

**Ep #150: The Path to Freedom with Dr. Randy Cline  
and Dr. John Harasin**



**Full Episode Transcript**

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**Dr. David Phelps and Evan Harris**

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## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

Dr. Randy Cline: We talked to my financial advisor recently since I've been involved with Freedom Founders. I tell them I'm getting into real estate. That I've been coming to these events and learning about it and same old thing. "Oh, that's mighty risky. You ought to be careful. I know people who've lost a lot of money in real estate." But they're clueless. They have no idea what goes on in this room.

You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps. 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.

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Dr. David P.: Hi. Dr. David Phelps from the Freedom Founders Mastermind. Creating a Freedom Blueprint empowers our members to reach freedom sooner and not later is the foundation of what we do through innovation, skipping the roadblocks to building wealth and legacy.

Listen as I interview Dr. John Harasin and Dr. Randy Cline and his path to freedom as a Freedom Founders member.

Now, I'd like to bring up Dr. Randy Cline and Dr. John Harasin up to the front because we're going to drill down

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

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

a little bit on what you guys did. Give them a big hand for coming up.

Thank you, gentlemen. I'm bringing you up right now.

We did a little bit of discussion yesterday from the front of the room, but I'd like to take it a little bit deeper in terms of some of the strategies you used and I want to start first and just ask you guys a question about mindset. We talk about it sometimes and we all come with sometimes that baggage or lens of experience, we think about where we are and where we're trying to go in life. But, we come to a place like this and we hear all these new ideas. And it's a little bit scary at first, right, it's like new, it's a new language in many cases right? From each of you and I'll just start with you John, and you've had some experience obviously in real estate and it wasn't good, but you still came. So, how did you have to change your thinking and what helped your change in thinking to take action? Because if we're afraid, if we're skeptical, if we don't understand the language, yeah, our tendency is to hold back, which is natural, that's a good thing. What helped? Was it things you read, was it people you were around? Just give an essence of the people, what kind of helped you as you came and spent time with Freedom Founders?

Dr. John H.: I think what helped me the most, I know I've repeated this several times, but when I went and visited the trusted advisors and actually spent a day with them, okay, a day with one trusted advisor, I was in the market, I was looking at what their deals were and I saw how it worked. And where did trust come from? Just walk into a house and have a guy be able to go back and know exactly what it was going to cost for him to rehab that thing in about

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

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

eight minutes. I mean, you saw the level that they knew that what they were doing. So, even though I didn't have all the terminology down yet or this or that, knew I was in a secure place, I had known David had already vetted these people in the first place. So it probably helped me make that leap of faith forward in that arena.

At the same time I was investing in some funds and they were funds as I had mentioned, I knew David was in and he had his dad in those funds and his daughter. So I was pretty secure in that because this is what he was in. So that initial leap of faith was, okay, just do what David says. This man is successful, I am not going to reinvent the wheel, I'm not going to try and do it some other way and I think that was just the big crux. It was just the feeling of trust in the room, following what my sense said.

Dr. David P.: But just to tack on, you're going to visit at least one trusted advisor ...

Dr. John H.: Yes.

Dr. David P.: ... was a big help, because, again, I think, all of you were sitting here and could meet a great person like Mark Delatour 00:03:50 or Tom Olson or Wayne Sheaffer, you meet these people, but going and actually seeing what they do, it really lets you know that you're in good hands. So, i know we can't all Monday jump on a plane and go somewhere else but if you're holding back and you're saying I just don't see how this works, maybe give yourself a chance to go visit one of them and release some of that skepticism. Good skepticism to have, I'm not saying don't have it, but what John just stated, that was one of the things that gave him great confidence to go

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

forward based on the plan we laid out. So, it's part of due diligence.

