. Happens to all of us. We've got to have a purpose driven form of action in anything we do in life, personal business, investments, whatever it's going to be, and you've certainly taken that, I think, to a very high level.

Eric, any last comments, feedback as you're talking to your peer group out there, most of whom don't know what Freedom Founders is about? Again, I'm not here to have you sell Freedom Founders, I just know that I get so many questions about what's it like, I thought this would be really helpful if I have someone who's been in it now for a year and a half and what you've done to give them this overview. Anything else that you think would be helpful from that standpoint?

Eric: Yeah, I guess the biggest thing is I think if you're ready to do something to set up your future, I think the biggest thing I was focusing on when I looked toward retirement was how am I going to create the income I need, the income stream at the time that I'm not working? I felt like I needed something, I was searching for something that could teach me how to do this because I felt like I didn't really understand how the stock market was working. I was pretty successful with it, but I had no idea why it was working. I was putting it in the hands of somebody else and I was getting lucky, in my mind.

I like to control my outcomes. I felt like I was looking for something. I was searching for alternative investments, I

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was looking at a lot of different things. When I found this, I was like, I've liked real estate in the past, there were things about it that I needed to do better. When I first interviewed you and learned how much depth there was to how you guys do your real estate investing and all the layers that people can make a little piece of income from this layer and this layer. I'm just amazed by the fact that a single house transaction can probably feed up to five or six different income streams at different levels for different people.

I'm just thankful that I found a group of people that understand how to do this and work together and teach each other and support each other in creating this passive income stream. That's what I have found to be the biggest benefit of being a member here. It's a great circle of people to be involved with, great integrity, some really good friends. That's what I get most out of Freedom Founders.

David: Dr. Eric Shelly, thanks for sharing your experience. Thanks for sharing your path to freedom, and congratulations on hitting it this year for you and Margaret. You've got a lot of life to live, you can do dentistry as you wish to as you're doing now without the stress of management. Life is good, my friend, and thanks again for sharing.

Eric: Thank you.

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