Ep #190: Buck Joffrey - From Surgeon to Entrepreneurial Wealth and Freedom

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Dr. David Phelps

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Buck: The hardest part in investing in real estate is to invest with people you know, like, and trust. The hardest part for most people is to find those people who you can know, like, and trust.

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 stream with hassle-free real estate. More at freedomfounders.com.

David: Good day everyone. This is Dr. David Phelps of the Freedom Founders Mastermind community and The Dentist Freedom Blueprint Podcast. I'm bringing back an interview, a guest I've had probably it was a year ago. He's doing some amazing things out there. We have a lot in common. We have an affinity for being practitioners of healthcare, but we both left our practices sometime in the past and doing some fun things in, not only investments, but also just having more impact with our colleagues. Because we both found in life that the things they told us that we thought were true, particularly about money and wealth management and building investments, and really about freedom, are not what the mainstream would tell you.

Today it's my pleasure and privilege to bring back Dr. Buck Joffrey. Buck, how are you doing, sir?

Buck: I'm good. Thanks for having me back, Dave.

David: Yeah. It's great to have you again and just a chance to catch up and compare notes a little bit. Again, I want listeners to know a little bit about you because the history's always good. I've got a short bio and we'll bring this up to date to what you're doing today.

Buck Joffrey's a board certified brain surgeon. He's an entrepreneur, asset manager, and podcaster. After he finished his residency training in 2008, Buck took a different route than most of his colleagues. Having witnessed the 2008 financial crisis and the effects that it had on hardworking professionals around him, Buck decided to take his financial life into his own hands. After starting a series of businesses in healthcare, technology, and real estate sectors, Buck become financially independent only after five years of residency and made his life's mission to provide financial education for hardworking, highly educated professionals.

Today, Buck spends most of his time as a professional investor and educator through his show, The Wealth Formula Podcast. He's also the author of a number one bestselling book titled Seven Secrets of Eternal Wealth. In it, he discusses outdated and dangerous investment paradigms that will result in a generation of high paid professionals dying broke. That's the sad truth, Buck. It really is. We both know. We both have colleagues. In fact, I've got colleagues that I went to school with and I'm sure you do too. I'm a few years older than you so I've got docs that wanted-

Buck: They didn't believe you, David. They didn't believe you because they're dying broke.

David: Well, here's the problem. Here's the problem. I love the enthusiasm, the innovation of a lot of the young generation coming up in dentistry. They're out there and they're pounding it. They're getting in technology. They're doing great things. It's hard for me to sometimes say in wealth and building freedom investments, you just don't know what you don't know. It's hard for a young person because we were both there. We both had mentors and parents and fathers who said, "This is the path. This is the path." Of course, the financial world out there, as we both well know, is costly pounding upon all of us. All of us, about this is the way you invest money. You save, save, save, save. You accumulate. You give it a financial money manager on Wall Street and then someday, someday, you pile up this big, big mound of accumulated capital somewhere in some financial products. You don't take out more than this much per year. Hopefully you can live.

It's such a bunch of bologna, but we know that that's where the incentive is. That's how they make their money. You and I found out early in life that that's not what it's about. Today, it's just fun to have you back and talk about some of the propaganda, the misinformation that's out there, and what drives both of us to do what we do and having fun.

I've been a fan of Robert Kiyosaki, Rich Dad Poor Dad, Cashflow Quadrant. For a lot of people, that's where they first get a clue that this trading time for dollars, no matter what your education level, no matter how gifted you are, yes, trading time for dollars can earn you, what? A lifestyle, but where's the freedom in that? Where's the freedom? There is no freedom. There's no security. There's no end game to that and that's why most of our colleagues, they maybe don't die broke, but they live lives what I call, lives of quiet desperation. They want more. They feel like they deserve more, but they just haven't figured out what's the keys.

Buck: Yeah. No, I think that's right. I mean I think the issue is really ... It is really amazing to me. I had been talking to a lot of physicians lately who are ... I'm 44. I'm talking to guys who are 20 years older than me and I ask them what their ... First of all, I ask them what specialty they're in and they'll say something like, "I'm an OBGYN." "How old are you?" "I'm 62," or 63 years old. In my head, I'm doing the math there. I'm doing the math. These people are probably in the '90s in particular were doing really well. They were making four, five hundred thousand dollars in the '90s, which was a lot more money back then than it is now. They've had all this time to create wealth out of income. But then the next question I ask is, "How much do you have to invest? What's your net worth?" It ends up being like two million bucks or one million bucks, maybe one and a half. Which is not poor, but well, gosh, where did all that money go?

