

## **Ep #24: Turning Chaos into Opportunity**



### **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 #24: Turning Chaos into Opportunity**

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 and I am joined by my good friend Dr. David Phelps today and today I desire to be negative. As much as I want to be positive, I continually have been hearing negativity so I want to be real in just expressing to you what I'm hearing from the trenches. You can like it or not like it, I'm sharing my experience. Today David, I want to talk a little bit about chaos. I believe chaos is perceived. Whatever we feel is going to be real for us. I would say to our listeners, regardless of your political viewpoint, who's at fault, who you think is responsible for where our country is, where our economy is today, I'm sure there's plenty of blame to go around.

We can either complain, moan or whine. Or we can look for the opportunities that chaos crises and turbulence creates. What I want to talk a little bit about, some of the ... I'm going to say four areas that I'm hearing about, I'm hearing about domestic strife, I'm hearing about dental and healthcare issues, Obamacare, I'm hearing about the economy, there's less consumer optimism. I'm hearing about higher taxes. David, I'm sorry to start this note on such a negative, negative deal but this is what I'm hearing and I'm hoping you can bring us back around and show us that all is not lost, that there may be some opportunity in this area called chaos.

David: Well Evan, I don't mind you bringing this up at all because you and I both deal with our dental colleagues on a daily basis, weekly basis and there is a lot of concern out there so we're not going to be the Pollyanna's and say, everything's great, just

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keep doing what you've been doing. The fact is Evan, there's always going to be cycles in the marketplace, in the economy, there's going to be turbulence. I think we definitely are in a much more turbulent time than we have been, at least in my lifetime, over the last 30-40 years. I think it's going to be continue to be chaotic. As soon as we, as realists, just understand that nothing is going to be the same as we remembered it in the past. That doesn't mean it has to be bad. It means it's going to be different but different also means there can be opportunities because unfortunately, the vast majority of all people, business people, across this country, globally, all ... the vast majority will not make any changes because we all don't like change.

I don't really like change Evan, do you like change? Do you like to have things thrown up in your face every day and have to redo your whole schedule? No. We don't like it but as soon as we understand that that's the way it is today, then we can take a different positioning, a different mindset and say, okay, there is turbulence out there, what can I do to create my own economy? If we're talking about the financial area, about our businesses, our practices. What can I do to actually take advantage of some of that chaos? I want to talk about that today a little bit Evan. One of the quotes that I like is, "Luck is where opportunity meets preparation."

A lot of people say, well, so and so is just lucky because they seem to have it all together, things seem to always go right for that person. If you really dig deeper, you'll find that very person will also have stories of setbacks, of what they might even call some failures in life but they never quit, they never stop, they continue to be relentless about moving forward, moving forward, not stopping, not staying stuck. Another example of tough times, and most of us on this call today weren't there during this time but that's the Great Depression.

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Evan: I've heard that term recently by the way. I've been hearing people, "Are we heading for another Great Depression?"

David: Yeah and who knows Evan, I'm not going to be a prognosticator and say we are or we aren't but again, that doesn't mean we can stop. We don't just stop and put our heads in the sand but realize that even during the Great Depression not everybody was in despair. Certainly the masses were, a lot of people were very much down and out, unemployment was at a high-high rate, there were red lines that went around and around the blocks but it wasn't that way for everyone. There were actually, statistically per capita, more millionaires created during the Great Depression than any other time. We have to think that way, we have to think about how do we position ourselves in times of strife and upheaval?

Evan: What I'm hearing from you David is in some ways, being a contrarian. Would you say that?

David: I think you definitely have to and that's not easy to do and we'll talk a little bit about how we do that, how we adopt that mindset but you're absolutely right Evan, I think if we listen too much to the media today that's out there and so much of it ... some of it's negative because the media is always talking about bad stories, about what's going on but there's always going to be a silver lining. Again, it just depends upon how we look at things but not by the fact that everything's always bad. Realize that even during bad economies, during recessions or even depressions, that money is always moving. It's always moving. There's always products and services that are going to be needed. Again, how do you position yourself there to do that? One of the things that ... I was reading an article recently, was to say well in difficult times, identify your ten best customers and figure out how you can best serve them if you create an avatar for the people you serve and what are their needs?

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What can you do more for them that's one way that you can recreate a position for yourself. Talking about the fact that solving the problems of the majority, who is in your niche market? Consumers or even other business men? If you can become the connector, the connector to creating solutions, then you can become a person of real significance and that's where opportunities come from. I know people are saying, all right David, what do you mean by that? I don't really understand this connector thing. Here's what you and I both know Evan. There's lot of ideas out there and we have to come up with our own ideas many times about how to solve problems but the best way to do that is when you're around other people that are like-minded so within your own circle of influence, who are other business people?

