

Ep #21: Interview with Dr. Eric Tait



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

Ep #21: Interview with Dr. Eric Tait

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: This is Dr. David Phelps of the Freedom Founders Mastermind Community and the Dentist Freedom Blueprint Podcast. Today, I am very excited to have with me a gentleman that I have been following. We've been connected for several years now, and that expert today is Dr. Eric Tait. Eric, how are you doing, sir?

Eric: I'm great. It's a glorious morning here in Houston, Texas. How are you?

David: Doing great, too. Listen, Eric, you and I connected a few years back. I think it was maybe on a real-estate forum. I don't know exactly where it was, but it's been fun for me to see what you're doing out there in the real-estate world. But I also want to make sure that people that are listening to our discussion today know a little bit about you, because you and I have similar stories. We both went into the career field of healthcare. I went into dentistry. You're in medicine. I'm probably about 20 years ahead of you on that curve, but our stories are so similar.

Let me also say what you're doing, and you already know this, but you're so smart because looking down the road what gave me all the freedom and options that I have in my life today, exactly what you espouse and what you're doing, the real estate is what did it. The real estate is what set me free, and it lets me today still be a dentist when I want to be a dentist. I can treat who I want to. I don't have to worry about dealing with insurance companies and all that regulation. I know that's where you're positioning yourself, as well.

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

Ep #21: Interview with Dr. Eric Tait

Let's go back a little bit and talk about where you evolved. You were a first-year medical student, like I was when I was in dental school, but you were thinking bigger. You were thinking, "Okay, I'm going into a very noble profession. I'm going to be treating patients, but I also know that I need to be a good steward of the income I'll be making." Take us back there a little bit, Eric.

Eric: Oh, absolutely. I had the good fortune or the great fortune of my college roommate, when I was a first year in medical school, introducing me to a book called "Rich Dad Poor Dad." I'm sure many of your listeners can relate. It was interesting because that book was written in 1997. I started medical school in 1998. As those books were being written, I was going through my training, and I happened to come to Houston to go to a dual-degree MD/MBA program. So I was already geared up to go to business school while I was in medical school. That actually is what brought me to the state of Texas, to starting on this pathway. I went down the dual pathway of looking at business while also learning about essentially paths of income.

The great thing about business school was it's not so much that it taught me how to be a better physician or how to practice medicine better or how to better battle insurance companies. What it did was give me the wide swath of what is out there. How do businesses meet human needs? Then in doing that, how does the person who's creating a business want to spend their time meeting those human needs?

It was a perfect marrying of principles, where I could get what people call the alternative investment side, what people like to call real estate, along with the formal economic training of a business degree and then married with my profession, my calling, as you would say, being medicine. I just marched along those three tracks, through training, through residency, through

Ep #21: Interview with Dr. Eric Tait

business school. Then once I finished medical school and finished all the training, I just looked to apply those principles.

David: You're a fourth generation in your family as far as medicine is concerned. Your great-grandfather was a country physician. You have an uncle who is an oral surgeon, so you already had that in your background, but you also mentioned to me once that you have a sister who graduated from Columbia University Business School. She's a portfolio manager at JP Morgan Investment Bank and how when you were hanging around with her, she'd be talking to her friends and doing what you called back-of-the-envelope calculations. Talk to me a little about how that intrigued you and maybe further pushed you into having that dual career in business, accounting, and in medicine.

Eric: It was an amazing conversation that she had with a friend of hers. They were trying to calculate, I think at the time it was Coca Cola, and we were doing Coca Cola valuation. They were trying to figure out, based upon how many liters of syrup that Coca Cola sold, how many people on the planet would have to consume them. They were able to basically do that in 30 seconds back and forth, just making some quick assumptions. It boggled my mind, being a science guy. I was a biology major in college. I think I was still in college at the time, but the way that they were able to analyze that quickly a system, a business model ...

I knew that they didn't have training in every single business that was out there, so they had learned some specific shortcuts on how to cut to the chase of what's important in the business world, much in the same way we as healthcare practitioners, with a few keywords that our patients will speak, are able to cut directly to the chase of healthcare and whichever field that we're in.

Ep #21: Interview with Dr. Eric Tait

I wanted to be able to speak that language because ultimately I realized that there were changing forces that were happening and encroaching upon the healthcare industry, whether that be from the dental side to the medical side. I understood that, in a capital society, essentially money kind of makes the rules, and if you don't understand the language of money, you're always going to be at the mercy of other people and larger forces.

