

Ep #97: Creating Passive Income with Freedom Founders with Dr. John Harasin



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Dr. David Phelps and Evan Harris

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You just don't know what the freedom feels like to know that, you know what, I've got something that I need to do that's more important today, I don't have to be chained to my chair in my office. That feeling that Freedom Founders and David Phelps gave me, is priceless. That can be achieved.

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 Phelps: Hey John, it's good to have you on the phone today. How are you doing, sir?

John Harasin: I am doing excellent, David, now that I'm an official Skyper.

David Phelps: You're all set up and working away on the technology world. Well, you're a guy that figures stuff out, so I applaud you. Trust me, it's never easy the first time when I interface with any new technology, so I totally understand, I'm not the first adopter but I'll come in somewhere behind the front runners on the good stuff.

John Harasin: Sounds good.

David Phelps: Anyway, Dr. John Harasin, tell us a little bit about you, where home is, where your practice is, how many years in practice.

John Harasin: All right, well I'm from Saginaw, Michigan, and I've been in practice for 36 years and I'm at a point now where I'm at my practice up for sale and phasing out so I spend a good portion of my time in Alden, Michigan which is about 156.5 miles north of where my office is.

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David Phelps: Very good. Let's take you back to almost two years ago when I think you told me that you opened an email and I'm not sure what took you ... I think there was a webinar or podcast or something you were telling me earlier, that you listened to. Can you take us back to that point and what got you take some kind of action or what opened your eyes to something that maybe you had been thinking about, you and your wife Gene, in terms of where you were going in practice and life and retirement and all those questions that face all of us at some point.

John Harasin: Sure. I was highly motivated at this point. There is somewhere between 1200 and 1500 other dentists who employ a financial advisor, and my financial advisor was a little too busy on one day and he turned me in to all-cash. I had asked him if the dial dropped below a particular point to turn me into cash because of a licking we had taken in 2007 to 2009, but he did that in error. It was at that point I decided, I've got to take care of matters myself. I heard a podcast that you were on, David, with John Groom and Jeff Watson, and I knew that there were three very intelligent gentlemen here and they knew a lot more than I did, and I decided at that point in time that I was going to sign up and have a conversation with you to see if this was going to be a good fit for me.

David Phelps: When you say, it's time to take matters into your own hands, I think that's something, John, that we could easily say that goes along with the frustration and thinking that many people in various careers in professional practice, doctors, dentists, lawyers, accounts. I think everybody faces that because, what have we been taught, right? We've been taught to focus on what we do in our expertise, but for financial matters it's pretty much just go find it, as you mentioned, find some advisors, find an

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advisor, find somebody who is supposed to be the one who can help guide us and advise us. You know, my feeling, I don't have anything against or negative about those people because I think they do have a background in certain specific areas of state planning or asset protection or accounting or taxation, and even those who are really versed in the mechanics of Wall Street which I certainly don't understand, but I think to me that's a little bit of the problem. Do you feel the same way?

John Harasin: Well, I agree with you totally. It wasn't that I hadn't been helped in several areas of getting my financial matters put together but you and I agree that I don't understand Wall Street and I never could understand in my mind how I'm supposed to have a particular pile of money and live off the interest on that in a year where the market drops 10%. I'm obviously going to be digging into my principle, and my philosophy as far as money goes is, I never want to have a penny less today than I had the day before. You're not going to find anybody that is going to do that other than yourself. As any financial advisor will tell you, nobody cares about your money as much as you do. Again, I just thought, "You know what, I need to learn to take the bull by the horns and be in more control of this situation. I'm not in control of the stock market."

David Phelps: Learning enough so that one can take control over their own financial destiny, now that's a pretty big barrier for most, because that again is not where most of us have any training. I certainly didn't and I learned mine just early on fortunately being around the right people and gained that knowledge, but I certainly didn't have that skill set coming out of school, and I would say, even those who do come out of college level graduate courses today in finance or economics, still don't have a skill set that is

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street ready to go to work. You and Gene thought about coming to Freedom Founders. Again, I know you had really no idea what it was about. You took some risk, you took some risk to take the time to travel to come. What were you and Gene thinking at that point? Obviously there has to be some level of skepticism going to anything new, right?