Not just dentists, but other business people in your community, in your social circles, that you could actually form a think tank or a master mind or a brain trust where you can share ideas. That's sometimes where the most creative solutions come from, you and I are both parts of master mind groups because we recognize the value of what that consensus can bring to us and give us ways to move forward, to find those opportunities, to figure out how we can position ourselves to go forward in those areas.

Evan: Yes, I've heard people say the value of our net-worth is oftentimes determined by our network.

David: I think it definitely is. Jim Rohn would say that you become the average of the five people you associate with the most. I think those are very, very true and so what it means to us as dentists is that even though we have to go to our practice and we have to work in the practice, we've got to get outside the practice. You've got to get outside because you need fresh ideas. If you stay stagnant and just work in your business all the time without

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getting outside and being stimulated and realize that it's not just you that's maybe having some difficulties but get fresh ideas. We talk about great ideas to implement practice all the time on our podcast Evan and that's the kind of thing that doctors have to do today to stay relevant but also to maintain that attitude of being relentless. Again, not stopping or not bemoaning the fact that things aren't the way they used to be because nothing's ever going to be the way it used to be.

Evan: Let's talk a little bit about in the practice. I think it's amazing to have external sources and master minds but let's talk about something I'm hearing quite a bit in the practice and they feel like a lot of times they're victims, and that is healthcare. What do you see out there when talking about healthcare, dental care, Obamacare, whatever managed care, corporate coming in, how do you respond to people feeling like they're becoming victims of a system that they've signed up for but would really love to be out of?

David: You can take the position of being a victim and just complain about it which is not what we're promoting here at all. Certainly, I think it's great to speak out against the things that are happening in our country or our industry that we don't like, absolutely, don't be afraid to speak out. At the same time, we have to look at how we can be different and I said before that as much as, I think, everybody in the industry doesn't like the intrusion of managed care insurance that it's going to be here to stay but it doesn't mean that your practice has to be defined by that particular commoditization. You may feel right now that you need to take a certain amount of managed care insurance dictated by the social agenda that's being promoted in our country but take some of the other ideas that we've talked about on the podcast about again, differentiating who you are, not so much about what you do but creating the experience and catering to people who don't want to be accessing their



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healthcare by standing in line and accepting whatever is doled out.

There are plenty of people, even in tough economies Evan, even when we had the Great Recession or Great Depression, as I said a minute ago, there's money that's always moving and there's people that are always going to be willing to pay to have access to the quality and accessibility of the care services that they want. You can't just be a wallflower, you can't let the economy make you a wallflower out there, you've got to step up and state why you're different and why that group of more affluent people would want to come to you and be willing to pay for your services irrespective of what insurance pays.

Evan: Okay, let's touch on real quick, the thumb of the government. How do we as business owners, as practice owners, how do we deal with these policies of the government?

David: Again, we can speak out against them and again, I think that's a good thing to do but we can't change what is. Capitalizing on the policies simply means that the policies that are being dictated basically hurt everybody in the economy, they hurt all entrepreneurs, they hurt all practice owners, they hurt all business owners so everybody is being dealt the same blow but we can always find niche markets. We can find areas that are not being served in the different marketplaces, outside of the dental practice, in the real estate side, which we're not going to really talk about much today on this podcast at all but there are huge opportunities there were the conventional marketplace just isn't service.

Same thing in the dental practice. Managed care is going to serve a certain segment of the population and that's fine and good but there's a certain segment that's not going to be satisfied with that. Whatever the government dictates, there's always going to be a need that's not being met. It's up to us as

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the entrepreneurs to identify that need and determine who that particular potential client, customer or patient is and how do we get to them? In other words, how do we get our message to them? Where do they hang out? Where do they work? What do they read? How can we get within their circles to let them know that we have a business, a practice that is stepping up to cater to what they want? Trust me, it's possible to do this but we have to just be a little bit different, we have to go a little ... go one step ahead of everybody else to position ourselves that way so that people understand where they can find us and who we are.

Evan: Yes, yes, okay and lastly let's talk about taxes, let's talk about how people are dealing with them, how they can be able to respond, rather than just react. How to somehow make a positivity out of this.

David: Taxes are going up and up because our federal government is on a massive spending binge, if you will, it's been going on for really decades but it's on steroids right now and they're doing what we call, "Kicking the can down the road," which means they ... the Federal Reserve is able, because the US is still the big gorilla and even though our economy is really no better relative to other economies in Europe or even Greece, which makes the headlines recently, we're no better we're just there, we're bigger so that has allowed our politicians and the government to buy more time. Doesn't mean we're any better off. Because of the massive amount of debt, taxes are going to go up, they have been going up, they will continue to go up so instead of trying to outrun the higher taxation, we've got to think about how we can be smarter about how we earn income and how we create the cash flow that we live off of. We typically think conventionally that by having a business or having a profession like dentistry that we can earn a relatively good income and that's true, that's true.



