Ep #149: The Path to Freedom with Dr. Eric Shelly

Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

Eric S.: So the point here is, you, your spouse, your family members, once you get clear on a goal everybody believes in, and you set a date certain, it's amazing how people get on board.

You are listening to the Freedom Blueprint podcast, with your host, Dr. David Phelps. You'll get straightforward advice to transform your practice into a self-sufficient cash machine, compound your net worth, and multiply your cash flow streams with hassle free real estate.

More at freedomfounders.com.

Dr. David P.: Hi, this is Dr. David Phelps with the Freedom Founders Mastermind, creating a freedom blueprint that empowers our members to reach freedom sooner, and not later, is the foundation of what we do. Through innovation, skipping road blocks, and building wealth and creating legacy is what we're all about.

Listen in as I interview Dr. Eric Shelley, and his path to freedom as a Freedom Founders member.

Eric, welcome and again, congratulations, congratulations.

Eric S.: Thank you, thank you David.

Dr. David P.: So Eric became a Freedom Founders member, you told us last night at your graduation ceremony, it was about three years ago?

Eric S.: It was 11 meetings, so it was February of whatever that year was.

Dr. David P.: Okay, so about three years ago, give or take, right?

Eric S.: Yeah.

Dr. David P.: And when you first came to Freedom Founders, I think you told us that you were considering buying another practice. I mean you've been successful in your practice, it's been working well for you. But you entertained the idea of just buying another practice.

Now, I'm not saying that's right or wrong for anybody, but I'm just curious as to what changed your mind?

Eric S.: Okay, well I have a younger partner who bought into my practice in about 2008. And obviously he and I working to grow our practice and increase our efficiency and our cash flow and everything. So we're looking at all options, and he met somebody he covered for during an injury that had an interest in possibly selling his practice to us.

So we started exploring that, and I remember sitting in a hot seat here, and asking the group about what they thought about the deal, what things I should look for. And I was trying to get feedback from the group. So selling my practice, and walking away from practice, was not even close to the top of my mind at that point, I was still trying to build the practice and help my partner and I both increase our cash flows, so we could save and build for retirement.

But I was also personally looking for alternatives to stock market, and the accumulation model of saving for retirement, because I had this gnawing itch in the back of my head that that just wasn't right. You know? I just felt like there was something wrong with that.

So in looking around, I discovered David. I'm looking at different investments, alternative investments, and I just kept seeing David popping up on Facebook. I think probably through some of the Dan Kennedy things I've been involved in GKIC, and I think those lists often interconnect, and I think that's why I started reading his blog.

Dr. David P.: Let's dig into that a little bit, because what you said, I think, is very common. In fact, I believe the same thing, that once I had built a, let's call it successful practice, it was holding its own, it was providing the income I needed to provide for my family, there's always the gnawing thought in the back of my mind is, well, I've got to still be planning for the future.

The problem is, most people don't know how to do that, so we just think, what we've got right now is good, if we just made it bigger of multiplied that, that thing that's providing income, in this case a practice, a business, we just multiply that. If we grew it bigger, or we had another one or two or three, that that's going to be the way.

Because it makes sense logically, it's just a multiplier effect. But what do you think is the problem with that? What feedback did you get that says, "Well maybe that's not the best way to find a partner to do that." Did you remember what your thoughts were on that?

Eric S.: You know, I think I was getting some mixed message, because some people were saying, "Dentistry is the business that you know really well," and investment in your practice is many times the best investment, even if you have the opportunity to buy a rental property.

You spend that same money in your practice, and it's a ten times return. And so I was getting that kind of feedback, and then I was getting all the other, you know, do you want to work that hard, are you ready to start working with multiple practices and more employees?

So I was getting a mix of things.

Dr. David P.: I think there are definitely people, there's people in this room that have multiple practices. And if you're the kind of person that has that CEO mentality, and you know how to pull yourself out of that practice to be that CEO, then that can be done.

I would say though, that most of us, myself included, are intricately trained professional to do what I do with my mind and my hand. I think a CEO is not a normal thing to do. We have to learn how to do it.

And I think, so what you're saying is you're deciding with some feedback from the group, that maybe that wasn't for you, even though you and your partner had a successful practice, I think optimizing that practice, but you know, growing it bigger, expanding it, going with larger multiple practices I think can go the wrong direction, it can actually cause more pain.

