

Ep #27: The Fast Track to Creating Passive Income



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With Your Hosts

Dr. David Phelps and Evan Harris

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

Ep #27: The Fast Track to Creating Passive Income

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.

Derek: David can you tell us a little bit about any deals that you're currently doing? In what states, what types of properties, and anything that you have in the pipeline?

David: Sure. Well, the deal flow that I have access to is really a result of my network. I often say to people "Your network is your net worth. It's all about relationships." A lot of people say "Well, I'm going to go out and learn how to do this real estate investing thing. I want to build up a team. I want to buy properties and manage them."

That's the way I started. Nothing wrong with starting that way Derek, but when you're in mid-career, or latter part of career, you really want to fast track it. I use a lot of deal flow through the mastermind. I mean several masterminds, and one of them is a high caliber real estate group, so these are people from all over the country.

We form the relationships first with people and get to know them, and do our due diligence. You don't just invest blindly with people you just met yesterday, but the markets we're in right now, certainly North Texas. I'm in the Dallas area, so I've got a pretty strong portfolio here. That's where I built my own. We have a team here, but I like to be diversified so we're also in Oklahoma City, Kansas City, Memphis, Indianapolis, Columbus, Birmingham Alabama.

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I've got good friends, trusted JD partners if you will, in all those markets. The kinds of deal flow what we do, and this is single family residential, I say just keep it simple. Don't have to get into all the heavy duty evaluations that are required in commercial and multi-family. Nothing wrong with those asset classes, but the residential, to me, makes sense. You can do work called "equity investments". That's where you actually have ownership of the property. It's what we call "turnkey rentals" where your LLC, for example, can purchase, or leverage, into owning a property that somebody else is going to manage for you.

You could also do debt investments. It's like being the bank. Banks, of course, really have first rights of ownership of a property that they have made up a loan on, because if you don't pay the bank, guess what? They're going to take your property. Being in a lending position is not a bad place to be. Think about being the bank. That's a good place for retirement accounts. Self-directed IRA's, HSA's, that kind of thing can easily be lenders. You can even have an inflation index component to that kind of letting, but doing what we call "equity participation", or "shared appreciation". You actually can have a growth component as a debt lender.

Those are the basic kind of deals that we do. We do a lot of other kinds of financial leveraging with stuff we won't even go into today, but options, and wraparound mortgages, seller financing, and selling off the front end of partial notes. Lots of neat things you can do with something as basic, and what seems to be boring, as single family residential. We take that model and we peel back the layers of the onion about 7 layers deep. It's really, fun.

Derek: Yeah, that sounds like really, really good stuff. I'm really glad that you bring up the point about the mastermind groups that

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you're in, and also your network, because I think that is such a key component that people miss. I see so many people. I'll be talking and they'll be all excited because they have their 9 to 5 job during the week. They'll say "Hey, I just got into real estate." Or "I just bought a business to create another stream of income on the side." What I end up seeing happen is they just tend to put a lot of time and energy, because they're so passionate about creating this extra income, but they start to burn themselves out.

For myself I just learn so much faster, and so much better when I can learn from other people that are like minded, that are trying to achieve the same thing. Unfortunately I didn't learn that lesson until probably the past 4 years. Up until that I was just kind of charging along as a maverick, trying to figure things out on my own. I really see that I just kind of slowed myself down. If you wouldn't mind, could you talk about how that has been a key to your success, and some of the groups that you've been able to really get some good knowledge from?

David: Absolutely Derek. You hit the nail on the head. Like you, this is something that I didn't realize until some years down the road for myself. I was just hard headed and I tried to do everything myself. Certainly that works, but it's a long, long road. The fast track is certainly to use your relationships, and joint venture, and learn through other people who have already been there and done it.