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The problem is that that income, that earned income which comes from, what we call "Trading time for dollars," is highly taxed and that's really where the government's going to target their efforts to bring in more tax revenue, it's an easy place to go because it's hard to offset, it's hard to defer taxation on earned income. Again, without going deep into real estate, which we'll do on another podcast but capital assets is where we should be positioning ourselves more and more. Real estate offers passive income streams that have a lower tax cost, if you will, they allow for building up equity and wealth without paying the tax so it's going to be tax deferred. We can use what the government gives us and that's in terms of retirement accounts like self-directed IRA's or particularly the Roth IRA, which allows for tax-free distributions.

If you learn how to build up a Roth IRA, and there's many ways to do that, which we've talked about on other podcasts but you can build up a Roth IRA and then have that income distributed to you over many years, totally tax-free. These are strategies that even very bright, well-educated dentists don't have time to look into. Our job, Evan I think, is to bring some of the key talking points to our listeners on these podcasts and at least let them be aware that there are strategies, there are opportunities within this chaotic marketplace to be strategic. You don't have to go out and learn it all yourself. You don't have to have a PhD in economics or real estate or finance, we don't have time for that but there are people out there and people that you and I source information from Evan, that we try to bring this back to our listeners so they can at least be aware and focus on these opportunities that if they don't do it, then it's like being on that hamster wheel that just goes faster and faster and we just can't get off.

Evan: Yes and something I was just watching a video yesterday about Life Hacks, H-A-C-K, life hacks, small little changes that can

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make a big profound ... can be something small like how to be able to use a burnt pan, how to get your eggs of a pan that's burnt. It could be something that's significant too within the confines of a business, could be the confines of one's taxation, any little life hacks that you've seen dealing with any kind of taxation, whether it be the state they choose to incorporate in or how they set up their accounts or ... anything that you would like to share in our last couple minutes here on this call, that you've seen that might just add that little bit of value that might have some kind of upside where, yes we're mitigating the chaos but maybe there's something new that's popped up that can give them a little bit of value?

David: In terms of ... and I think life hacks are great, the shortcuts we can find to leverage. I'm going to use that as a jumping off point for this last segment Evan. Leverage is one of the key things we can learn how to do. That to me is a life hack. There's lots of different areas of leverage that we can utilize. Usually people think about leverage in terms of finance. That's a big one, some people are averse to using leverage and leverage can also be equated to debt. There's most people out there today would say, you need to get out of debt, get out of debt. I would agree, I would agree that personal debt, personal life consumption is one of the things that keeps a lot of people bound to having to work too hard to pay the interest so that can be on consumer items like cars or vacation homes or boats or some of those niceties but if you can't pay cash for them, then I think you should not.

The other side of the coin, however, is there's a great opportunity, in my opinion, to utilize debt in a profitable way and what I mean by that is I believe that we are going to have probably quite a bit of inflation in years to come. Maybe not seeing so much of it right now but I think again, because of the massive debt that our government is building up, that the only

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way out for our government is typically through inflation so how do you use debt to benefit oneself during times of inflation? If you think about it, using debt, and here I'm talking about fixed rate, long term, 15/20/25/30 years, fixed rate, today interest rates are under 5%, historically Evan, we haven't seen that in my lifetime. This last half a dozen years or so is really an anomaly but again it's a subsidy of the government. I say, take that, take what the government gives us and utilize long term, fixed rate leverage to acquire and hold and control capital assets.

Good real estate, not consumer items, not buying a bigger house, not buying a bigger lifestyle but buying assets. Here's what happens and I'll make this short so we can close out but, as we have inflation, the fact that what happens with inflation is the purchasing power of the dollar goes down, the value of the dollar goes down. Which means other assets that are hard assets, precious metals, real estate, they go up in value. Now what you're doing is you're hedging your bets, you're hedging against the dollar. You're actually what we call, "Shorting the dollar," so long term fixed rate with capital assets, you're shorting the dollar, it's a great hedge. If we don't have inflation, guess what? You're still okay. Particularly with good real estate because the cash flow it produces will continue to pay those dividends whether we have inflation or not. That's probably one of the biggest hacks I can give you is using leverage the right way.

Evan: David, thank you. I appreciate it and I believe our listeners do too. For those who are listening and you have life hacks of your own that have worked really well for you that have to do with your practice life, your personal life, your financial life, let us know, we'd be happy to share on our show. These ideas that we come from, they're not from me, I'm really standing on the shoulders of giants. I try to be able to take the good and I try to

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take the bad and share it with you and then you can do with it what you wish. I'm not genius but I am an observer. My hope is that if you like what you're hearing, tell us. If you're listening to on iTunes, tell us about that and if you want to add things to us, share what you would want to have us talk about or even things of life hacks that you've experienced that you'd want to have us share on the air. This is Evan Harris with my friend David Phelps, thank you for listening, like us, review us and come on back soon.

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