

## **Ep #14: Partnerships and Joint Ventures**



### **Full Episode Transcript**

**With Your Hosts**

**Dr. David Phelps and Evan Harris**

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## Ep #14: Partnerships and Joint Ventures

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

Evan: This is Evan Harris with my good friend, Dr. David Phelps. Dr. David Phelps, are you there?

David: Evan, I am here. I am ready. Let's take it. Let's go for it today.

Evan: Good day to you. Well, this today was going to be the podcast in response to the comments and questions from our prior podcast dealing with joint ventures and partnerships. David, they want more. They want more from you, and I know that you're going to deliver. In one of the previous podcasts, we discovered the pros, the cons of the dentist who wants to do everything him or herself, known as the control freak, and essentially going solo versus using the leverage of joint ventures or partnerships. And we left off at how does one begin the process of even considering a joint venture or partnership? David, I gave you only 60 seconds to give a quick answer, and obviously people want more than 60 seconds. David, could you dive deeper into the "where do we begin?"

David: Evan, yeah, this is the place to start today is how do we set this up. And to be clear, I'm going to use some examples that would apply both to the dental practice, or just to businesses in general and to real estate investment, because each of these employ the use of leverage. That's where we left off last time is talking about the benefit of setting up good partnerships or joint venture relationships. The use of leverage, and when used properly, leverage is the key to expanding and growing any business or investment by multiples. That's in geometric exponentials versus the typical linear growth that most of us have in our lives and our practices, because we are

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## **Ep #14: Partnerships and Joint Ventures**

those control freaks. We want to know it all, we want to control it all, and that's great, but it limits us. So learning how to put these together the right way is the key, and that's what we'll go into deeper today.

Evan: Uh-huh, excellent. Now, I want to be positive, but I've got to say I hear a lot about partnership failures, and when everyone else has had the best intentions on the forefront, David, what are the key ingredients for setting up a partnership or joint venture?

David: Yeah, the key ingredient is where we've got to start, and that's where most people fail and why most partnerships or joint ventures will fall apart. And again, these keys apply to any project, business, or investment proposal, very universal. So you've got to start with the character of the person you're going to deal with, or persons if it's more than one. What's their character? Who are they? Then we'll talk about how we get to know that. You've got to deal on character. So many times, Evan, and I've been guilty of this as well, is we'll look at an opportunity – it could be in business. Again, it could be in the investment arena, and we look at the numbers or the potential, and sometimes that greed factor fits in. All we see is this bright, shiny object that could bring us great income or great wealth or great equity, whatever we're looking for, and that's all we see. And it's a little bit similar to the first time you might go on a date with someone of the opposite gender, and you find that person really attractive, and you sense everything is wonderful, and we tend to overlook sometimes the things that we should go deeper into. So character is one of those, and you can't not establish character on a first meeting, on a first whether it's over the phone or it's live, you can't do that. So we'll talk about how to go deeper in that, but character has got to be first.

We talked last time, but I'll just mention it again, then once you have discovered the character of that person, what are the mutual goals? And having the clarity and the reason why that each party wants to

**[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris**

## **Ep #14: Partnerships and Joint Ventures**

get involved in the joint venture, what does each bring to the table, and is there a meeting of the minds? Is there a meeting of expectations? Very, very important to lay those out and be crystal clear. Again, that doesn't just happen on the first meeting. You've got to take some time to delve into that.

Back to the person or persons you're dealing with, in terms of character, what is their reputation? There's lots of ways to find out reputation, and we'll go into some of that, but reputation is critical. Who have they done business with, both current and in the past? Very, very important, and those things are good questions you can ask and go deeper into that. Other references, such as other vendors that they have done business with, contractors, bankers, attorneys, CPAs, all people in that realm of professional practice or real estate that anybody has to do business with, you can ask other people as references and find out what's their track record in working with those other people. In real estate, how many deals has somebody done? If someone wants to get you involved in an investment, okay, great. Well, show me what you've done in the past. What kind of deals do you do? Show me some specific examples. Do you do flip deals? Do you do buy and hold deals? What do those look like? Show me pictures. Can we drive by some of them? Can we actually see some of those and process?