So we each have to make that decision, that's the point. I'm not saying one's right or the other, but Eric managed not to go that route, and as a result, you had a different thought. You said, "Well, if we just optimize what we have," and once you set the blueprint up, you actually saw an endpoint when you could let go of the equity in your practice.

And that's kind of what happened. So give us your thoughts on what you decide not to buy into the practice, how did you decide what your number was, and how you're going to deploy resources. So you could sell the practices you did a year ago.

Eric S.: Well, I think it helps to kind of understand what triggered the sale. When I joined Freedom Founders, at that time, one of the perks of being an elite member was a personal consultation with David at, you know, you would actually go there and have a one on one day with him.

And my wife actually went to that day, it was actually, we were there two days. So we mapped out my blueprint, much like you guys are doing all this morning. And we talked about our goals.

And one of my wife's goals was to retire when she was 53, 54, somewhere in her mid to early 50s. And so, I think one of the best things that ever happened to my wife and I was that David looked at her and said, "What date are you going to retire?"

And she didn't have an answer right away, but she very quickly said, "My birthday, next year."

Dr. David P.: It's amazing what the right question will give clarity right?

Eric S.: I mean, she's the kind of person that will hem and haw over a decision for years. And David walks in the room and asks her one question, and she decides like that. What power this man has!

Dr. David P.: I am not going to marriage counseling, I am not going there, I am not going there, not going there. But what's very true about what Eric's saying is that we all get in the weeds of our own life and our own businesses. We can't see what we can't see, we have a blind eye.

So we all need, myself included. That's why I have coaches and mentors, I can't see what I can't see. So it's not some special thing that I have, every one of you has that. That's why a Mastermind is so great, because you get the opportunity to have perspective from other people, who get to look at your situation more objectively.

We missed things, and so yeah, it's easy for me to come in and see it, but Eric and Margaret, they live together, they're not going to see it the same way. And it's probably a little safer for me to ask that question than to have Todd ask the question, would you say?

Speaker 4: Yeah absolutely.

Eric S.: It's much better for me.

Dr. David P.: All right, so now we have some clarity. By the way, Margaret had not been to a Freedom Founders meeting before. Yeah, she still hasn't. I don't know what she thought you were going off to, she gave you permission to do it I guess. I mean obviously, you know.

Eric S.: Yeah, I'm pretty persuasive.

Dr. David P.: Okay. But she did come down and she gave her two days, and as soon as we determine that date, she lit up. Until then it was like, what am I doing here, what are we doing, what's Eric doing? Okay Eric, I trust you, go do what you do here. You're a great provider.

I trust you, but you know what? What am I doing? I want to ride horses, which is what she loves to do, right? But she came in, and then she perked up. So the point here is, you, your spouse, your family members, once you get clear on a goal everybody believes in, and you set a date certain, it's amazing how people get on board.

Until we have clarity on a number that sets a precedence for having a certain lifestyle, and it doesn't mean you have to shoot all the way for the moon to be clear and ready to sell your practice, but what if you were just freeing up one day a week?

You set things up, you optimize the practice, you had enough cash flow to free it up for one day a week. And you told your spouse, your family on what days of month I'm going to do something with you all, or whatever you want.

See, when you make it good for everybody, everybody wins, then everybody gets on board. I'm a long-term thinker, and what I found in my life was that if I couldn't bring things back to today for the people who I cared about, who cared more about today, then there was a disconnect.

I'm out here thinking I'm doing the right thing, right? Men, you agree? We're planning way out here, a lot of times our families and our spouses are like, "Yeah, but I don't want you out there, I want you today." So how do we bridge that gap?

Well we have still plans, somebody has to plan long term, have that blueprint. But if we can make it so we can start having some freedom now, not just in three years, five years, seven years, or 20 years, but freedom now to give back to the family, guess what? Everybody gets on board.

And that's what happened with Margaret. Now she's all in. Okay, now she's perking up, now she's looking at the numbers. So we went through that day, so what else happened?

Eric S.: So at that point, in figuring out how she was going to exit the practice, all the legal structure of the corporation, at that point the attorney says, "This is going to be easier if you consider selling your partner the practice now."

And so-

Dr. David P.: But that's got to be a little scary, because when you think about selling the practice, or in this case, his 50%, what's that mean for all of us when we do that? We just lost control.

Eric S.: Yeah.

Dr. David P.: Didn't we just lose control? Yeah, yeah, we lose control. So how did you deal with that?