The mastermind is something that Napoleon Hill wrote about in his classic book Think and Grow Rich. If somebody wants to know more about it I would go pick up Think and Grow Rich because one of the principles of success he talks about is the mastermind. It's 2 or more people who are like minded in spirit, but maybe come from very different experiences in life, different businesses, different industries, and you get the benefit of the

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feedback and the perspective from other people who can see what I call "our own blind spots". Every one of us, everybody who's listening to this interview today, has unique abilities, and experience, assets, and resources that many don't even see.

That's the way it was for me. We don't even see what we have because we're so comfortable, or we lived our lives through our own lens. Once someone else helps show you "Oh, look. You could be doing this. Or you could be doing this with this person." It opens up a door to so many opportunities. Like you, it was probably 6 or 7 years ago Derek that I actually was invited to go to my first mastermind. I thought "What is this?" I sort of heard about it. I read about it, but I still didn't really get it.

There's all kinds of masterminds and there's different ways to run them and facilitate them. So much of the value has bearing on who has put it together, and who is facilitator, and the people, the quality of the people there. Saying that that's all high quality, then that mastermind format, there is nothing better. It's been the fastest track for me no matter what. You certainly can get the information that you need, the feedback on who you are, where you're trying to go, and make that happen so much faster than if you try to do that by yourself. The coaching, the mentoring, the feedback you get from the community, the relationships you build.

Some of my very best friends today come out of the masterminds I've been a part of because you really build strong relationships within a mastermind. It's an engaging format. It's not like you go to another event, or a seminar, or a conference where people are giving information. Maybe it's great information, but the whole point is Derek, we've got to be able to implement today. We've got to take action on that information because we can't do that because we're stuck by paralysis of

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analysis, which I'm very guilty of doing, then what good is all the information in the world? It's no good at all.

The mastermind gives you the security of people that are like minded, who are giving you real time, real unbiased, 3rd party, objective feedback or perspective. They're not trying to sell you something. There's no agenda. It's just real time collaboration.

Derek: Yeah. That's really good stuff. How are you able to find really good masterminds? There's lots of people out there who offer coaching and different masterminds. How did you find the really good ones where you connected with people, and you were really taking action?

David: I think it's all through referral Derek. You've got to get yourself outside your box, whatever that is. Whatever your career profession, business, is we tend to live in that so much, so secluded. You've got to get yourself out of that and start finding the places where entrepreneurs, just entrepreneurs in general, hang out and for me that was some marketing conferences. I went to marketing conference, which is totally different than dentistry of course. Totally different than just real estate, and just met different people. There's people that will resonate with you.

Like you Derek. You'd be a guy, if I met you at a conference I'd want to sit down and have lunch with you because you're very unique, and I love your background, and I love your passion. I would meet with you, then you would probably share with me "Hey, you know what? Have you read this book? Have you ever heard of this group?" Through referrals you can find out good places to go to the next step, next step. Today my network of people I have on my Rolodex, digital of course, is just so vast that I can get information, resources, advice on things I have no

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idea because I know who to call. If I don't know something that somebody else does, somebody else does.

That's the benefit. You just got to get started somewhere. Ask other people. Don't be afraid to try something. If you've been to a mastermind or something that's not a fit, usually you can go and try one out one time, if it's not right then don't give up. There's one out there that will fit what you're looking for.

Derek: Do you find that the cost, or the price you pay for a mastermind, influences the quality of the information or the people that you're around?

David: I think it certainly does Derek. I think there's a pay to play basis here. I know there's people that have put together kind of organic mastermind relationships, and they've tried to do that. Most are not too successful because you want people that really have skin in the game with you. I think there needs to be a barrier of entry at some level and that's going to be relative to whatever the platform is of course, but people need to put something in because you want people committed, you want them to show up every time that you're having a meeting whether you're doing it virtually over the phone or live in person. If you don't have that then the continuity's not there and quickly that particular group will fall apart.

