Ep #127: Dr. Dustin Burleson Interviews Dr. Phelps on Today's Best Real Estate Investment Strategies

Full Episode Transcript

With Your Host

David Phelps

David Phelps: You cannot predict the highs and lows of any markets; you've got to have a plan that allows for market cycles because markets always cycle. But that's the cool thing about real estate, is it's so very localized, it's not a national market, it's not an index like the Dow Jones or the NASDAQ and you can choose where you want to invest and how you do it.

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Dustin Burleson: All right everyone. Thanks for joining us with Dustin Burleson from Burleson Seminars! We bring to you on this interview series guest experts who are helping our clients do things that either I don't know how to do or don't have the knowledge, skillset, or experience in doing. So when we find someone who's helping our clients do some amazing things, I feel it's my duty and obligation to put you in front of them. We're really, really picky about who we let on our stage, there's a handful of people that will come and speak with our clients and work with them. So today I'm extremely honored and extremely pleased because we have Doctor David Phelps with us today! A lot of you saw Doctor Phelps at our advanced wealth academy in Orlando last year, and a lot of you will see him again coming up soon in Kansas City this April for the Customer Service Summit.

It's rare, I'll let David share his story, but it's really rare that 100% of our clients will come back from any vendor and have nothing but good things to say. But that's exactly what has happened with Doctor David Phelps and Freedom Founders, the company he started. He is helping our clients tremendously. That's not fluff David, by the way, every single person - you're batting a 1000 - everyone we've sent has come back and said, "Oh my gosh this is amazing." So thanks for what you're doing for our clients. And for people that have not either seen you speak on our stage or not been on the webinar with you and I, can you tell us how you're helping orthodontists and how this all came to be?

David Phelps: Sure Dustin, thanks for having me back. I love your group, I love our colleagues in the industry, and it's a way for me to stay connected and, as you said, to do something good, to share something that I've learned. Not everything's the easy way. You go forward in life and you figure stuff out sometimes, it's a very bumpy pathway. But yeah, how it all came about: I got into private practice back in 1983, just a few years ago. But I practiced for 21 good solid years. During that time, actually before I was even graduated from dental school, I had gotten involved in real estate and people would say, "Well how the heck did that happen? Did you go to some seminar or something, or find something on the Internet?" I got to say, "Well no, we didn't have Internet back then." So it was just my own curiosity.

I think Dustin, I look around and I love being connected to people like you and people within the space of big thought leaders, and I appreciate that. I think even back then I was focused on school, like we all had to be, and getting through our courses, and all the lab practicals, and all it takes to move onto the next, I still in the back of my mind thought, someday I'm going to be hopefully in a profession, in a career, that I will be earning a living and providing for my family, I need to be a good store of the money which led to me investing. I knew the word invest and I knew something about people investing money maybe on the stock market in Wall Street, or putting money in the bank, I knew some things about that because as a kid I grew up, I did a lot of little entrepreneurial things. I was only interested in making money, and it's not that I had some big, extravagant lifestyle growing up, but for myself I liked to have independence.

My parents were very disciplined and they didn't dole out money, we had to do jobs. I had to mow the whole frickin' lawn - it was a big lawn for $2! - with a hand push mower, and so I wanted some extra money. And so I learned early on to be entrepreneurial. I sold greeting cards door to door, I had multiple lemonade stands in the neighborhood, I had lawn jobs, I threw the newspaper, and lots of things to earn money.

So when I was in school, realizing that I was going to be someday getting out and earning a living, I thought, "I got to figure out what to do with the extra money," because I was pretty disciplined. I budgeted my own money during those years, I worked my way through college and dental school, waiting tables, and so I knew what it was to earn money, but I was trying to figure out how do you make money work for you, or for me at that time. How do you make money work for you? I heard people talk about that instead of always working for money and up to that point that's what I'd done, I worked for money like everybody.

So I read books on the stock market and tried to make some sense out of that, and it was difficult. I found some books on real estate, some specific books by a few authors back then before real estate investing was really much of a buzz-word out there in the world like it is today or in the country. I read the books on real estate and it just really dawned on me that this makes a lot of sense, that you actually had a tangible asset that you could engineer some control over. Now sometimes control is a bad word for people when they're thinking about investing because they go, "Well I don't want control because control infers management," and yes it does, yes it does. But really, Dustin, when you think about it, anything in life that's worth doing well at all, there is some management involved, there's nothing in this world that's completely passive, nothing. We all aspire to have a business or practice that's not solely dependent upon us.

I think that should be the first goal of any practitioner: to get in, work hard, but have your sights set on getting to a point where it's not solely dependent upon you. That's a single business, or practice, or multiple, whatever your desire is, that should be your first goal. Once you've accomplished that to whatever level you feel is comfortable, whatever your destination point, then how do you start taking additional monies that aren't going back into the business or the practice, how do you make those monies work for you? As I said, most people take the passive way which is the way we're engineered, the way we're told. It's like you're a doctor, you need to focus on what you do best and that's being a doctor, being an orthodontist, treating patients, focus everything there. Turn your money - your excess money, your discretionary income - over to professionals, money managers, certified financial advisors, and let them do that job for you, and that's the way we're taught. Right?