Eric S.: Okay, so I mean obviously this is my big income source, and I had been here at Freedom Founders maybe for a year and a half by that time, and I'd started to see, oh yeah, there's passive income here.

And fortunately, you know, I had some capital before that, so I had deployed quite a bit. And I was starting to see it start to snowball, and I realize, this actually does work.

I can see if I have this much capital, this group has enough investments, opportunities. I can deploy it and I know that I can get this percent, you know?

And to be conservative, I was looking at numbers like 10 and 12%, which I think is easily accomplishable in this group. So I told my partner, "You do your analysis, I'll do my analysis."

So if I got the capital from selling the practice, and deployed it here with the trusted advisors of freedom founders, that I would than exceed the profit that I was taking from the practice.

And knowing that I still wanted to continue to work in the practice, I was just going to give him control, give him the financial assets so that he could build his life and family with the practice, I knew if I had that capital, I was capable of taking care of my financial future with my assets and investments and passive income.

He did the same thing with his accountant, and for him debt was his issue. So he was able to roll all of her personal debt into the practice, and he increased his monthly cash flow from the practice by about $7,000 a month. So we both win, we're sitting on top of this without knowing that that's possible, because we never thought about, well what would it look like if I sold it to you?

And so as soon as we saw that, we're like, "Let's get to the attorney." It was done in two months after that.

Dr. David P.: That way, once you had clarity. But most times in life, we're biased because of, well not the way that we looked at business, or the way the industry says you do a succession plan. There's so many ways to cut things up or divide things in a way that works.

The creativity, being in a group like this where we've got so many people that know business structures and real estate and how this works, there's so many opportunities. But the scariest thing for most people, and John Henny Harrison, same thing for you, is you had enough capital assets to let go of your practice, you just didn't know it, because you, same as Eric, you didn't have the confidence to say, "Once I fell and I've lost it all, would you sell," you might have to go back to work somewhere else for a corporate entity, or something you might not want to do.

You don't want to do that, but once you had the numbers as Eric got on the white board, then it's like you said, we can throw these in the bushes.

The practice round is really inconsequential. It's icing on the cake, but you don't need it. That's where I want to see everybody get to, that's where you can get to, but you can't do it without clarity.

But just the pie in the sky number that some financial advisor says you need to have before you quote, retire, that's a treadmill folks, that's a treadmill that too many people are on, and I see it on the forums all the time, I see people out there.

They're hard working people, and I love their intensity, but they're going about it the wrong way. They don't know, and they don't know. Young people that are, they've got ... And I'd hate to see them 20 years down the road doing the same thing, because they just had it backwards.

Not that they're not great doctors or dentists or veterinarians, they just got it backwards. Not brain surgery, but you've got to have a plan that's intentional.

So let's talk a little bit about the real estate. And by the way, we're going to take the numbers that Eric's talking about, not his specific numbers, but after I come back after Blaine, walk through the numbers, so you're either here or work on your plans today.

Those of you on live stream, you'll get to see the same thing, we'll work through this so you can see how he got this clarity. We'll do real time examples, you can see how that looks. Because you're trying to see, okay, show me more about that, will do that.

But with the real estate, a lot of people say, "Well I know real estate inherently makes sense, because a lot of people have become wealthy with real estate." Look at most biographies of people that are quote, successful, financially successful, and whether they're real estate entrepreneurs or not, there's always a place where, yeah, invest in real estate. That's a piece of it.

But that seems to be hard to do for most people, because most people think about real estate investing as I've got to give, go do it myself. I need to go out in my backyard, in my community, I need to go find a realtor who can help me buy a house that's undervalued, and I need to get a contractor in, and my wife and I, we'll go fix it up, and we'll put a tenant in it, and we'll live happily ever after with this great cash flow, right Robert Nickel?

Robert N.: Wrong.

Dr. David P.: All right. There's better ways, and you talked about it yesterday. So I said earlier this morning, finding the right people to form an alliance with, a joint venture with, that you can, when both sides have skin in the game, critical piece, that's the way to make it happen.

You would start investing in apartment complexes-

Robert N.: Well, it was like apartment houses that had two or three units-

Dr. David P.: Okay.

Robert N.: My first office was in a three unit row house basically. It was two upstairs apartments, and the office. So I mean we bought that building with our practice. And we basically paid a retail price for it, so when all was said and done, it fueled the investment in the practice, 'cause the bank would loan on the real estate, and not necessarily on the practice.