Derek: Makes good sense. One of the first books that I read David, that really got me started on this journey probably about 12 years ago was a book by Robert Kiyosaki called Rich Dad Poor Dad. The book talks about the myths and lies that were told by well-meaning people, our teachers, our parents, in regards to what it takes to become successful. The message that I was given was "Hey, go to school. Get good grades. Go to college. Work really hard after you graduate and some career that pays a lot of money. You'll eventually be able to retire and enjoy a

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great life." I just haven't seen for very many people that that formula works out very well.

I see people that are struggling. I see people that are trying to get by putting in 60, 80 hours a week at work, trying to get ahead. Can you talk a little bit about how you were able to break that thinking for yourself and what life was like then versus the way it is now?

David: Right. Well, Kiyosaki I think certainly did articulate the mindset difference that I totally believe in today. He did a great job with that book, and he did it in a story form that people could really resonate with Rich Dad Poor Dad.

Yes, you're right. The concept that he was getting across was the fact that the traditional models that we were taught by our parents, and teachers, community leaders, was to get that education, work hard, be self-reliant. Nothing wrong with those characteristics at all. There is a part of that foundational that, yes, you have to have. But if that's your total structure of getting to a point that I call today, getting to a freedom point, how quickly can you do that? To me, Derek, freedom means not that I'm quote "retired". I'm never retire. I couldn't imagine being quote "retired" and playing golf every day or living on a beach somewhere. Those are fine things to do as recreation, hobbies, but I want to be significant in life.

I think the problem most people do is they have a mindset that limits them to a point that well, they just want to get the bills paid and stack up some money so they think they can be free. Again, the problem is, if that getting free, and the income, is totally reliant on the entrepreneur, the business owner, the professional practice owner, the career professional. There's never freedom in that. That's just income. Maybe it's high hourly compensation income, but there's not freedom there. You've

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got to learn, as Kiyosaki said, to acquire capital assets because capital is what sets you free.

There's a sacrifice period that we all have to go through. The point is how quickly can we go through that sacrifice period and start building some level of freedom into our lives. Once you taste some freedom, and you have a mindset that is about abundance and not scarcity, I'll tell you mine was more about scarcity and fear early on in my life, but once you can turn the tables on that, everything changes in your life. You don't live by fear anymore. You can take away everything that I quote "have", material investments, whatever it might be Derek. You can take all that away today and as long as you still let me have my relationships and my network I am not afraid.

I am not afraid. I know I can rebuild and be okay. That's the mindset that I think Kiyosaki talks about, and that's what people should try to develop today. But you can't do that by yourself. You've got to surround yourself with like-minded people that will help you keep accountable so that you don't slip back because we'll all slip back sometimes for different reasons.

Derek: Yeah, that's so true. I think trying to play the game on your own is really difficult because it's so helpful when you're going through challenges, difficult times in life, which we all have, then you have other people that are there to support you and help push you through. In turn you can do the same for them when they're going through their challenges because it's so much more realistic. I find that most people in life kind of go through with a mask on. They really don't share what's really going on in their life. When you ask them how they're doing they're like "Oh, everything's great."

But when you're actually working with people where you're actually sharing your challenges, your struggles, you really get

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very open and honest with people. Then you also, on the same hand, are able to really help each other grow and hit levels that most normal people would never even dream of in their life.

David: That's so much the key Derek, what you said about being open and honest. That's not going to happen in a room full of strangers. We're all going to hold back because we all have some pride and some ego in us, whatever that may be. Until you can really open up and lay out what your fears are, what baggage you have because we all have it, we all have it. That's why you're in a mastermind community because those people care and we're all there to share and not judge. There's nothing about judgment in mastermind at all.

Derek: Yeah, that's one of the things I love about mastermind groups. Just the honesty. I was just in one recently where someone was sharing about how they had basically been part of an investment group. They had invested \$250,000 with this person that was going to go out, invest in movie theaters. They completely lost the entire investment. I find that there's just not very many people that are willing to be that honest. When something like that happens to you you're like "Oh my gosh. I'm an idiot. I'm a failure."