Well again, I'm not here to bash any industry or bash anybody at all because I think there's very good, well-meaning people in all sectors of advisory capacity, but they're limited in what they can provide because they're educated a certain way. The way they food on their table, or the way they make money, is by selling certain products which may or may not have merit for any individual. That's where I just kind of took away from that and left the Wall Street side very early on, and so I talked my dad into being my joint venture partner, my financial partner, for the first property that I/we purchased together in 1980 when I was in my first year of dental school. I said, "Dad, we need to do this." We, meaning you put the money up, you take all the risk, that's the perfect joint venture, by the way - when someone else takes all the risk.

So dad put up the money and the credit, but I was the manager. So I was obligated to manage and learn how to manage, deal with tenants, contracts, leases, applications, vetting people; that was very good training for me. We made money on that first deal not because we were so darn smart, not because it was a great time in real estate, it was actually 1980, interest rates were somewhere around 18% to 21%, I think our mortgage on that property was 13.5%, so there's never a perfect time.

But what we did right was we bought the worst property, or the most outdated property in a good neighborhood. That was one of the caveats in one of the books was location, location, and buy the worst house but in a good neighborhood. So that's the thing we did right. I managed it, learned how to manage, made money. We took out and split about a $50,000 profit, a capital gain profit - which people on this call know the difference between capital gain taxation and ordinary income. Capital gains are taxed at a much lower rate, so I got to keep - because my tax rate was very low back then, it was like whatever the lowest rate was that was my tax rate - I got to keep the bulk of my $25,000. When I thought about it, I thought I waited tables all the way through college and dental school; nights, during the weekdays, and on weekends. And I made some pretty good money, but I didn't make nearly as much as I made on pulling that profit for three and a half years and being a manager very, very, very part time, with very little to do once you had a good tenant in place. $25,000 bucks came my way I thought there's something to this, how do I go forward and make this continue to be part of my program.

So fast forward, I graduated from school, took my $25,000 and moved a little bit away, and started a practice, but I kept buying property. On the sidelines I would find ways to buy property and because I didn't have a lot of money I had to take my $25,000 and make it go as far as I could. I did not use banks back then to finance my acquisitions, my investments, and to that fact, I don't do that today. I learned how to negotiate and find opportunities where there was either already financing in place, so buying property, I'm talking about houses, I'm not talking about big commercial, multi-family, I'm starting small. I was buying properties where I could negotiate in either a takeover of existing financing and/or get the sellers to also carry financing and put very little money, and so I was highly, highly leveraged, but I was buying properties in the right neighborhoods that had the cash flows that would service the debt flow. So I continued to do that, and in 15 years, I had enough cash flowing properties that I was netting out about $15,000 per month. Now that was, back then, about what I was making as a dentist and at that point Dustin I thought, "I'm there, I'm done. I could really quit dentistry."

Except for the fact that I went through a divorce, and so that was a big restart. You have everything, and I took all the property, because that's the only fair thing to do, my ex Jen, my daughter's mom, she didn't need to take property, that was my deal, that was my workhouse, so I took the property and had a lot of debt to pay off because I paid her off and gave her liens on the money I owed her on properties, legal fees, the whole nine yards. Anytime some kind of a partnership or marriage breaks up that's par for the course. But here's the thing that really was a big turnaround, is that took me 15 years to accomplish the first time, because I was learning as I was going. I was getting mentors, I went to courses, I learned how to do this; I was able to rebuild and get those properties paid off free and clear again so they're producing in 6 years - not 15 - just because I knew what I was doing, and I put my nose to the grindstone and I also took excess cash flow from the practice and hammered down and amortized those loans off more quickly. That was my program back then, that's what worked for me. So you asked me a simple question, I gave you a very long, very robust answer.

Dustin Burleson: No, it helps a lot actually because most debt, as most orthodontists that I know, certainly all of our top clients that work with you that have significant wealth, significant net income, have real estate as a major component of that portfolio. I know very few people that are solely invested in their practice and Wall Street alone that has significant wealth. I know that their diversification of income streams is not as appealing and not as stable as what you call your Plan B.

I just think the world has changed when you look at your parents, or certainly our grandparents. I was you, by the way, I made my first call and got on the air to CNBC when I was in fifth or sixth grade. I've been investing in stocks since I was old enough to know what they were. I built a website, company, when I was in high school, I sold web sites door to door back before people knew what they were, they were basically online brochures. I had a wedding video company, we did highlight films, we did logos. I've always had the same interest with money, which is a common theme by the way, so I want to point that out. Anyone you meet that's doing anything significant like Doctor Phelps and like all of our top clients, they're not shy about talking about their interest in money and their interest in being a good steward of it. So if you look at what your parents grew up thinking about investing, and what certainly our grandparents grew up thinking about investing, that's back when a significant number of Americans had pension plans, a name that most people don't know. I know you would know it.

