

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes



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

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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: Hello, everyone. This is Doctor David Phelps, owner and found of the Freedom Founder Mastermind, and with me today is a great, great person that I'm so excited to have on the call today. Doctor Mark Costes. Mark, how are you doing?

Mark: Fantastic, David. Thank you so much for having me. I'm honored to be on your podcast today.

David: Listen, it's really been something I've been wanting to do for quite a while. I told you I picked up your book off of Amazon, Pillars of Dental Success, probably about a year ago. You and I met several years back and I didn't know all about your back story. It's something I want to talk about because it's very powerful. I think there's some big lessons to be learned there.

But I want to just tell our listeners a little bit more about the superficial part, and then I'll let you tell your real story. I know that you're a graduate from Marquette. You got into practice about 2003 and from 2003 to 2011 you were able to start six profitable dental offices. You sold four of them off. Made a nice profit. I don't know if that's been updated since then but that's the information I have. You can update me in a minute if we're behind in numbers.

Mark: Sure.

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

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

David: I know ... The thing that I remember about you from just a few years ago is you have your dental assisting school and you currently have two dental offices ... Again, I may be wrong in those numbers, but running two offices now. Your dental assisting school is something that generates a lot of passive income. Something that I'm really big about, the passive income side where the income is not all dependent upon the doctor providing the clinical services. You took that curriculum and you leveraged it out and you sell that as a done-for-you to other dental practitioners across the country.

That's an awesome example of using your knowledge of what you put in a place and leveraging that out. I know you're married. Your wife, Leslie, and you have three sons. I've got their picture in front of me. What an awesome family. You've got Bryce, Brendon and Brady.

Mark: That's right. Yes. You've done your homework, David.

David: I do. I knew there was only good things about you and I found out some more good things. I also know that you ... One of the things that makes things work well for you ... And this is probably not a secret, but I think it's something people need to be aware of, is that you get out there. I know within your own chamber of commerce, the Chino Valley Chamber of Commerce, you served as President. You're also on the clinical faculty of the Arizona School of Dentistry and Oral Health.

Mark: Mm-hmm (affirmative)-

David: You also are a great person who gives back. You do at least eight hours of charitable dentistry every month to provide care for those who can't afford it. Kudos to you, Mark Costes, for all that you are and portray in dentistry. But let's go back a little bit because ... Now I know you were born here in the States, but

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

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

your family, your father actually immigrated from another country. Do you just want to take us back and just ... I think that this is part of your DNA, so I want our listeners just to understand a little bit about where you came from and about your father and how he made the move to this country and took advantage of those opportunities.

Mark: Yes. Thanks for the opportunity to do that. It's funny. I have my own podcast as well and they're going to be hearing your ... Hopefully, my listeners are going to patch into yours and listen to a little bit about my background. I've never really covered it on my own, so thank you very much for the opportunity.

I have ... My hero in my life has always been my dad. My dad is an immigrant from the Philippines and he is the epitome of the American dream. He started with a hundred dollars, literally with a hundred dollars, and a suitcase. He left the Philippines in the late 1960s when immigration was a little bit looser for certain types of professions getting into the United States. Doctors, attorneys, accountants and engineers.

He is an electrical and mechanical engineer. He left a very lucrative job ... What we would consider lucrative for people back in the Philippines. As a college math professor, which is how he actually met my mom. He left everything that he knew and he had been supporting his entire family his whole life. He put two of his sisters through dental school and a couple of his younger siblings also through college, and he helped out with the family expenses as well.

He was the anchor of that family, but he knew that it was going to be really important for him to have more opportunity for him for his family in the United States. He took the opportunity. Got hired by IBM and worked his way up the corporate ladder over

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

twenty five plus years. Starting with that hundred dollar bill, he really, really built ... Actually, David, this is right up your alley. A nice portfolio of real estate and did quite well.

I always looked to that as my inspiration because if somebody can start with a hundred dollar bill, not knowing the language very well, not knowing a soul in the entire country and make that type of life for his family, it really felt like I could accomplish anything in my life.

David: Really what you're saying, Mark, is there's no excuse for really anybody in this country who's able bodied to not be able to still live what we call the American dream, even though there's a lot of people who make excuses today. You're father's a prime example for what can be accomplished if they have mindset, the work ethic, and seek the opportunities that are always there.