John Harasin: Yes. I have never stopped looking for secondary and tertiary sources of income. We had been down the real estate road, but we had taken classes from Ryan LeGrand and Fix and Flips, and I had realized that that wasn't going to be in my wheelhouse. If our listeners haven't heard of the Colby test you can find out pretty much where you sit and that you're not going to go out of that arena, and that wasn't for me, I had tried some commercial that happened to be at the wrong time, but when I heard this was real estate, a gentleman by the name of Mark Ford that obviously you're well acquainted with has always said, a good portion of your portfolio, at least 50% of your portfolio should be in rental real estate. I have this tremendous want and desire to learn that but I don't want to be the boots on the ground so I guess there was just hope that that's what would come out of this.

David Phelps: That's, I think, where the stigma of real estate investing comes from. I agree, you know how we feel on Freedom Founders, that single family residential is really the safest asset class, but the problem is that, how does one get into that investment arena without having to deal with contractors and tenants and so many moving parts that typically from the outside looking in goes along with residential real estate investing, right? I mean, is that how you felt when you heard you heard and read Mark Ford's writings, you thought, he makes sense, but, you know,

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here's this barrier, we don't want to get into all the moving parts. Is that part of what maybe held you back from getting involved in it earlier?

John Harasin: Exactly, yeah, it sure did. I couldn't see how I was going to climb that mountain, it just seemed like the barrier to getting that many properties and flipping them and then what areas was I going to purchase them where I didn't have the knowledge? It just seemed that I didn't have the parts nor the desire and the will to learn all those moving parts.

David Phelps: You know, a little bit of the purpose of my just having this call with you, just open and honest call about where you were going from and what you and Gene have learned, but you know, it's to expose other people in our profession to the opportunity for them to take more control over their financial future without taking on a second job, without getting sucked down that rabbit hole of dealing with too many people and really losing focus over what's most important in our life, usually it's the practice, until the practice sells, it's more time with your family. Can you give our listeners a little bit of an idea of what Freedom Founders has done for you in that capacity to let you get involved and have some control over your financial future without getting involved in the boots on the ground, the moving parts that most of us don't want to be involved in?

John Harasin: As I share quite freely with most people, it took me a little time to get my engine going, but I just listened to who the advisors were at Freedom Founders and did what it is that they told me to do. What I was asked to do was not difficult, there are people who are the boots on the ground who have businesses that are built that they're doing paperwork, they're doing all the things ... Once you go

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through this and you step your toe in the water it becomes very easy to do and it's totally changed my life. I've replaced my practice income within a year. Just the other day Gene and I completed our 52nd deal and it's not like we did one every week, it's that sometimes these things come in groups where you may make three investments at a time.

Long and short of this is, it's all about the people, as you often say, David, you have to meet the people that you're going to work with and know, like and trust those people, and once you do and you look at their organizations and you see how they work you just know and have a sense of confidence. Sure, maybe on that first deal you're not certain how that's going to turn out, but as soon as those checks start showing up in your mailbox or in your IRA account you become reassured. Myself as well as good friend of mine, [Ralph Striker 00:09:26], and many others have stepped their toe in the water and have begun to expand in this arena as well.

David Phelps: One thing that you did and you're often advising others to do the same thing is, you actually went to meet some of the trust advisors, the people we have in Freedom Founders that have the real boots on the ground, and this is investments, and you went to their geographical location, you went there and went to their office, you met the people, you got to look at the properties, you got to see the area. Because, you're not investing in your back yard, you're not investing necessarily in Michigan, you're investing in some other areas of the country and yet you found that you could gain a level of trust by going and seeing what their businesses operations, what the real people were like. Can you talk about what that was like for you and Gene?

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John Harasin: I'm glad you brought that up because it was critical. There's Glen Stromberg, wonderful fellow, and he invests in an area of manufactured homes that are on an acre or two acres. If you were looking at that and you were just looking at it on Zillow, you'd go, "What the heck is this?" When you drive around with Glen and you see this is the way that people like to live, they like to have a couple of acres, they like to have a horse. You go to these manufactured homes, Glen's been in the business over 30 years, and you see his level of expertise and you begin to learn what it is that he knows about these, how he has his business structured. It's the same thing in going and visiting Merv Plank. He's down in Birmingham, Alabama and it's a whole different market down in there and you may look at a home down in there and it may not be the one that you want to live in, but in that market the price of homes doesn't go up and down much but the rent stays level and it's a very stable market.