The gentleman who invented the 401k, Ted Benna, back in 1980, he says he regrets it. He said, "I created a monster," because today you've got millennials and younger clients of ours, and even clients in their 40's, 50's, and 60's that think that putting money away in a retirement account is going to be enough to sustain the lifestyle they want to live after they sell a practice and it's not. Ted, the inventor of the 401k - or basically he found that section or subsection of the tax code - did that as a way, he was a strong Christian, he did it as a way to force employers to put aside or help their employees put aside more money but not to totally replace a pension. He meant for it to subsidize a pension. Today I think fewer than 6% or 7%, I don't think it's in double digits, correct me if I'm wrong, it might be 9% or 10%, of American workers have a pension. Well, no orthodontist you know is covering your pension unless you're working for some corporate deal that I haven't heard about.

So we've all been misled that we're going to take 10% or 20% of our income, put it aside into a market that's highly volatile, basically the last 10 years, pre-Trump election boost, we've seen almost nothing other than ups and downs ups and downs. If you throw on top of that management fees, not to diss on our financial advisors, because we've got good ones, you really can't use that as your only method of preparing for retirement. You have to have something else. So what you call your Plan B is why our clients are so intrigued by what you're doing because that is and can totally replace current and future income streams that you don't even know as a dentist, orthodontist, were available.

So will you maybe talk a little bit about a doctor who says, "Listen I get it, things have changed, I'm not going to rely on my practice as my nest egg," largely because there's more and more dentists and orthodontists coming out who just want to go work for a corporate dental chain. It’s not what it was when you opened your practice in the '80s where most dentists came out, and hung a shingle, and opened their own practice. Now there's fewer and fewer dental students who are buying or who want to take on the debt. Without being sexist, half of the workforce is female and a lot of them have no interest in owning a practice. So this idea that you're going to sell the practice and then sail off into retirement is, I think you would agree, a shrinking opportunity, a much smaller segment of the population. We have a lot of clients working way longer than they thought they were going to after the

2008-2009 financial collapse specifically because they thought they were going to have their retirement bundled up as a bonus in their practice and they saw they had no real estate, their financial portfolio was cut in half, and they decided they're going to have to work another 10 years not because they wanted to but because that was what they would have to do to maintain their level of lifestyle.

So tell me when a doctor finally says, "I get it. I need to have some sort of a backup plan." What are some mistakes you see them make or why do a lot of doctors never actually even take the time to develop what you call a Plan B?

David Phelps: Well I think it just goes back to the fact that I think a lot of people, Dustin, feel like as long as they're doing what the majority is doing - that is, what traditional financial investment or advisory would tell people to do - people think “well as long as I'm doing that then no one can call me dumb, stupid, negligent, whatever, my spouse can't tell me that, because I'm doing what everybody else is doing.” So that's kind of the default, but the problem is deep down inside, especially as one gets a little bit later in years and practice, maybe to their 50's, mid-50's, certainly by 60's and you start actually sensing the fact that you'd like to have an opportunity to maybe transition, start to wind your career down, at least know what that looks like, at least have a timeline of how that might happen.

Then when you start looking at numbers, the fear factor that I see in so many of our colleagues - and many of them actually Dustin, and you know this, have actually, no matter where they've invested with discipline, they've actually accrued a fairly decent investment capital base. Again, some of that may be in Wall Street or stocks, bonds, annuities, whatever they like, or some of it may be in real estate, but they've actually done a decent enough job. The problem that I see for many is that where they've gone about accumulating, and that's the problem with the traditional financial model I believe, is it's all about accumulation, work hard, you pay your overhead, you pay your taxes, then you pay your person lifestyle, and then you start to pick whatever you can that's left over, and you start to accumulate that, aggregate it, and then put it in the traditional vehicle. Again, which is mostly Wall Street, that's the easy way, and you put it there and a financial planner will give progressions, again, doing the best they can with models that I think are what they're given, but I think they're very difficult to project on because there's so many variables that no one knows today.

But as you mentioned a minute ago, the volatility - we have a lot of doctors who are in their late 50's or 60's that would love to be able to retire or to have that option and they can't because they're afraid. They're saying, "Okay, I've 'x' amount that I have invested in various vehicles, and that's had some growth, but it drops down with the market’s recycles. So I can't leave it there. Once I stop active work I can't leave it on the roller coaster, I need to try to take it where it's at a high point, but how do I take it and put it in something that is relatively predictable, and sustainable,” and perhaps has an inflation hedge to it because that's another big problem is that I believe, and I think many people believe, that the cost of living, along with taxation, can only go one way, and that's probably up.