Dr. John H.: Yeah, and let me just add to that. At this point in time this was a very young organization, so nobody had gone out yet. There was no other person that I could go to and say what is it that you did? You're gaining more comments because you can come to me and ask me questions, but again, I think it's huge for somebody to do that and entrusted advisors like it as well. So, I still think it's a good idea but you have a leg up on what I had when I started and it still worked out great for me.

Dr. David P.: Randy, what would you add to that conversation?

Dr. Randy Cline: Well, I had to admit that at first I had the typical paralysis of analysis. So I kind of set back a little bit. I was probably two or three months behind John and Eric and the other guys, and watched what they did, and they went out and kicked the tires, they were checking the boots on the ground and seeing what was really going on and I said ... poking fun at them. I kind of leveraged them and I let them do the due diligence, but I had developed a relationship with these guys and so they went out and did it and I took a leap of faith and took their word for it.

But, the second layer of that is that David had already done all this to the Nth degree, and if it was good enough for John and Eric and Bob and the rest of the guys, and it was good enough for David, it was good enough for me. So, it was a leap of faith but it's paid off. It worked well for me.

Dr. David P.: I just want to get the ball rolling. I wanna kick it all out to you all. Great chance for us to ask questions. Two people who came, as many of you are right now, relatively new,

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

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

what questions would you like to ask them about the process they went through, what they had to think about, the steps they took? Let's bring the cash box out, and, who would like to ask some questions? This is your opportunity.

Speaker 5: Just to know what the role of your wife's was in this whole thing.

Dr. Randy Cline: Okay, my wife came the second or third ... maybe it was at the third meeting and she came just to make sure that I had not joined a cult. And then once she came and saw the integrity in this room and the community, and as she gave me a hall pass and said go for it. So that's been her role, and it's worked well for us.

Dr. David P.: So, by role, you mean, you're taking active participation being a part of the real estate and looking at some of those numbers, or just as Randy said, just like, okay, Randy, I trust you, go ahead and just do it. Is that the question? When it comes back here, I wanna make sure we got it clarified.

Speaker 5: Not only the blessing to go ahead but did she get involved in the deals?

Dr. Randy Cline: No, not at all. I discussed it with her, I told her what I was doing, I really didn't get into the specifics. I pretty much handled this ... we've been married for 39 years and I've handled it and she was okay with that, so she gave me her blessing.

Dr. John H.: Jeannie came and has come to every meeting with me. I do all the real estate. My son designed our Excel spreadsheet. She does the spreadsheet and she's done

## **Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin**

all the books in my practice in our home because she knows paying bills like it should be. That works for us.

Now, Jeannie did travel with me to Fort Worth. She traveled with me because we were on our way to Chicago when we visited Wayne. I went down to see Merv by myself. So, she has total faith in me doing that but she did go and do some of the vetting with me as well and got to see that.

Dr. David P.: Good. Okay. Paul.

Paul: You mentioned the spreadsheet. Is there a universal spreadsheet that's available on the website or ...

Dr. John H.: No. So, right now I'm looking at Eric's and wanna look at Eric's and he worked on that real hard, so, yeah, you kind of develop your own and I want to talk to Lindsey a little bit about maybe doing it on Google Sheets, and so on. My son doesn't like Google Sheets so there's gonna be a little of a family debate on that, so that's a work in progress.

Paul: Can you tell us the kind of things that you're tracking on the spreadsheet?

Dr. David P.: You know what? Here's a good one. Eric at our Elite Day on Thursday shared with the Elite Group and we're putting that all on the member dashboard. Eric did a lot of work. He also has a personal assistant that now drives that but you really develop the basis for it and he gave a great presentation. You're gonna put that up and you're gonna share templates of what you've got, correct? They've already got it? Okay.

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

So, we'll put it up there along with his presentation, which he did and that will be available for everybody, so I think what you're finding is there's not gonna be one set but there's lots of ways to use spreadsheets and you'll find and tweak what you wanna do, but seeing examples of what other people have done, yeah. I started with a blank slate all day long. I'm totally for that. So, we'll put that up there so you'll have access to it, along with the presentation they already did. Awesome, good question.