So that was helpful. And we lived there for a year or so rent free, and our practice basically lived there rent free, and the apartments paid the mortgage. So that was a good deal, but it wasn't profitable like we get here.

And then I bought another unit in town thinking, oh that'll be a good way to augment my cash flow. I probably broke even on that property after about five years, 'cause again, I went through the retail space.

I bought it from a broker, real estate agent, and sat in the apartment on Saturdays when it was vacant, and tried to have open houses so people would come in and rent it, and I wouldn't have to go out on tours and ...

Dr. David P.: Another dentist trying to turn himself into a real estate entrepreneur, right?

Robert N.: Yeah, exactly. Well I'd seen my father do it.

Dr. David P.: We all dream of that, right?

Robert N.: So yeah, I mean once you get here, you start seeing wholesale. You start seeing deals before they hit the street. That's the big difference I think.

Dr. David P.: And just building the right relationships with the right people.

Robert N.: Right.

Dr. David P.: Due diligence, things we talk about all the time here. There's a formula to it, don't skip a step, it's doable. But the key thing is it's scalable for you, to still be busy in a practice, it's scalable. Don't do that.

Relationships buy you speed, access, makes it all doable, so you don't have to be the one with all the moving parts. Let's take a few questions from our audience here, because I know some of you want some more specific answers from Eric.

So you know his back story now, some of you know him better than others. But who's got some questions for Eric, you'd like to dig a little bit deeper? This would be great for everybody. So what questions do you have of Eric? What do you want to go a little bit deeper on?

I know we didn't cover everything here, someone's got to have a question. All right, got one over here. Hang on just one second, let's get you the catch box. Coming your way, here you go, sir.

Speaker 6: Just walk everybody through the first six months. Okay?

Eric S.: Okay, sure, that's a great thing. So I came to the first meeting, and I'm kicking doors and looking under the hood.

Speaker 6: What do you mean by that?

Eric S.: Well, I wanted to find out, whenever you go to a seminar where you're coming onto a new topic, a new item, something you're going to bring into your practice, something you're going to try personally, I always find there's one obstacle that's going to keep me from doing it.

I'm either going to have to pay like $50,000 to be part of this network, and .... And then there's going to be one thing that holds me back from action. Okay? And so, that's what I was kind of looking for here.

What was the thing that was going to hold me back from doing it? And as I got into the meeting, I'm talking to the trusted advisors, I'm talking to the other members, I'm still not seeing the barrier.

So I felt the trust in the room, I saw the organic friendships, and I'm like, you know, this is definitely doable. So my goal for the next meeting was to establish and initiate my first deal. Okay, so I went home, I devoured every piece of media I could about Freedom Founders, I got on the first phone call to get oriented, I went to the website and probably listened to every podcast that was posted there, every blog that was posted there.

I was like, most of the media I was consuming at the time was whatever Freedom Founders had available. So I'm trying to get myself indoctrinated. Now there's a whole lot things, investing 101 course, so you're going to have a lot more to look at, because there's a lot more content now than there was then.

Dr. David P.: How'd you figure out? So you wanted to get one deal done before the next meeting, that was your goal.

Eric S.: Yep.

Dr. David P.: So how did you figure out, what was that first deal?

Eric S.: Well, everybody kept saying the lending deals are a little bit simpler, and there's not a long term time commitment on them. So most of those deals are between three months and a year. And so I figured, that's the first deal that I think I want to do.

Dr. David P.: Some people don't know what a lending deal is. Let's just explain that. Most people look at real estate as, I guess I did when I was starting out, to invest in real estate, you need to own the real estate, right?

I mean it makes sense, you've got to buy the property, the rental house, the office building, the multi-family, whatever it is you've got to own it, or have an ownership in it.

Not true. What we're talking about when Eric says "Lending," we're talking about actually being the bank. Banks lend money. You know, you've bought a house, you've bought a practice, you bought an office building, most of us didn't have the cash to buy it so we went to the bank and we got the loan.

We signed papers to the bank. Now, as a lien position, we have to pay the bank, or if we don't pay the bank, the bank will actually own the property. So in this case, there's a market out there in the entrepreneurial space of real estate, where the banks don't play.

What I mean by that is banks don't lend to the entrepreneurial world, because the banks have certain guidelines and underwriting. They have to have committees and financial statements. They have a place.

Banks have a place in the world commerce, no doubt about it.