So there's a lot of financial planners that say, "Well when you retire you don't need as much for your lifestyle because you're in a little bit lower tax bracket and your cost of living will be lower." Well that really wasn't my dream when I worked to go to school and I worked my butt off all these years. It wasn't my dream to retire or whatever you want to call after active income, it wasn't my desire to do that on a lower budgeted basis. Actually, I'd rather do that where I've got enough where I can live a better, more fun, more vibrant lifestyle if I can start that early enough in life when my health is still good and not just someday when maybe things happen to our family, or loved ones, or ourselves where we give to those things.

So getting back to your question - I could go on tangents all day long, so you have to rope me back in. So the problem is the fear factor. So I've got so much and I've done decently with the highs and lows of the markets wherever I've invested, and it looks like I could sell my practice if is sold it today for 'x' and after taxation I'll end up with about 60%, give or take, and put all that together, and I've got maybe it's a couple million bucks, whatever. But they're going, "how do I take that couple million bucks or $2.5 million or $3 million, how could I now take that and make it work for me? Do I leave it in the markets?" Well I don't feel too good about that. I could manage that when I was working because yeah I didn't like it when we had the downturn in 2008 and '09 and I lost 40% or 50% but I could at least work my way back up again.

Dustin Burleson: Exactly.

David Phelps: But now that I'm out of active income producing years I can't make that back up. Now I have to be protective. So what do I do? Do I put it in very safe, what we used to call the traditional retirement vehicles which would be certificates of deposit, or key bills, or maybe the bond market where you had more stability. Well you can't do that today...

Dustin Burleson: No.

David Phelps: Because it doesn't even begin to keep up with the inflation factor...

Dustin Burleson: Exactly, it won't even keep up with inflation. Yeah so...

David Phelps: So that's off the table. “But I can't leave it in the stock market so what the heck do I do? So I can't do anything so I have to stay in the practice. So I've just got to keep working.” So we've had so many doctors that have come to Freedom Founders and they have within a relatively ... Not everybody of course, it depends on where they are in the career cycle, but those that have done decently, and once they get in the game they understand how they can do this, how to make it safe and predictable, and you see the relief over them when they say the day that we figure out that they got enough that they learn how to orchestrate, they know where to put it in real estate, how to make it safe, secure, and be predictable, and have that inflation, then they go, "Okay, great. Now I can let go. I can let go of the practice, I don't have to keep doing this because I'm good with it now." But that takes some time Dustin; we don't wave a magic wand and all of a sudden people just get it. It's like anything: I welcome people to test drive, to come with a healthy dose of skepticism because we've all been taken down the yellow brick road and told this is the way to go, or invest in that.

I've been on that way Dustin when I should have known better because I thought, "Well I should diversify more.

Real estate's what I love, I should diversify more." Every time I did that going to something I didn't know, or I didn't know how to vet or underwrite who was managing the project I've typically lost money. Very few things I've done in that regard where I said, "I've got to do what I know." So doctors who are not accustomed to investing in real estate, or maybe they've tried it on more of a hobby basis, maybe they got involved in some rental houses either on purpose or by accident, or maybe they decide they do some flip this house stuff on the weekend because it looks sexy on TV, you get eat up because you don't know what you don't. So you go, "Well that real estate stuff is risky." By the way, didn't a whole lot of people lose their houses and a whole lot of investors get foreclosed on back in 2008, '09, '10, yeah they did. But they were not following what I call the prudent man rule. They were speculating. Anybody who speculates in any market is going to get hammered at some point. You cannot predict the highs and lows of any market.

You've got to have a plan that allows for market cycles because markets always cycle, but that's the cool thing about real estate is it's so very localized, it's not a national market, it's not an index like the Dow Jones or the NASDAQ, it's a localized market, and you can choose where you want to invest and how you do it. Again, that takes some management, it's more frustration, but now the doctors who have learned how to do that now when they're retiring it's fun, it's actually fun them to be involved. That does not mean, by the way, Dustin, I'm not talking about managing tenants or managing contractors, I'm talking about just actually being a little bit involved with your money and when money goes into a certain investment - sometimes they're shorter term - sometimes longer term, but you know where you'll place it the next time it comes, or you'll know where you're going to invest the monthly interest or rent dividends that come out. You know where you're going to put that next. That's what I call managing, orchestrating your funds flow. Not the boots on the ground, the moving parts, the brain damage that goes around with what I call traditional real estate financing that's being put out there like big time all across the country.