Understanding that going into and finishing off college and going into medical school really kind of laid the foundation for me wanting to have a very clear understanding and a clear grasp of why things happened in our society. If you look to it, most of the things that happen in our society are money related.

David: Very good, very good. Eric, I want to make it clear that, for our listeners, that to me you're a bit of an anomaly in that you got that dual degree, MD/MBA. You had the propensity to go do that, but I want to know how you allocate your time today, because you're very busy. You're going full bore, and I know you have a family. You've got two daughters that are relatively young, and I know that time is very valuable to you, to all of us, and the balance of that time. You wouldn't tell everybody who's listening to this call that they need to go get an MBA particularly, would you? What would be the fast track for someone to actually gain some of the knowledge that you have without going full bore, as you did?

Eric: I'll start with that answer first and then go back to my time. In all honesty, I usually dissuade most physicians who come to me and say, "Should I get an MBA?" unless they're trying to get out of medicine completely, unless they're like, "Listen, I'm looking to get a job and leave medicine." I explain to most people that, ultimately in the end, most people are chasing their freedom. They're chasing their time, and getting an MBA won't do that. Most business schools ...

Ep #21: Interview with Dr. Eric Tait

I went to Rice University, which happens to be very strong in entrepreneurship, but especially for healthcare professionals, the sad fact of the matter is this ... I won't say sad, but the cut-to-the-chase matter is this: you can go play in the corporate world if you want to, but chances are you're not going to make the same income in the corporate world that you're making in healthcare. That's really kind of where it is. The attendant pains and the same issues that people find in healthcare, you're going to find in the corporate world.

The next question then is, "Okay, if I'm not going to go corporate, am I going to create my own business?" Well, I honestly wouldn't say that an MBA is going to help you do that either. If that's what you want to spend your time doing, that's a different kind of skill set. You can take community-college classes to learn basic accounting, basic marketing, and those types of things. There's so much open-source material on the web now that ultimately you can get all the theoretical knowledge that's out there.

But much like you do with your mastermind group, ultimately in the end, you really want to snuggle up against a mentor, someone who's done it before, who can walk you down the pathway because that is what I've found has been the most important shortcut for me in learning how to do different things. When I want to learn a different thing, yeah, I have the theoretical framework of an MBA behind me, but when I want to learn a different thing, I go and sit with a person who's done it and figure out how I can add value to that person. In return, I will get that knowledge, and so I would tell people definitely, unless you're really just trying to go get a corporate job, the MBA is usually not what you need to do. Having a clear understanding of what you're trying to accomplish is much more important than just chasing more education and more degrees.

Ep #21: Interview with Dr. Eric Tait

Now flipping aside to my time and how it's divided, I figured out fairly early that time is the only asset that you can't buy more of, and so everything that I do revolves around giving me more time, whether that's today and in the future. Excuse me. So purposefully, I went into internal medicine because it gave me the largest breadth and depth of the healthcare realm. I would understand that I would not be the most well-paid physician doing that, but that's fine because, in the end, I would be in demand and I could create my own schedule in some ways, which was more important to me, because again it all goes back to that time.

Now flipping it over, I spend maybe about 30 hours a week practicing medicine, and then the rest of the time now is really just building the investment side of our business. Really, most of it is just capital raising for the different projects that we do, but that's again done on my time. I don't really practice on Wednesday so much, so I do have a lot of my meetings and things on those days, but it's all around my girls' swimming schedule. It's the summertime. They have swim practice, so this evening, I'll be taking them to swimming.

Ultimately, I believe in lifestyle design, and I believe that you can design your life around how you want to live. You just have to be willing to take a different pathway and be willing to say, "You know what? I'm not going to go down a traditional way that everyone else is saying that this has to be done," which may require you to sacrifice some income on the front end, but if you have a clear goal on what you're trying to accomplish, there are ways to make money passively that do not require you to spend all your time doing them. I think we get so locked into equating our labor with our lifestyle and working for money, that people think that's the only way that there is to be, and it's just not true.

Ep #21: Interview with Dr. Eric Tait

David: Well, we certainly speak the same language there, Eric. I'm a big fan of what you just laid out there. When you were looking at the different opportunities that you might have with your knowledge base, with your MBA and your study of finance, how did you determine that real estate, versus other businesses or other opportunities, how did you determine that real estate would be the best way for you to go?