But there's a void or a niche that we, as private capitalists, can engage in. And through our trusted advisors who are in the marketplaces how build the contacts of the network, they do the lead generation. They find people or businesses who are very motivated to sell properties, and they can buy them wholesale, not retail.

But they need fast cash, fast cash. There making such a good profit, because they can move fast and solve peoples' problems or bank's problems or a business's problems, but they need quick cash.

The problem is the banks are not built on providing quick cash. Banks, slow, methodical, they have lots of requirements that they have to follow. So we have this big pocket under the retail space in real estate, where we can participate.

That's what we examine. So in this case, Eric decided to lend money to one of our trusted advisors, who was doing a short term thing, they were acquiring a property, rehabbing it, putting it back on the retail market. It's called a quick turn, or a fix and flip.

Typically six months, eight months, nine months maybe at tops in this current market, so your money's out relatively short term. Also another benefit is, if the property is $100,000 property, do you ever loan $100,000?

A bank typically is not going to loan 100% of the market value of that property, that's what makes it safer for a bank or a lender. So Eric says lending's a nice way to get started in real estate when you've never done it before, you don't want to really deal with a management company, you think about rehabbing.

Lend the money, and let someone else do all that management. You can get nice returns, learn how the documents work, learn how closings work, learn how your money's protected so there's no Ponzi schemes, that kind of thing.

It's a great way to get started, and so you did that first deal. How'd that work out for you?

Eric S.: I think it went on about eight months, and I got paid a nice little cheque at the end, well I shouldn't say little, it was probably close to $7,000. So it gave me an opportunity to research the house, look at the property, kind of taught you some of the due diligence that you need before you buy your first property.

So yeah, I mean it was quick, it was easy, and so one of the things then I look for next is to do a slightly different deal, so I can see the same process in a different context.

So my second deal, I think, as also a lending deal, but of a different nature. That was more of a long term lending deal rather than a short term lending deal, with some kind of shared appreciation at the end of the deal.

So then as I was doing both of those, I also dipped the toe in the water of buying a turnkey, okay? So I think once you see the process of what the notes and the paperwork looks like, having done some due diligence, now I think you're ready to try to pick your first ownership deal.

Dr. David P.: So a turnkey for people wondering what that means, is with a single family property, it means you're buying a property that has been purchased wholesale by a trust advisor, someone who has boots on the ground business in a certain geographic area that we feel like is a non volatile marketplace.

They buy the property wholesale, they rehab the property, renovate it, bring it up to a certain standard so it's now very habitable, very desirable for a tenant in that neighborhood. They, what we call load it with the tenant, they put the tenant in place, and that trust advisor just continues to manage the property.

So you're a step away from all that. Now it still requires a little bit of oversight by a management company, versus a lending deal.

Eric S.: Right, right.

Dr. David P.: I think it's fair just to talk about that.

Eric S.: Yeah, so the process of buying a turnkey, not only are you investigating the house, you're going to have to learn what kind of maintenance issues there's going to be in terms of paying taxes, paying insurance, what's going to happen for repairs.

You may also get lien notices if somebody doesn't pay a water bill. So this is the next level of being involved. Now none of that is overly taxing, as you'll find out, but the first lien letter, you're going to stress out a little bit.

So the property manager is the biggest thing that you have to deal with. You've got to like and understand how your property manager is taking care of your property and reporting to you what's happening at the property.

So, not all of my property managers are absolutely wonderful. And some of them, Glenn Strongberg, are. So, and like I said, the property managers, if they have 1,000 properties to manage, they're not looking at every detail, so you have to look at those property management statements and notice trends.

If you see an apartment that's constantly getting repair calls, it's worth a call to the property manager, find out what's going on there. Is there a problem tenant in there? Are they getting rents paid on time?

If you're seeing checks that aren't the right amount coming in from your property manager, are there tenants that are behind? Are the property managers quick to put an eviction notice on a tenant's door?

I mean if they haven't paid in two months, your property manager hasn't at least posted a notice to evict. You're going to wait an extra month before you can get that process started.

So those are the things that you've got to look at with your property managers. And the people in this room can give you advice on that. So maybe bring your first couple property management statements to the group, and talk to somebody that's done it.

And they can kind of review it with you and show you some of the things that you might be missing on them.

Take the next step at FreedomFounders.com. You've been listening to another episode of the FreedomBlueprintPodcast. With Dr. David Phelps, the place to be to create your freedom lifestyle with more time off, security, and peace of mind. More at FreedomFounders.com.