You have to learn these things and once you learn them now you trust these people and you know when these properties come up, you know when you're talking to Wayne and Tom in Indiana, and they know Indiana and Illinois and Michigan and Ohio, and they know their markets. Those are the things that I didn't know starting into this. Once I went there, yeah, was it investment in time in going there? Yeah, but the knowledge, are you kidding me? You spend a day or two with these people and now you see the culture of the people that are working with them, how they live their lives and what their goals and aspirations are, they become more like friends along with being your business partners.

David Phelps: The thing that these people provide is also access or connection to deal flow, because that's again, another

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problem that most people that are more lay people, or looking at real estate investing is more of a hobby, a weekend type thing, where they tried it in their backyard, is one doesn't even begin to know what a good deal is. Right, John? I mean, what's a good deal? How do you structure it? How do you know you're buying at a wholesale price versus paying retail for something? That's something that these different people as you mentioned in different geographic locations in the country that are not the speculative markets that typically go way up when the market's up and they drop way down when the market resets. Markets that are very, very stable provide good cash flow. These are where the access points are to really, really good deals that typically you couldn't find even if you spent the whole weekend looking on Craigslist or finding realtor in a certain area to try to hunt down a properties. You agree with that?

John Harasin: Well, I'll take a step back. John Groom, when I sat on my hot seat, a hot seat is when you sit in front of the room and you explain your situation and [inaudible 00:12:49] trusted advisors and the fellow members try to help you, whatever your given situation is, I had just lost all my money in a commercial real estate deal and I said to the group, well, I had done my due diligence. John Groom looks at me and he goes, "Son, you don't know what due diligence is." I probably stiffened up a little bit [inaudible 00:13:10], but he was exactly right, I didn't know what due diligence was. There's that old phrase, "You don't know what you don't know." These people do know and they know these properties and they know what a good deal is and if it wasn't one they wouldn't be in it and they wouldn't be telling you to go in it either because they want you to be successful so they can be successful. Did I answer you?

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David Phelps: Yeah. Houses are pretty darn simple to evaluate once you learn what the key areas of due diligence are, you compare that to commercial buildings or multi-family apartments, mobile home parks, self storage, which all can be great investment asset classes, but they require a whole new level of knowledge base and can be for people a little bit more risky. The single family lets you diversify so much in smaller investments and you can do so in multiple markets. How does that make you and Gene feel in terms of diversification and just overall safety of your investments now?

John Harasin: I feel well diversified. I mean, we do have a couple of multi-door things that we've decided to do, but that again is in terms of diversification. We have a good solid base in single family homes, because people are always going to need a roof over their head and, David, as you pointed out and one of the striking points of simplicity, is that regardless of whether the price of a piece of property goes up or down the rent usually does not change, and you can collect that rent check and then when there's a recycle of the market and the market goes back up, if you want to sell that property you can't do that in the stock market. If you're stock crashes you have lost, and as soon as you try and regain you're that many percentage points behind and have to gain that much more to get back, and there is no rent check that's coming in. This is such a beautiful arena to be in, to even ride these cycles out.

David Phelps: John, what do you think is the hardest part about just getting started? Maybe not just for you and Gene but for anybody who's new to this. What's the hardest part about getting started?

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John Harasin: Well, there's a few things. One is, you know, especially if you come to a group like Freedom Founders, it is very, very helpful if you bring your significant other. Because, for you to go home and try to explain to somebody else who hasn't personally witnessed it, I've seen that those people that take off in this industry in particular are people who, their spouse has been there, they've seen ... Not all, it isn't that it has to be there, but I've found that to be a key ingredient. Part of the impetus for myself and my friend Ross Striker is, you know, we're later on in our careers and so there's some expediency that needs to be there. Really, I don't see any need for fear here once you ... Any investment that you make along here, you have to look in these properties, you're usually loaning to an individual and that promissory note or that loan that you have is backed by a mortgage and usually that's under 70% loan to value.

What does that mean? That means that if this whole thing went bad you would have to sell that property because it would be yours and you only have to sell it for 70 cents on the dollar to come back even. You can't do that in the stock market either and I have never had a deal go bad, nor do I ever see one going bad, but you have that reinsurance or that insurance that you have some backing there. What it is that keeps people from putting their toe in the water, I don't know, I think sometimes they're so busy in their office and they get so entrapped in that that they just don't step out to do these things. Sometimes I just wish I could sit down with them, and I'm hoping that through this interview people can listen to me and hear and say, "You know what, this isn't scary stuff. This paperwork is not difficult." This is all taken care of for you and if you have a question there's people to answer those

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questions and if you don't feel comfortable with it, you don't have to do it.