Mark: Yes, it's true. When you talk about DNA, I am thrilled that you brought that up because I really do believe that there's something special about immigrants in general. Immigrants that do anything to get to this great country of ours, and Canada included, and any first world country. To put their life on the line to improve their situation and perhaps make a better life for the future generations, it's just incredible. I knew at a very young age that I was going to have big shoes to fill. Dentistry happened to be the avenue I decided to go down. It wasn't an easy road for me, but every time I ran into a challenge, I always went back to my father's example of hard work and perseverance.

David: You never gave up. I know part of your background and your history is that you moved around quite a bit so you were always having to learn how to be adaptable. You had to learn how to

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

adjust. How to make new friends. I think that's a skill set that obviously serves you well, but at the time, maybe, it was a little bit difficult. Was it?

Mark: Oh, yes. Moving around ... It really was, literally, as soon as you got, kind of felt you were getting your bearings on a new place, my parents would say, "Okay. Let's ... Come time to leave again." That was just part of my father's sacrifice, because he really wanted to make himself available for the company. Any time it was even a lateral move, if they asked if he was willing to move, he always said, "Yes." If it serves the company well, he was a true company man. He decided he was going to do that. We moved a lot. We moved ... Geez. I lost count how many times we moved. It was very much like a military upbringing in the frequency of moves.

But it really did serve me well. I have friends from childhood all over the country, which is great, and it really kind of helped me to make friends quickly. It developed me as a really good athlete actually, because I realized really early in life that the quickest way to break into a new school or a new environment was to be good at something, and for me that was athletics, so I pursued athletics and I was really serious about that. You could walk into any new school and you'd have twenty two new friends, all the kids that were on the baseball team and the football team. That's how I got through all those transition periods in my life.

David: I know when you were talking to your academic counselor and I think bringing up the possibility of seeking to go to dental school, you were kind of naysaid at first, were you not? Weren't you kind of given kind of like, "There's another door over here, Mark. You might want to try that one first."?

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

Mark: Yes, for sure. I was fortunate enough to play one year of college football. When we ... All of the athletes were ... It was mandatory that you meet with an academic advisor. I have to say that I had attention problems all throughout my childhood. They diagnosed me with ADD pretty early. My parents didn't believe in medication so I skipped that, but I had a really hard time concentrating so my grades weren't the best.

I really was focused on athletics. All I wanted to do was play football. If you've ever seen me in person, I'm not built for football. I'm about five nine and at the time I was about a hundred and sixty pounds as a college wide receiver. I was ... The writing was on the wall that it wasn't going to last long, and I did suffer a pretty serious injury and ended up with two back surgeries, so my athletic career ended really quickly.

When I went in, the guidance counselor said, "I don't think you realize how difficult it is to get into dental school. You don't have great science grades all throughout your high school transcripts. I don't think this is going to be the field that you should pursue." They were actually encouraging me to get into either sociology or communications or physical education. I really wanted this. After my single year of college football was over, I decided to transfer schools and I really started focusing on my education.

The problem was my parents are immigrants and they believe in making your own way. They said, "Look, we don't want you to get the idea that we're going to be paying college for you." Once football was over, I was on my own as far as paying for my college. I got enrolled in UC San Diego, University of California San Diego, and I literally put myself through school with three part time jobs.

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

We all know that there's only so many hours in the day. I graduated with no debt. I supported myself all through college. I had my Bachelor of Arts. I had all of my prerequisites done. I had taken the DAT. But my grades weren't great, because there's only so many hours in the day and I was working a lot. When it came time to apply for dental schools, I had maybe an average application at best. We all know, especially nowadays, how competitive it is to get into dental school.

I just put it out there. I decided I was going to apply anyway. I applied for ten schools. After that first year, I got denied to all ten schools. I applied again the next year. Got denied to all ten schools again. I had twenty rejections under my belt, before on the third year I got a single acceptance and it was Marquette University. I ended up getting in for that freshman class of 1998.

David: You just don't take no for an answer. I think that is part of your DNA. That, as you said, immigrants to this country ... That's what it takes. It takes perseverance. I think unfortunately a lot of citizens that have never experienced anything other than this country, we take things for granted. Yet, you show up and you're not going to let anybody put you down because you saw what your father did. I think that's probably a big part of it. You just say, "You know what? A no just means let me get back up to bat again." Doesn't it?