Very often you'll find that other people have been through exactly the same circumstances, sometimes even worse. It just makes you realize it's normal, you're human, you make mistakes, and that's just part of the game.

David: Exactly right. Very, very true.

Derek: David, what is really driving you today? What are you most passionate about? Are you still practicing dentistry? Are you just doing the real estate now?

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David: I'm really just focused on the real estate. Again, it's not just the real estate. I do love structuring and orchestrating deals where there's win-win-win all the way through. You're putting property back on the market that was maybe vacant or not habitable, whatever it might be, and doing that through other people of course, which is the leverage point. I mean, that's fun. I love to do that, but that in itself is not really, in my opinion, being significant.

I really, really love helping other professional practice colleagues. That's who I speak to. Dentists being the tightest niche because that's who I am, but certainly physicians, and chiropractors, and we have some veterinarians. It kind of goes across the ranks of anybody who's a career business entrepreneur, but I really, really love seeing the changes that we can help transform lives and the mindset of these really, really good, hardworking people. I mean, we've got some excellent, very skilled doctors in the group, but they've been held back by those self-limiting beliefs and the fear of failure and the things that we're taught. Not to take risks in life.

The mastermind is just such a great place to have impact. Our mastermind is the Freedom Founder's Mastermind because freedom is what I think it's all about. It's being able to bring yourself to a point in life where you have the freedom. You can start building those memories. Not today, not waiting for someday, that magical someday that never occurs. Then you can really give back because we're all about legacy too. In our mastermind we have a number of docs who bring their 20 something year old, their millennial kids who, whether they're going into medicine, dentistry or not, they want them to be a part of that.

They want them to be a part of what we're doing because we're really breaking the chains, breaking those barriers to that old

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mindset. We want to empower people to really live their passion, whatever that might be, and if their passion is not something that provides a high income, no problem. You can build wealth and passive income other ways and still live your passion, and serve people the way you want to serve them.

Derek: Yeah, that's really great. Can you talk a little bit about the Freedom Founder's Mastermind that you've created? How often do you meet? Where do you meet?

David: Freedom Founder's meets quarterly. We do it in Dallas Texas where I live and I'm focused. Quarterly we meet. I actually have 2 groups now. We keep the groups relatively small because a mastermind requires a level of intimacy. It's that trust and openness that we just talked about. I also bring to the mastermind a number of my peer group, and mentors, and people that have been important part in my life in all areas of finance, and marketing, and business, and mindset, and real estate.

We've got a very, very powerful group. I think that's what makes it strong. Yeah, I am the host. I am the facilitator, but it's not all about me because I have a perspective and biases, but someone else may have a different perspective. I want that in the room. It's just become a great place. The doctors who come, initially the first time, I know they walk in feeling a little bit intimidated. I would too. But they find so quickly that we take the air out of the room, meaning that there's no tension, because we're all real people. We all have our back stories.

I laid mine out on the line first and foremost and talk about all the nutty things, the way I used to think, and what held me back. As soon as they realize "Hey, it's okay because David and these other people are just like me, and this mastermind's

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here to help." Then everybody gets real, and that's what makes it successful.

Derek: That's fantastic. Well, David thank you so much. I really appreciate you sharing your story from how you got started, to where you are today, where you're going. I'm really excited for you. My passion, just like you in you being able to help the dentists and doctors is to be able to help the pilots and professionals in aviation be able to achieve more freedom in their lives. Whether it's just making an extra \$300 a month that covers their car payment, or completely replacing their income so they can go on to pursue their passions and the things that they're really excited about to help other people do the same.

Thank you so much for being on the show today and really inspiring all of us.

David: Derek it's been a real pleasure. Thank you for your time and for this great call today.

Derek: Sounds good. I'll look forward to keeping in touch with you and hearing how your journey's going. I wish you the best of success in the rest of 2015.

David: Likewise. Same to you Derek.

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