Dustin Burleson: Yeah, so that's so I make sure everyone understands that this is the only system I know. In other words, the way that Doctor Phelps does real estate. And the friend of mine that got me involved in it, it's the exact same thing we've been doing for years, which is really understanding the market you're in, the local market. This is not going and speculating on a bunch of houses about to be foreclosed or bank owned properties like in Phoenix, these are in markets that have been ... This is like Indiana, even Kansas City, Missouri, Texas, parts of Ohio where the minute people stop renting, leasing in these markets you might as well pack it up because the apocalypse has happened, there's no safer please, and there's no quicker place ... Because listen, I get to see so many orthodontists' financials and if we have a game plan of replacing their income with the distributions of savings on Wall Street that runway is significantly longer than if we do something where you can actually go, like you and I say, you can actually kick the cinder block, there's a real physical, tangible asset.

In the right market, they can finally, they and their spouse, can sit down and say, "This is what we will have as passive income from this amount of real estate investment. Now I'm not so nervous about selling the practice or bringing in an associate and tapering off my time in the practice. Or maybe I like to practice and I'll keep doing it for fun but I'm not so nervous about every year maintaining this high net income job to keep up with ups and downs on Wall Street." So it just shortens the runway I guess is what I've seen both for us and for our top clients, and that's exactly what you do. I know some people probably their heads are spinning with, "Where do I get started with something like this," talk about different ... Because there's not just one way to do this, and this isn't just going and buying up a bunch of properties, you could be very conservative and you could just play bank, you could lend out money to people that do this. Talk about some different avenues that doctors can take when they want to start investing in something like that.

David Phelps: Yeah absolutely. I think the best and safest way to get started is what you just mentioned, is be the bank, be a lender. A lot of people don't understand that there's a whole private capital market today out there that allows for individuals like you and I, and any other doctor or civilian who wants to do that, to lend money. And I know people will say, "Well wait a minute, the interest rates are still at historic lows, why would I want to lend money," and you're talking about matching the bank at 4.5% and 5% David. Here's what people don't understand is that the banks are about the retail market place, retail meaning homeowners. So your realtors who do their job by typically, for the most part, in residential markets, they're selling to homeowners, people that want to buy a home to put their family in, and those homeowners are going to go most likely to a bank or financial institution to get a home loan or mortgage. Very standard, been in this country for many, many years, that allows people to put homeowners a relatively small amount of money down to purchase a home, 5%, 10%, 15%, 20%.

Now, we have another segment of the marketplace that exists and that's below the retail line, that's the entrepreneurial sector and that involves a lot of people, and those are some of those people you see that are flipping this house on TV. Now not necessarily the people on the show, the reality shows are just that, they're reality shows. But there are people all across this country who make a business of buying distressed property, single family, multi-family, commercial, mobile home parks, self-storage, whatever it might be, and realize that distress comes in many flavors. A property can be distressed because it is outdated, it may be obsolete but still in good location, maybe has physical issues with it, and property can also be distressed because of the owners. The owner may be distressed financially because of different situations that come up in people's lives. It happens all the time: death, divorce, drugs, all kinds of issues create distress. People will say, "Well isn't that being kind of a vulture?" No, no, no it's not, because distress is always around us, and when someone needs an out, is it better to have the government come in and provide that out like they try to do every time there's a crisis? No.

It's the real people of Main Street, the real entrepreneurs in this country, that drive everything. So when the banks don't play in the distressed market, meaning they don't want to make loans to people who are good at buying foreclosed property or property that's distressed, and then do the rehab, and then either sell it or rent it out. The banks have their box and their box is relatively strict with guidelines that are, in most part, dictated by the government, by the Fed. Especially after the last downturn, the banks had to tighten up a lot. They were pretty free and easy back in the early part of the prior decade, the early 2000's. Free and easy, that's where things got in trouble, the government and Wall Street kind of collided and let people fog a mirror, get loans, including investors and homeowners. So I won't go into that right now, but that's changed immensely. I think to some extent it went too far extreme the other way, but now they're loosening up again some, right?

Dustin Burleson: Yeah swing...

David Phelps: Yeah swing the other, swing the other way, but there's still much more stringent underwriting. So...

Dustin Burleson: Oh it's crazy.

David Phelps: People will say ... Yeah, so it's very difficult for people, business owners in many sectors, and certainly homeowners in certain categories, and really it's the category that I call bread and butter in single family. Bread and butter are good three and four bedroom houses in good working class, maybe even lower white class, but great neighborhoods where the cash flow - relative to the price points of the property - cashflows like crazy. So there's a sweet spot in every market. Again, real estate’s local. I don't invest in California because it's a wild, wild west out there. But as you said, I invest in the boring markets, the rust belt, the southeastern states, Texas, Oklahoma where things are relatively stable. We just don't have those highs and lows, and the property is still very affordable.