Mark: Absolutely. I really wanted to show them, my parents, that that kid that got average grades and that struggled through school could actually make something of himself. Like I said, I have some dentists in my family and it was a really proud day for my parents when I finally got into dental school. I really do everything that I do for them. I'm always looking for, still, I'm still that ten year old kid that's looking for approval from his parents.

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

I decided that I was going to do it and I actually accomplished that. The funny thing is, is I, as a dentist, I have seen things from the opposite side. I've seen the world of dentistry from the outside looking in, trying to get in. I have a different appreciation for dentistry than most people do that perhaps have gotten in ... Maybe got in their first try and had three back up schools. That was not me. I always made it a point to say, "Hey, look. If I ever do get in, I'm going to make the most of my degree. That DDS, I'm going to leverage it in every way that I can."

That's what I've been able to do with the now seven practices. We do now have a hundred and thirty seven locations for the dental assisting school. I've been able to leverage my degree as many different ways that I can. Now I have multiple seven figure businesses just because I've learned how to leverage my credentials.

David: The key thing for you is that you've done that so well, and if something happened to you that temporarily stopped you from actively doing active dentistry, you and your family would not be at a loss. You have those income streams that are there. You've learned how to delegate and how to build and that would be something for another discussion.

What I'd like to know, and I think our listeners would like to know, is, again, what kind of gave you this idea, this mindset that you could take a dental degree, which a lot of dentist in this country have, but most dentists go in solo practice. They have the one practice. They go and they work hard at that one practice, and clinically, very good clinically, but it's all about them. The idea of even thinking about having a second, third, fourth, fifth, sixth, seventh practice and even on top of that, doing what you do with the this whole other curriculum, building

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

up this dental assisting school curriculum, where did that mindset come from? Is that again part from your dad? Was it part from other people that you found? I want people to understand a little bit where this came from.

Mark: Yes. I have always had a touch of entrepreneurialism in my background. My mom's side of the family is very entrepreneurial. I just knew that if I was going to be relying, trading dollars for hours on my own two hands, that there's only going to be a certain level of wealth that I would be able to obtain. I have to tell you, it's not all about money, but I have had ... I alluded to this earlier. I've had two back surgeries during my career. I have a plate and four screws at my C7 T1 in my neck. That's from football. I've had a discectomy at my L5 S1 down there on the lower back. I've been sidelined.

I've had times in my dental career where I couldn't pick up my hands and spin that hand piece to generate dollars. I'm really glad that I had created these multiple streams of income that were not completely reliant on my two hands. Now, if I go back to answer your question how I came up with these ideas in the first place, I struggled. My very first practice was not pretty. We opened it. I had partner at the time. We had no idea what we were doing. But through trial and error and really immersing myself in both personal development and marketing, mentors and small business mentors and reading a ton of books, it really was self-education.

I figured out how to run a successful dental practice. When that partnership eventually dissolved, I went on and I duplicated the model that I had created with that first practice over and over and over again. I realized that if you look at a local physician's office ... We have three physicians that have just closed their doors. Literally been finished with their careers. They closed

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

doors and their space is now for rent. There's no tangible asset there.

David: Right.

Mark: For dentistry, we are so lucky because we can build up a patient base and there is a tangible asset, a salable asset. My model was to build up either a struggling dental practice or I'd find an area that was under served for dentistry, sometimes in a remote area, sometimes in metropolitan areas. I would build up these practices to seven hundred thousand to one point one million. I'd pay off all the debt. Once that debt was paid off, I'd put it on the market and sell them. We'd usually get between seventy five and eighty percent of the gross revenue average over three years.

I just did that over and over and over again. Now I have a little bit different model where I'm bringing on trial partners and they're buying smaller portions of the business from me so I get continual cash flow, which I think you would probably think was a better idea, David. Now, I could literally chop off both of my hands and my family would be completely fine. In fact, my dental revenue ... I'm working about twenty hours a week. My dental revenue is pretty far down the list of income streams as far as the amount of money that comes in from actually cutting teeth every day.

David: I do really like the model. That's one of the questions I was going to ask you because I wasn't sure. I know that when I read your story in the book and some of the bio that for the first six practices you started them, you built them up and you sold them. You sold them for a nice profit. A chunk of cash, which is always great. No one's going to turn that away. But exactly ... I

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

was going to say, Mark, have you figured out how you could keep a residual going and obviously you have.