Credit background checks, I think have also got to be an important part of it, Evan, and I generally ask a person once I get deeper in the conversation – this is not something to ask on the forefront – but once you get deeper and things are looking good, you can say you know what, if I ran a credit or a background check, what would I find? Again, we're not looking for people that are perfect. I've dealt with people that have had business failures or even in bankruptcy. That doesn't mean they're bad people, Evan, because bad things happen to good people, but I like to know what am I going to find, and then let them tell me the story. Yes, David, until seven years ago, I had a failure in a business, and let's see, because I had a

**[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris**

## Ep #14: Partnerships and Joint Ventures

medical health crisis in my family, or maybe I went through a divorce. Okay, that's real life. Right, Evan? Those things happen.

Evan: Uh-huh.

David: Now what I want to know is what did you do to pick up the pieces? What did you do to rectify and make good on any potential fallout? Or did you just leave the pieces there for other people to pick up? See, that's what I'm more interested in, not the perfect track record, because you don't want to get in business with people who have never suffered any setbacks or failures in life. I mean, there's really no such thing. If they haven't, they're not being truthful with you, so you want to know what that story looks like.

Evan: Yes. That's pretty comprehensive. Have you ever gotten any kind of pushback when you ask those kinds of questions of what would I find if I did a credit check?

David: Well, if you ask it at the right time, again, that's after you've established relationship, meeting of the minds, you've gone down the road a little ways, but that's getting towards the end when you're thinking okay, this is looking pretty good. That's a very fair question to ask, and I think if you get pushback, then that should be a warning sign. Now, if I'm going to go in business with you, Evan, if I'm going to do a real partnership, and I don't know you real well, maybe I know you a little bit, but I think it's fair for each person to have the right to look at each other's background and do that check. If they're not willing to do that, then that might be a warning sign. Why? What are we hiding there? I think it's a fair question.

Evan: I do, too. I absolutely do.

David: Yeah. Another way to go about the background check is you can google people today. Everything is out there on the Internet, so you can google the name of the person you might be considering a

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## Ep #14: Partnerships and Joint Ventures

partnership or joint venture, and also google any entities they might control. In other words if you get a list of them, of businesses they have or have had in the past, you can google those and see if anything comes up that might be some warning signs, or at least something you want to ask questions about, if you see something there. That's all fair game.

Evan: Uh-huh, yes. What I'm hearing from others is that they like to hear from us in our own personal experience, and I know that the listeners want to hear about you. So if you're comfortable, can you share any personal examples you've had of partnerships or joint ventures that you have been involved in yourself?

David: Yeah, let me talk to you about one that has failed, and this had to do with my dental practice some years ago when I was in the process, Evan, of selling it, and I had an associate that we built the partnership relationship, and this particular associate was a very good clinical doctor, could do very good clinical work, and was very motivated to be a good dentist, but there were some character flaws, and I was so motivated at that point to make the sale because of the situation in my family that I overlooked some of those things. I didn't do all of the background checks that I'm talking about right here and right now, because I was motivated. So long story short, that sale that went from partnership to a sale, it actually failed. It failed, and I had to go through litigation to clear it back up and take back the practice. It was not pretty. It was a lot of stress. It was a lot of frustration. It was anger at myself for going against what I knew I should have done in the first place, but I went into it fingers crossed, fingers crossed that, you know, everything would just work out, and I think that's the time that we get into trouble when we have that feeling, well, everything is going to be good here. And so far everybody is shaking their head and saying yes, yes, yes, let's do it, but we haven't put those foundational pieces in place. So that was – I want to talk about failures, so I think that's one to talk about as far as failure.

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## Ep #14: Partnerships and Joint Ventures

But on the positive side, well, number one – number two, the practice did work out, and the second time around, I was able to put together the right people, get a look at the character, and that transition worked out great, because I had learned a lesson not to be so hasty. In real estate today, I do almost everything in joint ventures today. I take participation either on the management side or the lender side, because I can diversify, and I've got backup people that could step in if something happened to me, and I lacked the capacity to go on and do what I do. I'm not after a loan, and it's a great way to run investments and real estate with the joint venture concept, because it gives you that leverage over your time and your ability to participate in more deals.