So the reason that private lending works so well is the banks don't plate, the people are really good at buy distressed property or buying at auction. When you go to auction or want to buy it from somebody who needs to sell today you don't have the luxury of saying, "Well, let me go to the bank, I'll put my financials up, they’ll have a committee in about two weeks, and then they'll want an appraisal, and maybe six or eight weeks we'll get an answer back." See, that doesn't work. So the people that we loan money and win money, and really Dustin this is predominately the way I invest today, and I can explain more about that, but this is the way I invest today. I'm a lender more times than not. I do have real estate equity portfolio, but I'm culling that down. I love to lend money. So the people I lend to are people that are business entrepreneurs that do this for a living and they have solid track records, I vet them heavily, I'm in masterminds with them, just like you and I are in masterminds with other people we meet. So I know who they are, and they know what they're doing, and by the way, they've also been through at least one major downturn. So I know that they are not getting caught up in markets where the margins are getting tight.

But the nice thing about being a lender Dustin, if you think about it, banks typically don't, or they shouldn't, loan 100% of the value of the collateral that's being loaned against. In other words, take a $100,000 house or property, the bank's typically for a homeowner, are going to lend no more than 80%. To an investor it's less than that. Well, as a lender, that's my rule too. If I deem through my methods of determining value that a certain property's worth $100,000, typically my loan to value - what I'm willing to loan against that property - is going to be about 75%, maybe a little higher in some cases, maybe a little lower in some cases. But that margin of safety, that equity position I have, that 25%, say if it's a 75% loan to value, that's my margin of safety. So everything cratered in that borrower who is the boots on the ground entrepreneur just totally fell apart, something happened in his life and he just cratered, I as the lender, I've got a lien on the property, I can go take that property and I don't necessarily even need to hold that property. I could wholesale it to another investor/entrepreneur in that same market, get my money out probably still with a profit and move on.

Now I will say that rarely has ever happened to me in my life over the 37 years I have been lending money have I had to actually foreclose, and the few times I have it's always good, I still come out...

Dustin Burleson: Yeah I don't think a lot of orthodontists that are listening understand first that this market exists. Frank Dye, my friend who is a regional president of a bank, and Frank Dye said the only way they can make it harder for us to do business, aka, to lend money, is if they came with a cement truck and poured concrete over the front door and the back door of the bank. He said that's the only way they could make it harder. So they really can't play in the ... You're exactly right, so talk to anyone who's actually gone ... My friend just bought a new house and he was telling me about the process, it's 10 times more tedious, and strenuous, they look at 8 things 12 different ways from Sunday.

So they really don't play in this market with other accredited investors like the people who are doing this. They know how to turn and churn in market quickly because that's how these deals get done. These things don't sit on the market for six weeks waiting for a bank to go their board and see if they're going to lend this money, they're just not. It's just not available. So if you can step in, so an orthodontist who says, "Yeah, I've got a couple hundred grand sitting around, I could go throw that into one of these deals if you come to Freedom Founders and learn how to do this with David." You're not talking about 4-6%, you're talking about 8-10%, sometimes 12% return on your money very quickly which is very, very, very exciting I think for people who don't want to really dive all the way into I think the better and deeper levels of owning single family homes. This is a great way to start I think.

David Phelps: Yeah exactly, exactly, very safe, very easy. The key thing is to just understand some of the key parameters like anything in life Dustin, there are some rules, some caveats, rules of the road. I tell people that there's two elements to investing with or through other people. Again, this is the way I invest totally. I don't think I'll ever go back and buy my own properties ever again, that's how I started, that's how I learned, but today I do exactly the way I teach our doctor/dentist/orthodontist colleagues is invest with other people. So there's two key parts of the very basics of due diligence and one is certainly on the property, the collateral, and there's ways to get that due diligence done so you know what you're loaning or buying, whichever way you're going, you know what that looks like, you know what market values are, you make sure you're not overpaying for something, or buying something in the wrong place or location.

But the second one most people forget, that is the due diligence on the person or the company through which you are doing your investing. What that really comes down to Dustin, whether you're lending money or you're buying equity properties in single family, or multi-family, or commercial, it's the person or the company who is actually doing the management, because the way real estate produces is somebody is creating the income from having it occupied, so somebody is doing rehab or managing the occupant and creating that income. Again, I don't recommend that we do that because our time is better suited doing what we do when we make active income, or if we're through with active income we should be enjoying our life and spend time with our family. I'm not advocating for anybody going out and learning how to do this much on the ground, but your job is to learn how to vet both the property collateral and, as I said, as importantly, the person or company you're doing business with. That is a key, and if you do those two things and do them well the safety, or I should say on the other hand, the risk factor goes way, way, way, way down, way down so that I am so comfortable in any market, that's why I am all in to real estate.

Now I'm very biased, people know that. I don't tell everybody chuck everything you've got right now and go to real estate. No, you need to step into it in a way that's comfortable for you. But I've been doing it for 37 years, I'm very comfortable, I've been through a number of up and down markets and I don't flinch when it happens. In fact, change, as you and I both talk about, change in any market, in any industry is opportunity. So it's not be being risk averse and saying, well when something changes or when the market cycles, or they create a new Dodd-Frank rule, a regulation, look at that as an opportunity. How can you now solve all the issues that everybody else is having? That's where we fit in both in our practices and also in our investments.