What else? This is your chance, come on, dig in. Ask the tough questions. Ask the tough questions. All right.

Speaker 7: As far as tough question, I got a few. Are you guys both retired from Hands On Dentistry? I know John is not.

Dr. David P.: Yeah, I am...

Dr. Randy Cline: I'm working two days a week.

Speaker 7: Randy, what was your real estate investing background when you began?

Dr. Randy Cline: I had flipped a house. We bought a house in the college town where two of my kids were going to school. So we bought a house thinking that they would live in it while they're there and then we would sell it, and the timing was about as bad as you could get. It was October of 2007. Couldn't have been a worse time, but it's a little bit different environment when you're in a college town because parents will pay crazy money for their kids' rent and so forth.

But, we bought this house, it was a mess. We had to fix it up, but it mostly cosmetic, and we flipped it. We barely broke even on it. We didn't lose money, but we didn't

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



## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

know what we were doing. We were clueless. Before that my idea of investing in real estate was buying a rental house and being a landlord, and that was the extent of my knowledge of real estate.

Speaker 7: I'm curious, when you guys started the program, what were your gap numbers? Have you hit it? How long did it take to hit it? If that's not too personal.

Dr. Randy Cline: Well, my gap number was probably about \$10,000 a month, and I've done that in three years, made it up in three years.

Dr. John H.: It's hard for me to say what my gap number was when I began because who knows what I made when I was with them, is always pretty elusive, but it took me 14 months. I had already deployed to all cash except for some stuff that's still knotted up in things so I was able to do it pretty quickly.

The gap to start might have been 20 grand a month. Might have been 30, I don't know.

Dr. David P.: You got busy pretty quickly after ...

Dr. John H.: Yeah.

Dr. David P.: ... second or third meeting, I don't remember but you took off and he's done like 150 transactions now. As he says a lot of those are short term lending deals, but he's been involved in 150 transactions in three and a half years. That's pretty serious activity for a rookie. For a rookie, yeah, just jumped in and that happened.

Speaker 7: John, what was your biggest mistake that you'd wanna point out to people to say, hey, don't do this?

## **Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin**

Dr. John H.: Don't spend a couple hundred thousand dollars chasing around the grand ... eyeglasses. I mean, the back of the room's all lined up with all these people, with all these shiny objects and we went after every one. That was not a road to go down. I was not about to go chasing houses that looked like they were empty and so on and so forth. That wasn't my gig. So, that was a mistake.

The other mistake that I made, serious mistake, is John Groom still pointed out to me at my first meeting, I didn't know what due diligence was, and I thought I had done it on a deal and there was a 2018 ... and I lost \$115,000 on a condo project. So, again, a commercial property, not the way to start either. But, I was just a hard money lender and three people ended up going bankrupt and one put his money in the Cook Islands on that deal.

But I didn't give up when that happened. That's the major point, is that you don't give up just because you got knocked down. Don't think the whole sector out, and say, oh, real estate's bad. I was bad, I didn't do my due diligence. The biggest lesson was I've learned due diligence and I continue to learn it by following David around and seeing what it truly is. Even did it on his wife.

Dr. Randy Cline: I guess my biggest mistake over my career is I've had several different financial advisors that just me into bad stuff. I didn't know any better. I thought they were experts and ... you don't know what you don't know. and that was, the world of investing for most people is having a financial advisor who has your best interests at heart. My opinion now is they just have a product to sell and when I would talk to my financial advisor recently since I've been involved with Freedom Founders I tell them I'm getting into real estate. I've been coming to these events and

## **Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin**

learning about it, and the same old thing, "Oh, that's mighty risky, you oughta be careful. I know people who've lost a lot of money in real estate." But, they're clueless. They have no idea what goes on in this room. They just don't. So, that's the typical culture out there.