Evan: Absolutely.

David: And let's mention one more here, because I think this is very relevant to our listeners is you and I. You and I met through a mutual friend who just got us connected, and we didn't connect with any business idea in mind. We just connected, because someone said you guys should connect, so we did, and we didn't have anything that we were going directly into, but we just decided let's talk, let's visit, let's get to know each other. I think it was some six, seven, eight, maybe nine months after we first spoke and talked from time to time that we came up with the idea that it would be great to do a podcast together. Now, each one of us, Evan, either one of us, Evan, we could have done this by ourselves, no question about it.

Evan: Yes.

David: But what are some benefits [inaudible] –

Evan: Yeah, I never would have. I never would have done it myself, and David, when I would talk to you, I would think, "Man, I wish all of my

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## Ep #14: Partnerships and Joint Ventures

doctors could be able to meet you. I wish all my clients could be able to hear you and be able to ask questions of you and be able to tap your experience.” I love the fact that you shared your failure. I mean, most people don’t really want to share that, and that’s what I really admire about you is your transparency and your willingness to say, “Hey, I’ve fallen down before. I don’t want anyone else to experience the pain I’ve experienced. Let me show you what I’ve learned, and you can be able to avoid what I’ve gained from.” And I appreciate that. I would have never thought of having a podcast, but I do like to be able to give back, and my world has just been this small, little town that I’ve tried to contribute to by being able to record this. I hope we can really have an added value, add a lot more value, whether it be on dentistry or real estate or financial freedom, and be able to add more. I think we’ve learned more. I can speak personally. I learn a lot from you as we’re sharing. I’m learning a lot from you as we go.

David: Well, that’s the beauty I think of a good partnership or the joint venture is that we do learn from each other, and there’s also an accountability factor in place. There’s no question, Evan, that if I wasn’t doing this podcast with you on a joint venture basis, because this is not a business we’ve comingled together. We’re just doing it as a joint venture together. We each bring certain resources together. You’ve brought some talented resources to help us on the back end, and I’ve done the same thing. So we’ve combined that aspect, but there’s also the camaraderie, and then there’s the accountability, because we set up deadlines. We say we’re going to have a certain amount of podcast topics set up by a certain date, and by golly, you know what, because I know you’re counting on me, and you know that I’m counting on you, guess what, we get it done. If it was just ourselves, how easy would it be to put it off and never get there?

Evan: That’s so true. I was thinking that there’s these two doctors that I can think of that work together, and they take turns hosting the

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris



## Ep #14: Partnerships and Joint Ventures

morning huddle, you know, for the team. The team gets there about 7:30, and they huddle for about 30 minutes. And that way it's not, the burden isn't on one doctor to create the fresh content. Then when they have team meetings, which is typically a half-day, they divide it up in sections like quadrants. You know, one takes one quadrant, another quadrant. That way there's always freshness. One doctor has got a passion in one direction, and another doctor has got a passion in another direction, and together they feed off each other. One is kind of a dry humor. One is a little more, I'd say silly, and it just works, and they get together beforehand, before they have their huddles and they kind of go over their game plan, their challenges, their goals for the day, any kind of hindrances. Then they almost have a sense of competition, but I think you called it coopetition.

David: Yeah.

Evan: Where they ask how many new patients did one get today, and what was one's production? How many raving fans did they get? It is a fun game where the patient wins, the team wins. They're paying out bonuses sometimes the same day if a team member gets someone to move forward let's say on an Invisalign case, or they move forward on a case that's over \$10,000. They get to reach their hand into the grab bag, which someday I'll share the grab bag technique, which definitely creates a lot of energy, and they ring a bell, and hey, it's fun. So because of you, I think we have that sense of how can we make this even better. I can send you an email of ideas. You can cross some out and say no, don't think those are relevant. Hey, these ones are definitely keepers, do that. So I appreciate that kind of ideas, kind of brainstorming the synergy that we create together.