Eric: Kind of back in the time issue, I ... And I love practicing medicine, but I like practicing medicine the way that I practice it, not on someone else's corporatized assembly-line, conveyor-belt model. I looked at pretty much every way you can look at trying to make money. That was a great thing about my residency and business school, was I used that to kind of explore different pathways. I looked at franchises. I looked at multi-level marketing. I looked at these different ways that you can create income streams from your investment portfolio.

What I kept coming back to is if you look at the world's richest millionaires and billionaires, and many of those people don't end up on the cover of Forbes, most of their wealth was either made or is currently held in real estate. Ultimately, if you look at the basis of fractional-reserve banking, unless you can mortgage a piece of land forward, you can't do what we do in our society. Ultimately, real estate, kind of the king's estate, the royal estate, is the basis of really the system that we've created in this world. I just wanted to cut out the middle man.

I mean, granted, you can get fantastically wealthy in an IPO. There's no question about it, but you're going to have to build an operating business, and I don't have time to do that practicing medicine. If I really wanted to make more money, I would stop practicing medicine and just do something else full-time, but I believe what we do as healthcare providers is necessary. I think it's even more necessary when people don't

Ep #21: Interview with Dr. Eric Tait

have financial pressures on them that can sometimes guide or cloud their judgment in terms of how they set up their practices in some way, shape, or form.

David: Oh, I completely agree. I got to a point in my practice where I was feeling so much freedom. Like you, I was practicing more because I enjoy practicing, but I knew I had the real estate that was backing me up. I had enough replacement income, passive income from real estate after about 15 years of just being disciplined and investing on a model that was making sense through mentors that helped me.

But after about 15 years, I got to a point, Eric, where I didn't feel that pressure to have to go in and, as you said, sometimes feel like I was having to force things to happen. No one wants to have to practice or work like that. It's so freeing when you can actually just deliver the best care that you know how to give for the patient who's right in front of you and not feel like you're under the thumb of any other influences. I applaud you for that. Let's run down a little bit the way you got started. You use a term that I often use, too, and that's the accidental landlord. How did you first become an accidental landlord?

Eric: Interestingly enough, I had already gone down the pathway of wanting to get into real estate. Actually, when I was in college, my roommate and I wanted to purchase the townhomes that we lived in when we were in Atlanta in college and just could never figure out the mechanics of how to do it. I was going down to Galveston, which I'm not sure of the geography of where your audience is from, but it's a barrier island down in the Gulf of Mexico, for residency, which was maybe an hour south of Houston, where I had been.

I knew I was coming back to Houston to practice. I had a mentor that I was going to join in downtown Houston, and so I

Ep #21: Interview with Dr. Eric Tait

didn't want to sell my condo. At this point, I had bought correctly, by accident, but still bought correctly in a major metropolitan area. The values were going up, and I said, "Well, there's no point in selling this," so I did exactly what I did when I rented the condo my first year of medical school and then subsequently bought it. I just looked for the medical students who were looking to be in the area, and so I rented out my condo.

I put a home warranty on it so that I wouldn't have to worry about taking care of maintenance because, at that time, I didn't have crews of rehab people or contractors that I could call. I got lucky. I didn't do a real background screening test. I got some basic information. I got lucky more than anything. He happened to go to the same medical school that I had gone to, so I assumed credit max must have been good. The guy didn't need to pass the background check, but I would never get anybody else to do it that way. It rented out. It went well. I came back to Houston after residency, and we just kind of took off from there.

David: Excellent, excellent. Let's fast forward to the summer of 2007. Just from a historical standpoint so our listeners know, 2007 was the point where the subprime market started to crash in 2007 into 2008, when the whole financial and the housing market crashed. So 2007, your wife and I ... Your wife and I, your wife ... Excuse me, I don't know your wife, so I can't speak technically about that.

Eric: I hope not.

David: You and your wife, excuse me, found your first rental investment property there in Houston. Talk about that in light of what was going on in the marketplace and how you went about finding it and how that one worked out for you.

Ep #21: Interview with Dr. Eric Tait

Eric: It's interesting. Houston is actually off-cycle from the rest of the country, and so in '07, as things were blowing up around the rest of the country, things were relatively calm here, and so we had much ... I'm sure you experienced the same thing in the north Texas area. We had a recession, but it wasn't as deep as many other places were, and it was also offset by about a year.