Again, kudos to you. You took a model that you figured out and now you've done the ultimate in creating those residual multiple income streams, which is the key. That's the key. You took a, you built an asset and ... We do the same thing in real estate. We just create. We acquire and put together assets that provide income streams and for the same purpose so that it really gives you freedom. It gives you options. It gives you and your family security and peace of mind. Doesn't mean you have to quit doing what you love doing.

Mark: Right.

David: Do the dentistry you want to do, right? On the terms you want to do it. Gosh, now you've got the freedom so if something does happen or you need a ... It's your plan B. It's what I call it. It's your plan B. I want to talk a little bit more about that, but the other thing I wanted to bring up was, again, what you said a minute ago was the fact that you got real creative about the business of dentistry. Again, I find most practitioners do what we're told in dental school or told to do by our industry. The trade association, ADA, and our state associations and that is to do better in the current economy, you've got to invest in yourself. We both agree on that. Unfortunately, so much of the investment is still focused on, again, what we do.

Not to downplay being the best dentist you can be and do the kind of treatment you want to do. I'm absolutely for that, but if all the focus is there on that, or all the focus is on trying to buy the latest gadgets and gizmos and technology, if it's just to say I've got it, then that's not really leveraging what you can do. It's

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

really what you've done. What do you think about that? Do you see the same thing, Mark?

Mark: Absolutely. You can have the greatest widget in the world. You could have the product in the world. You could be the greatest clinician in the world. You could be the greatest surgeon in the world. You could have the best looking practice in the world. But if you can't reach out and you can't recruit patients to come into your business, if you can't share with the world how great your widget, your product or service is, then it's never going to be shared with the world. You've got to know how to bring people through the doors. You've got to know how to treat them once they're there. You've got to know how to retain them for life.

These are things that we never talk about. Yes, clinical excellence is so important. It's probably the most important thing. But equally important is being able to run the business side of things. That's just a huge part of what our profession misses in our educational process. Now, I understand. We barely have enough time to learn how to do a class two composite and a crown and a root canal and an extraction during dental school. There's just no time. But what I really think ... Where I really think the profession kind of misses the boat is encouraging people to go out and educate themselves on what they didn't learn in dental school about running a successful dental practice.

That's just a big gap that so many dentists are missing, and so many studies have been done, so many surveys have been done ... Greater than fifty percent of dentists in the world are satisfied with their profession. Greater than fifty percent of dentists in the world wish they would have selected a different profession. I don't think that it's because the clinical aspect is

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

what's frustrating them. I think it's because they don't know how to run a successful business and get properly compensated for their skills. I honestly believe that that's the truth.

David: Good point. Good point. I think you're right on that. Let me ask you, Mark, in looking at your model with multiple practices, you've chosen to go with startups versus looking for practices that are under leveraged, under managed, for sale by doctors who are transitioning out, retiring. Compare and contrast. Why do you like the startup model? On the front side, it seems like, to an outsider, that that would be a longer haul to get from ground zero to the point of exit, like you've done. Tell us a bit about that. Obviously, I know you studied this hard and you got now quite a track record in how you're doing it.

Mark: Yes. It's a great question. Actually, I've done it half and half. I've acquired three practices that were struggling and actually turned them around. I've actually done three from scratch practices. I'm exactly half and half.

David: Okay.

Mark: I have to say, nowadays, it does seem to me if you do the right background demographic research, it's probably easier to get an underperforming practice. Buy it at a very low level, undervalued. Then turn that thing around. A scratch practice, nowadays, you are probably looking at six to eight, sometimes twelve months with no cash flow before the thing will sustain itself. You have to have some pretty deep pockets in order for that to work.

I've done some exotic things where I've found a practices that were already built out. I bought used equipment in the past. My scratch practices were kind of a hybrid where I had a little bit of help. I've never taken a blank slate and built it up and leased it

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

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

out and started truly from scratch. I've always had a building that was already built out for dental purposes and then done from scratch that way.