David: And something else you brought up, Evan, is again, just by speaking and doing this with you, you helped generate great ideas for me, and again, that's the way a great joint venture works, is

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## Ep #14: Partnerships and Joint Ventures

talking about failures. And the reason why I think it's important to talk about failures – or I don't even like to use the word "failure" that much, Evan, because I think everything we do in life is about testing ideas, testing things. If we think about things in terms of failure, what does that do to us where we're fearful, because nobody likes us to fail. We all think, because we think that people that are failures are losers, but you look at anybody in life that has done anything and become somebody or become successful in some right, and if you read their biography or autobiography, you will read story after story of setbacks and things that didn't work out on the front end of the first time out.

Evan: Yes.

David: And I think that a joint venture or partnership, the camaraderie again of somebody with whom you have that synergy, you've met the test of the character of the due diligence, the reputation, you've done all of the testing, and now you've got someone with whom you compliment very well, now you break also out of that fear factor, because you've got each other's back, and when you have a hesitation about going forward or doing something, you've got this other joint venture person who's there with you that they've got skin in the game with you, and they're going to help you go forward and figure it out where there might be some trials or tribulations ahead, or just give you good feedback, or sometimes just basically endorse – say hey, this is a great idea. Let's go forward with it. Here are some things that we need to check out, but you know what, overall, it's a great idea, and again, that's a lot the way that you and I forged our relationship together is just we only knew what we knew. We didn't know everything about how we wanted to go forward with our podcasting, but it's been a really fun thing for us to do. So I just want, through these stories and talking about not worrying about failure, I want our listeners today to look for those opportunities, whether it's in your practice with partnerships, associates, which we talk about from time to time on our topic list, or also in your

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## Ep #14: Partnerships and Joint Ventures

investment arena with real estate. If you try to do it alone, you're going to have a fear factor. You're probably going to stub your toe in a bigger way than if you did some joint venture with someone who has some experience or brought those complimentary resources to the joint venture and enabled you to go forward faster with more reliability and more stability than if you try to do it by yourself.

Evan: Completely agree. In the business that my wife and I have on the real estate side, she was doing it alone, and she would just manage the funds that she had, and just the family members, and it did fine. It did quite well, but at a limited scope. Then once she began to have people ask her if they could invest with her, it opened up a whole new world, and it adds so much more fulfillment for her when she knows she's giving returns of 10% to 12%, because for her, she knows she can get that all day long, but for someone that was getting 5%, 3% after fees, maybe 1%, that is real exciting, and she feels appreciated. It's a whole other added layer of fulfillment, and for my doctors that invest with us, too, it adds so much more value beyond just what I do on the dental side, but to be able to know that I'm helping someone's financial future to give them freedom, whether they retire anytime soon or not, it just adds that freedom of knowing they don't have to work forever or maybe they go to work purely by choice. David, we've got a whopping one minute left of this podcast. Is there anything else you would like to share with these listeners as we talk about joint ventures and partnerships and not going it alone?

David: Well, let me just leave our listeners with this today, Evan, and that is I believe that life is about relationships. Sure, we train, and we get educated to do what we do in our career or our profession, but isn't really life about relationships? Now, I'm speaking from a guy that's in his 50s now. I didn't speak this way when I was in my 20s. Okay? I was all about go, go, go, and create, create, create, but I realize today more and more that I love living my life with and

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## **Ep #14: Partnerships and Joint Ventures**

through other people. Therefore, don't be afraid to look at the opportunity to cooperate, to collaborate with people with whom you can do something with. It is much more fun. Just do it the right way. Don't skip the foundational steps that we talked about earlier. Those are critical, but if you do that, follow those steps, have someone set it up the right way, I think it's the best way to live your life.

Evan: David, thank you very much. If you all are listening to us on iTunes, please like us. Leave a review. Let us know what you want to hear about even more. This is Evan Harris and David Phelps, two men on a mission to help practice professionals grow and have the lifestyle of their dreams.

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