Dr. John H.: Cane Waters actually asked me if I would do this for their clients. 1,500 people. 1,500 people. I don't think so. I didn't want to go in that arena.

Dr. David P.: Great question. Who else? We've got time for a couple more questions. This is your chance. Just remember, we're wide open here, so don't be afraid.

Speaker 8: I know this is going to vary person by person but curious for you guys, what percentage do you have in different investment vehicles, like, single family home, versus private lending via ...

Dr. David P.: You got it all on the spreadsheet, right?

Dr. Randy Cline: I couldn't tell you specifically but I'm well diversified. I'm in everything that I can get into that I've been exposed to within this group. So, I'm probably a third in turnkey rentals, a third in funds and then the individual private lending deals. So, I got a little bit of everything. I feel good about that diversification.

Dr. John H.: I'm probably 25% in funds, 50% in short term lending and 25% in assets that I own. Hard assets.

Dr. David P.: All right, anything else?

Speaker 9: I just need to know on average ballpark figure how much ... to agree to your average gap number? Like, if you

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

have 10,000 as your monthly number over the years how much capital are you willing to risk there?

Dr. John H.: How's that?

Dr. David P.: I can just say that's a pretty easy mathematical equation to use based on the blueprint. Use that mathematical equation that will do that for you, but go ahead and answer-

Dr. John H.: What was the question again?

Dr. David P.: Based on what your gap was, your 10,000 or whatever it was, do you recall how much capital you had to redeploy or new capital to deploy to make up the gap? Is that the question? Yes.

Dr. Randy Cline: I have no idea at this point. I'd have to dig into that.

Dr. John H.: No, I'll give you an answer. I look at 10% because that's my goal. Now I'm doing better than that. I'm at 12.78, just because of some of the things that I've done, how hard I'm working my money right now, but I look at 10% and if my gap was 120 it was a million two. 'Cause that's 10%.

Dr. Randy Cline: Yeah, I would agree with that, yes.

Dr. David P.: So, on your Freedom Focus sheet ... we did the math there, so if you want to stay really conservative and put 10% down then you can just work the math and see. Most of us with a couple, two, three, \$4 million, if we want to really work that, 12% is very, very doable without getting crazy. You could even take small buckets of money and if you really want to turn it fast you can do upwards of that, but it takes more time. It takes more time. I don't want to kid anybody but 10% just without doing anything, so if you

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

want to be just really conservative and say I don't have a lot of time to do this but I've got some capital to get invested then just be conservative.

But you'll typically usually do better ... well, I have to start with conservative numbers, but we don't paint a rosy picture for people that they can't hit.

Dr. John H.: Then you feel better about yourself, too.

Dr. David P.: Yeah, always feel better.

All right, anyone else burning? Yeah, Mandy?

Mandy: We talk about risk management, about having diversified real estate investments and that we do our due diligence and stuff like that, but as some of us are just growing into real estate investors and we don't have that really strong heavy monthly cash flow, is there a number or an equation that you should be thinking about that's your emergency exit pull handle here kind of money to keep for just that event that happens that's just a bad thing? A fire? A lawsuit? A, you know-

Dr. John H.: 5%.

Mandy: 5%? Okay.

Dr. John H.: %5 cash reserve is what I keep.

Mandy: 5%. What are you calculating that on? Are you calculating that on the value of all your assets together, or your monthly ... like you're putting away 5% of that monthly cash flow?

Dr. John H.: All that I have deployed in real estate I have 5% cash reserve.

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

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

Mandy: Great, thank you.

Dr. Randy Cline: Yeah, I think that's about what I have, too.

Speaker 7: Sorry, it's me again. As far as all your investments, what would you say ... like what percentage is invested through Freedom Founders outlets versus other investments outside of that?

Dr. John H.: Real estate-wise? Because I have something that's tied up in rates that I just can't get out of there. I'm working on that real hard, but I would say probably 75% of my money is through Freedom Founders right now and I get 25% that's out elsewhere.