Dustin Burleson: Yeah, without giving away all your secrets, talk a little bit about that because those two key points of knowing exactly the “what” and “where” of your investment - in other words, where are these properties, who's actually looking at the collateral, and then who you're investing with. In other words, my joke has always been any contract is just an invitation to a court date depending on the two people signing the contract, right?

David Phelps: Oh yeah, no doubt.

Dustin Burleson: So talk a little bit about what Freedom Founders is, because I think people can get your passion and understand that I know, and there isn't any other dentist, any other doctor on the planet that knows this as well as you. But talk about the team you've assembled. In other words, so a doctor who shows up at Freedom Founders mastermind or hires you and becomes a member, talk a little bit about what they're' really getting without giving too much of your secrets away in your 37 years of building this team. So talk about that a little bit.

David Phelps: Yeah, well first Dustin, there's no secrets. What Freedom Founders is very, very essentially, it's a fast track. I would be happy to give away all my secrets, if someone wants to go do it themselves and they're a young buck or something and have all the time in the world have at it. I will hold nothing back. It's just we're a fast track, we're speed, to implementation, to goal, that's what we do. That's why you and I are in mastermind groups and many of our colleagues are in different mastermind groups, we know the investment is about speed to goal. It's not that any of us are not intelligent enough to figure out how to do anything in life, but how much time do you have to do it. So I like to say that Freedom Founders is a safe place. I have purposely built Freedom Founders I would say the slow way, meaning, I didn't go out and just try to fill a room with a bunch of people and bring a bunch of real estate people that I know to come on let's sell real estate to a bunch of my friends and doctors, and let's see what we can do. I know that I had to build something for the long run that had sustainability, and predictability, and had safety built in.

Now that doesn't mean I promise or guarantee any kind of returns, I can't do that. But what I do promise is I don't let anybody come into Freedom Founders, come into our room, into our space that I have not vetted, and that I don't do business with, that's from an advisory standpoint. So I have people from all the different masterminds and from my experience in real estate and dentistry because even though we don't do practice management, we don't do marketing, that's a piece that everybody brings with them until they sell a practice. But I create a room where I bring the best of the best and on the real estate side these are people that I know from my own endeavors, my own investing, and I'm a part of one of the top level real estate masterminds in the country. So I get to cherry pick the people that number one, I understand, and appreciate, and have vetted their character, that's number one, their character and integrity. Number two, I know that they have a good model and a track record. And number three, I like their geographic location. So I will fly. I know them first, I will fly there and vet them out.

So when people come to Freedom Founders what they get is we almost make it too easy, and I have to keep coming back and telling the doctors that are in our group, "We're protecting you and I want to protect you, but if you step outside this group and you want to do some of your own backyard have at it. But just realize we have done a lot of the hard work for you by not letting anybody and everybody just come in here because we have my doctors, I say my doctors because I am one, my doctors are here, I don't let people come in and fish in the room because they think there's deep pockets there. That's not the way we do it.

Dustin Burleson: It's a marketing tip for everyone listening as well. We have prospective new clients, we do the same thing by the way. We ask for three references, and we call, we say, "I want to know three other orthodontists or three other doctors who can vouch for you because we're going to call them and ask about your integrity and your character." So with talking to other coaches, you and I both know coaches and consultants in the financial world, obviously in the real estate world, and dental consulting, we know a lot of these people and it's funny to hear them say, "What do you do with problem clients?" And I just laugh and say, "I don't have any problem clients..."

David Phelps: Exactly.

Dustin Burleson: "Because we don't let them in, or if they sneak in somehow we fire them real fast." So the marketing tip, then we'll get back to real estate for everyone listening, is I can't stand to hear a doctor complain about “well my patients are just price shoppers, or my patients don't value my quality of treatment.” They bitch and moan about their patients and I just say, "You're the person who attracted those patients to you. You control who shows up at your office. If you don't like the insurance companies that you work with drop them and find a way to get patients that you love." Life's too short to work with people you don't like. It is really inspiring because you could go to any city right now in any state on a weekend and hope into a real estate seminar, there will be 500 people in the room, 5000 people in the room, and what Doctor Phelps has done is very slowly, one by one, he's been grinding out the best people to put in this room so everyone there is a big boy and a big girl, no one's a knuckle head...

David Phelps: Yeah it's...

Dustin Burleson: And that's worth its weight in gold because now you're learning from...

David Phelps: Right.

Dustin Burleson: People who actually have credentials, people who have money, people who have experience versus some people who want to get rich in real estate. You want to, by the way, avoid all of that stuff. You want to avoid that. You want to find someone like Doctor Phelps which is very cool.