David Phelps: Well stated, John. What advice would you give a professional career person at any age, that could be a young dentist who's recently graduated and in the first few years of practice, could be one that's in more mid career with family and working hard and probably at the peak of his or her earning years and trying to figure out where that stepping up point's going to be, where that freedom point is. Certainly there's people that are more our age that maybe have, their investment schedule has not been where it should be for whatever reason, either plan didn't work or they didn't have a plan and they have to make up for lost time. Any general overriding advice you would give to any one of those different segments about taking control of your financial future versus giving it off to somebody else to do it for you?

John Harasin: Sure. The basic thing that you have to understand is that you start immediately. You can read a very simple book, *The Richest Man In Babylon*, I believe it was written in the 30s, but it talks about the fact that if you earn a dollar you didn't earn a dollar, you earned 90 cents and 10 cents of that should go into your savings, and you didn't earn 90 cents, you earned 80, and 10 cents should go to buy your debt down. You have to look and you have to start building up what we refer to or as I refer to as, my pile, and taking this pile and then knowing how you want to invest that. My children are 28 and 30 and they both own or are lending money, they do not own property, lending money on properties. Why? Because they growth becomes exponential. Nobody tells you in dental school that you have to save for retirement.

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There's too many people out there that think they're going to sell their practice and that that's going to be their retirement income, it's the biggest fallacy in the world. You have to start saving and when you do, all of a sudden you're going to find out that that interest that you earned all of a sudden, that's your next deal that you're earning off of that, so you're earning money on top of your money. The quicker you start the sooner this will begin to build and then that freedom will start to come there because you'll start to get that feeling and you just don't know what the freedom feels like to know that, you know what, I've got something I need to do that's more important today, I don't have to be chained to my chair in my office.

That feeling that Freedom Founders and David Phelps gave me is priceless and that can be achieved. Obviously, I did it in a short period of time, in a matter of 18 months or so but I had some significant assets behind me. If I'm a younger person and I'm starting to do this, there is no place like right now.

David Phelps: Great advice. 18 months ago when you and Gene came to Freedom Founders, I don't think selling your practice any time soon was anywhere on the horizon, correct?

John Harasin: No it wasn't.

David Phelps: Now the practice is up for sale, you're currently vetting potential associates/buyers. You sort of alluded to it in the last response, but just go a little bit deeper for you and Gene, how has that changed your look at your future, what you're going to do. Also, let me ask, for this end, John, for a lot of hard working professionals, the day you take off that hat, I'm a doctor, I'm a dentist, and you "retire" that hat. That's a little bit scary feeling too. Cut a

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bundle of that together, tell me how that's worked out for you and what does the future look like for you and Gene, how do you feel now?

John Harasin: I couldn't feel better. You can ask anybody that knows us at the meeting, the stress that's come off of my face is actually incredible. I go to work now because I want to go to work, not because I have to. Things have changed in my life, I mean, what I want to do now is, I want to help inform other professionals of what this has done for me and how they can do it as well, and help pass this on, because there is no greater feeling to be on this call right now and to be able to give this message out to you guys, I'm pumped up, because I want to tell you, to have your life changed in a year and a half, you have absolutely no idea.

David Phelps: We'll still see you out there on the golf course from time to time, will we not?

John Harasin: Well, yes. You know, there's plenty of things you learn from Freedom Founders and you mentioned about the four minute mile, I used to think that I would never be a single digit golfer, I am single digit and I know before I get too old that I'm going to break par. It's been a barrier that's been there, but no, you will see me out there, because I will break par.

David Phelps: With your motivation, your mindset, John Harasin, I have no doubt that you will do that indeed. It's been fine, really fine, to have you and Gene in Freedom Founders, a delight to work with, and you also give so much back. I see that that's going to be a big part of your future, your legacy is giving back not only to your family, to your wonderful son and daughter, but to others that are also in

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the profession, that's the kind of person you are and I'm thankful to know you and have you as a friend.

John Harasin: Well I thank you, David. The feeling is mutual, sir.

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