In '07, things were actually going pretty swimmingly, but I did actually happen to find a foreclosure. Someone got into just your usual death, divorce, bankruptcy, the normal things that happen in life to people. At the time, no one really was clear that the subprime crisis, at least here in this area, was really bubbling up, and so I didn't have any fear about going ahead and moving forward because I'd done some training. I had some mortgage brokers on my team. I knew how I could get into the deal pretty much with no money down. I had a contractor at the time, which he didn't finish the project, but he started it, which is a whole another discussion, a learning lesson, of course.

So we just moved forward just because inaction stunts a lot of people's growth. Moving forward, once you have a good understanding of basic principles, you just want to get to the point where, once everything is sound and it lines up, you just have to pull the trigger. This was a small house. We were buying it for about \$44,000 or \$45,000. I could carry the mortgage myself if I needed to, so there was really no downside of risk from my standpoint in terms of buying it. The house at the time was still worth \$80,000 to \$90,000. Really, the only variable ... And I knew what the rents were in the market. The rents were \$1,000 to \$1,100 a month.

The only real variable was what was going to be the cost to renovate it. Sometimes you just have to take a leap of faith and move forward and trust that the research that you've done is

Ep #21: Interview with Dr. Eric Tait

sound and that ultimately rental real estate works. Once you trust the fact that you've seen people who have done it and made it work, it's just now a matter of how do you get your skill set up to be able to do it effectively yourself. We just took the plunge and moved forward.

David: Then from there, you bought an apartment complex, and then you bought more single-family houses. You actually created an investment fund because you had colleagues who were seeing what you were doing, and it's like, "Well, Eric, how can we get in on this?" The easy way for them to participate with you without doing the heavy lifting was you had a fund, and they actually did some debt lending investing into the fund. You've gone on from there.

I want to leap forward here a little bit. We'll come back to some of these other areas, but let's leap forward to the point that you've gone up the value chain actually all the way to hotels now. Just talk a little bit about that and why you're international and give us a little bit of that platform.

Eric: Okay. It was interesting. Back to the '07, '08 debacle: the world was crashing around us. Essentially it was a blow-up in the bond market that caused this, but the ripple effects were so widespread. What we figured out was that all of these asset classes in terms of pricing was correlated, was tightly correlated, meaning as one fell, they all fell, which ultimately when you're ... Technically, the portfolio model says if you're diversified, that shouldn't happen. Well, essentially '08, '09 laid the lie to that claim bare.

At that point, I realized, you know what, I'm not going to forsake the principles of real estate, but I probably don't need to be all concentrated completely in one country and one currency. So then we started to look outside of the United States. My wife's

Ep #21: Interview with Dr. Eric Tait

family is from the Caribbean. My dad is from Panama, so we just looked abroad to find out where we could get capital protection with the same laws as the United States, which essentially means you're looking at British colonies and former British colonial systems around the world, because ultimately, if your capital is not protected, nothing else is protected.

What I learned was, and it's interesting because you can see it in the Air BnB model, is the shorter amount of time you rent something for, the higher your returns are. So a big industrial warehouse is not going to get as much return as an Air BnB, a night in an Air BnB. It's all about the time frame under which you're renting. The shorter your time frames, the higher your returns are, all things being equal.

When you figure that out, which is not necessarily intuitive ... It's intuitive, but until someone tells you that, you don't really think about it. At least I didn't think about it, and I'd been in real estate for four or five years at that point in time. Realizing that renting things by the month and year, if I can rent it by the day and the week, much higher returns.

That changed my ... not changed my thinking, but allowed us to say, "You know what? We're going to geographically and as a type diversify, but it's all going to be within real estate, at least during this time period." So we're diversified across geographies and asset classes, but still concentrated, because you really make wealth when you concentrate your energy, but concentrating my energy in real estate for the myriad reasons I'm sure we're going to talk about coming up.

David: Okay, that's excellent. Listen, I want to thank you so much for this great information, the insights you're giving us today. If people would like to find out more about what you're doing or connect with you, where would they go to do that, Eric?

Ep #21: Interview with Dr. Eric Tait

Eric: They can go to my website, which is ... I'm going to spell it. It's Vernonville.com, which is V-E-R-N-O-N-V-I-L-L-E.com. Or email me at Eric@vernonville.com. I'm also on LinkedIn. My last name is Tait, T-A-I-T, not T-A-T-E. So Eric Tait. I'm a Houston physician. You can in-mail me at LinkedIn or ... I'm pretty easy to find on the web. You can Google me and find me without too much of an issue. I'm not hiding.

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