Nowadays, I'm looking for practices that are usually under three hundred and fifty thousand dollars. It's better if the doctor decides to stay and work for a couple years. Usually I retain a couple of the staff and get rid of anybody that's underperforming right away. Then we just do some common sense marketing. We improve the reputation of the practice. We increase the amount of collection to adjusted production percentage. We just create a better patient experience. By just doing five or six things, you could take a struggling two hundred and eighty thousand dollar practice and turn it into a one point two million dollar practice, usually at about eighteen months.

David: Awesome. Would you say, then, based on what you told me a few minutes ago about looking at fractional sales now and having partners, that are you pretty much focused on a partnership model versus practices run strictly with associates?

Mark: That's a great question. Yes. I ... Every time that hire an associate now, we are always in conversation from the very beginning that, "Hey look is this something that you think that you might want to buy into in the future?" Those are the types of people I'm looking for now. People that are willing to stay the long haul. I'm not necessarily interested in taking somebody that's fresh out of school, training them up, paying for CE for them so that they can get enough confidence so they can go out and be my competitor two miles down the road.

David: Right.

Mark: That's not necessarily what I'm looking for nowadays. What I'm looking for now is for people that can see that we have a vibrant

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

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

practice. Help me grow it, then take a part of that and create a great situation for themselves and their family. Yes. That's typically what I'm looking for now, and ... Because there's many tax advantages to not selling outright. Then ... Because you're an expert in real estate, you understand that it's really important to have continual residual income. That's what you get if you still retain even ... I own eighteen percent of one of my practices now and I still get a check every month for eighteen percent of the profit. It's great. It's completely residual income.

David: Yes. I was going to say, how much do you have to show up over there and troubleshoot with that percentage ownership? I'll bet zero.

Mark: Yes. Zero. The great thing is that he was one of my clients and he knows all the basics about running a really successful practice. He knows those five or six steps that it took for us to take that practice and turn it around. He's a great businessman now and he wants to have me continue to be his partner. If he ever decides that he wants to buy me out, he has ... I can either offer that eighteen percent to a new associate that comes on or trial partner, or he can exercise his right to buy my eighteen percent out. But for now, I'm just getting a check every month. It's a really nice thing.

David: Perfect. All right. Last question I have for today's interview, and that's going to be how difficult is it right now today to find good quality ... and I don't mean just from the clinical standpoint or experience standpoint, but character type associates who could potentially be a partner? How hard is it to find them today? For you?

Mark: It is sometimes, David, it feels like a needle in a haystack. Honestly. But when you find the right one and lightning strikes,

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

it's a beautiful thing. We have a process that we vetted over the years and it starts with two or sometimes three telephone and then Skype interviews before we even meet in person. Then we have a one on one, sitting across the desk from each other conversation. Then the staff interviews them and then the staff takes them out to dinner. Then the spouses get together and spend a half of a day together.

Then we take a personality test. Then the personality test person tells us if they think that we're compatible. Then if they pass all of those steps, then they become a trial partner. That can last anywhere from ninety days to six months, sometimes eight months. If we're still liking each other and the clinical work is coming back looking great, then we ink the deal and we sign the final contract where we become partners and they buy in at a predetermined amount based on the appraisal of the practice.

David: I know you got, by this point, you've got a very well tooled process. That is obviously a key in bringing anybody on under your umbrella, whether it's a staff member or associate to partner basis. Critical steps. Listen, this has been great today. I know we're going to have to do several more of these because I only touched the surface. I had this whole long list of questions I was going ... I was going to pull all this great information out of you. Darn it! I didn't I didn't get to all the good stuff. But we got some good things covered. Anyway, this has been Doctor Mark Costes, founder of the Dental Success Institute. Also founder of Horizons Schools of Dental Assisting. His book, The Pillars of Dental Success. Mark, if people want to find more about you, where would they go to do that?

Mark: Awesome. Thank you so much for allowing me to speak with you today, David. It was a pleasure. If you're looking to communicate with me, go to true dental success dot com. I will

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

Ep #28: How to Leverage Your Dental Degree with Dr. Mark Costes

send you a free copy of my book and then you can just hit the contact tab and you can pull that down. My email is info at true dental success dot com. We can get on the phone if you like or I can just send you a free copy of the book. Anyway that I can help any of your listeners out there, David, if they're a friend of yours, they're a friend of mine.

David: Perfect. Thank you so much, Mark. We will do this again for sure.

Mark: Sounds great. Thank you.

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