Okay, so back to, off of my own tangent. I know we're getting close to the end of the hour. Tell people listening, there's a lot of doctors obviously that have heard you on one of our events or who will see you at the Customer Service Summit which, by the way, you've graciously and generously sponsored so we can put those on, those events don't happen without great sponsors like you and Freedom Founders, so thank you. But for doctors who haven't heard you, who haven't met you, where can they go to find more information about Freedom Founders and about you?

David Phelps: Yeah certainly Dustin, to our primary website which is freedomfounders.com. Then I also do a weekly podcast which is the Dentist Freedom Blueprint Podcast, you can pick that up on iTunes or Stitcher if you like to listen to podcasts. So a lot of information there. So those are the primary two places Dustin. I only have one more thing because people, I think, will also want to know, "Well

David why you do this?" And I won't talk about that right now, but, "How do you make your money?" Well number one, I made my money the way everybody else did, I earned my living in dentistry but I was building my real estate and wealth portfolio on the outside in real estate. Today my real estate portfolio provides for me. What I do today is because I love it and I have fun. We do not sell real estate, that's what you're going to find when you go to many other places, and even if their education is good, I'm not saying it isn't, but their purpose is there to sell real estate. I want people that come to Freedom Founders to get in the game. I don't want you to come sitting on the sidelines and watching, but also I'm not there to shove real estate down people's throat because I'm getting paid for that. That's one of the things I've said upfront I will not take commissions.

Now, we do have our real estate trusted advisors who bring the deal flow, they do sponsor, but it's a flat fee sponsorship. I am not taking percentages, and there's nothing illegal at doing that. But I just said I want to be very transparent about how I operate here and I don't bring people in because I don't want to point people towards one vendor or one advisor to buy real estate, I wanted to be totally above board and I can talk about them and vet them. I'm very open about helping individuals about well should I start here or here? I will just tell them, "Look, this is a great place to start. Start here, start in this geographic market. Start with lending or if you need to leverage and move up start here." But that's how I want to be and not be focusing on one particular portal. If that makes sense.

Dustin Burleson: That's huge, yeah. That's a great point, then if you go and try to learn real estate from someone, what you're really doing is buying a ton of real estate collectively as a great from that person who's leading that group which I think I agree is not good. It would be the same as you only recommending a certain type of orthotic appliance because you own the patent on it. So it's the same thing, by the way. We kind of refuse to talk a whole lot about clinical stuff because I don't want people thinking that I'm getting a cut on every expander that we use, or every type of retainer that we use, we never talk about that, same with all the marketing. We had a client ask, "Why don't you just form a marketing company, and do all the printing, and do all the stuff?" And it's like because I'd rather you learn this, and get in the game, and do it yourself, and I don't want to have to worry about you thinking I'm recommending a certain type of direct mail piece because I own the printing factory that makes the money on the paper.

So it really is a great education, and like I said, this takes your runway to freedom, as David says, to the day where you know you don't have to continue to stay on the hamster wheel of high net income jobs. God forbid you hurt your back, or go skiing and break a leg, if you've got this runway shortened to where you can replace your current income with the passive real estate income that's a goal for all of our clients. It doesn't mean you can't be diversified with investments on Wall Street as well, but I know that the minute you put some in real estate that runway gets shorter for you. In other words, your date to freedom is much closer versus exactly why we put all of our clients in front of David and Freedom Founders.

Give those websites one more time and the podcast to make sure everyone got those.

David Phelps: Yeah, the website is freedomfounders.com and the podcast is dentistfreedomblueprint.com or you can just look it up on iTunes Dentist Freedom Blueprint.

Dustin Burleson: Awesome. A lot of you will be receiving this as a digital download and you've got this on your computer then I will include those links in the email. If you're getting this physically in a CD mailed to your house to pop in your car on the way to work then look on the sheet that came with it because I'll print those URLs on the lift note or the sheet that came with this.

So to that end, David thank you for being here. I always learn things, I'm always taking notes, and I've always got stuff to ask you because I learn a lot every time we talk so thanks again, that was awesome.

David Phelps: Oh it was a pleasure. It's mutual. I learn so much from you, that's why I love coming to your conferences. You're a genius in everything you do so I'm back there taking notes just the same way.

Dustin Burleson: It's good to surround ourselves with smart people so I appreciate you and I know everything you're doing for our clients is appreciated as well. To everyone listening thanks for being here, we look forward to seeing a lot of you in Kansas City in April where Doctor Phelps will be present speaking at the Customer Service Summit. If you haven't been to one of his seminars, you haven't been to see him down in Texas you've got to put that on your to do list, it will help you retire with a better retirement, what we call an epic retirement, and it will help you and your family, it will help you and your practice just as someone to get in front of and someone to learn from. So Doctor

Phelps thank you so much. We'll see you in Kansas City soon.

David Phelps: Awesome, thank you Dustin.

Dustin Burleson: All right, thanks.

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