Dr. Randy Cline: I'm probably about 80% in Freedom Founders investments and the other is outside.

Speaker 7: Thank you.

Dr. David P.: Good questions, good questions. Going once. Okay, we'll pass it along.

Speaker 11: ...where you're going to deploy your assets? Pension versus non-pension? Especially if you want to leverage it?

Dr. John H.: It depends on how I'm leveraging it but the things that I look for that are gonna have an equity play, that's a larger equity play, anything that's gaining higher interest I have in qualified funds. I'm just trying to decrease the amount of taxes that I pay. Currently i haven't leveraged any properties or anything in my IRA. I don't want to own property in my IRA.

Dr. Randy Cline: Yeah, I'm the same way. I have not leveraged anything within my IRA. Just keeping the paperwork simple and make it easier to deal with.

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

## **Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin**

Dr. David P.: It's really gonna depend upon individual preference, where you are, how much wealth do you want, how much work you wanna do. There's a lot of rules to go along our qualified plans. They're there that we have to be very careful of and adding leverage to those adds a dimension of activity that we have to monitor. I'm with these guys, as my personal preference I keep my IRA qualified plans clean but there's nothing wrong with, and some of these people, that's where the bulk of their money is. It's sitting there not deployed well and many times using leverage in those cases is the way to go. It's really an individual thing but it's great to ask other people. Something, again, we can kind of help hone in on, your specific blueprint and what your goals are, what your needs are, what your time frame wants to be and how much time you're willing to put into managing the moving parts of that. Good question.

Dr. John H.: I should add to that. I did answer that wrong. I do have a lot ... I'm leveraging my knowledge of my deal flow through Freedom Founders, because I can use my Roth IRA and do that and so on, so that's heavily leveraging things. By leverage, I wasn't going to a bank and leveraging a property that way. So, leveraging my knowledge and my deal flow and my relationships. I've done quite a bit of that.

Dr. David P.: There's no rules prohibiting your leveraging your knowledge, right?

Dr. John H.: Not that I know of.

Dr. David P.: Good. There's not.

Dr. Randy Cline: But you're leveraging in lending deals.

Dr. John H.: That's correct.

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

## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

Dr. Randy Cline: You're not in turnkeys or anything like that?

Dr. David P.: Yeah. It's all good arbitrage. It still takes some work to put it together, though. It takes some work. So, again, if you really want to crank it, put some time into it, you can do it. Let's take one more, far corner, and I think we'll take a break and then we'll let Blaine jump in after the break.

Speaker 12: We're changing the discussion just a little bit on the practice management side. Did you see the need or did you actually employ any strategies to increase the bottom line you're netting and/or perhaps sustain your net income while increasing your free time?

Dr. David P.: You both just sold out to increase your free time is really what it came down to. Both these gentlemen were very, very close to exiting.

Speaker 12: That's right.

Dr. David P.: John exited, and Randy exited one but just kept the other one just because it's a hobby. He just enjoys it. So, neither one of them were in a position where they had to really go in and I'd say do it all, optimize the current business. That was just their position they were in at that point in time. Is that a fair statement?

Dr. Randy Cline: That's correct.

Dr. John H.: Well, we knew when the point in time came. I didn't even have to sell my practice.

Speaker 12: Right.

Dr. David P.: Once we ran his numbers, got his capital deployed through what we know how to do here, it was an epiphany moment.

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



## Ep #150: The Path to Freedom with Dr. Randy Cline and Dr. John Harasin

Dr. John H.: That was pretty cool.

Dr. David P.: Literally went through that white board that day. We walked out and the comment was, "We can throw the keys to the practice in the bushes, we don't have to have it." That was very cool. That was just their position. They both had been very disciplined in what they've done, and it was just a matter of gaining certainty over their ability to now orchestrate that they've built up and from the practice sale and now get it where they knew it was sustainable and predictable versus unsustainable and volatile.

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