David: Exactly.

Buck: Where did it all go? Well, a lot of times what happens is, you and I know, that people get bad advice and the advice they consider to be conservative. You've had that before, David. "I want to be conservative. I'm not interested in real estate. I'm not interested in investing and all these alternative assets." It makes it sound like it has blue hair and a nose ring, right? "I'm going to do what everybody says to do. I'm going to follow conventional financial wisdom." The problem is, conventional financial wisdom was created by special interests. To the extent that we do what we think we're supposed to do is great, but conventional wisdom can often be wrong as well.

It used to be the case that the world was supposed to be flat. Everybody thought the world was flat and we agreed that. We also, at one point, back when I was in grade school I remember seeing a food pyramid up in class that had said that you were suppose to lots and lots of carbs. That was like the thing to do. I remember my fifth grade teacher saying, "Can anybody tell me what the healthiest food would be based on this chart?" No one answered and he said, "Pizza. Of course."

David: There you go.

Buck: Well, we found out later that the food pyramid was designed in part because of a study from Harvard scientists that were paid off by the sugar industry that didn't want to report on the negative effects of carbohydrates and cardiac disease. Again, special interests that are ultimately influencing conventional wisdom. I think Wall Street is no different than that and that's why people are getting hurt.

David: Buck, I know that when we talked in the past, you gave me a little bit of your family history. I think that's always a part of someone's story, particularly someone like you and to some extent someone like me and others who have broken free from what we saw was a traditional pathway into healthcare, medicine, dentistry, whatever it might be, could be lower your CPA, the professions. That's the track. Parents are so proud of their kids that go that track. Your father was very much an entrepreneur. In fact, he was involved in real estate for most of his life, right? You must've seen a side of him that gave you maybe permission at some point when you decided, "You know what? This trading time for dollars, even though I'm trained, I invested a lot of time, a lot of money to become a surgeon." Talk about how you gave yourself permission to say, "You know what? I'm not going to go that way," because that's a lot for somebody to just kind of push away and say, "I'm done with that." You're still a young guy, so you didn't do it a long, long time.

Buck: No. I mean I think permission is the key word. That is the key word because part of the problem we have as people who were successful in school, whether if you end up in the health field and you're a dentist or doctor, whatever, you did pretty well in school. You kept following this path and you got patted on the back because of these Pavlovian feedback loops that give you these rushes of dopamine every time you get an A in class.

David: Yup.

Buck: People keep telling you, "You're doing the right thing." I think for most people in that situation, it becomes extremely difficult to go against the grain when it's time to make decisions. Investing outside of stocks, bonds, and mutual funds, outside of the Wall Street paradigm, is going against the grain. It is supposed to be not the conservative thing to do. For me, the big thing was that, listen my dad's still cranking it out. He's just almost 80 years old, but he's still ... He's like your typical small time landlord, just a bunch of houses and duplexes and he's calling people demanding their rent and things like that. I didn't want to be part of that kind of world where the phone was ringing off the hook with toilets, termites, and tenants, but on the other hand, what it did show me ... because I never really wanted for anything. Growing up, my dad was ... I didn't have a lot of debt coming out of medical school or anything because my dad was able to pay for all these things. I didn't have a really difficult time in that regard.

When it came time for me to decide on how to invest, I didn't have this preconceived notion that investing that way in real estate, in things outside of Wall Street, was dangerous. In fact, quite to the contrary back in the dot com era, my dad got really greedy. What he did was he sold off a bunch of buildings and bought tech stocks. He had no idea what he was doing, but everybody around him was making a ton of money and he thought, "I can do this too." He did until he lost millions of dollars over the course of a few days in the dot com bubble because he was also levered up.

To me, it was actually quite dangerous. To me, it seemed like there a lot more systemic risk. Tom Wheelwright calls it systemic risk, the type of risk that you can't really control. You can't control it by buying a building that you know that's probably going to be occupied and controlling your amount of leverage you want in that. To me, it seemed riskier. That was a major, major advantage for me because I never saw it as something as a big leap. People who believe in the stocks, bonds, and mutual funds religion. For me, it truly becomes so powerful that when they try to do things outside of that paradigm, it almost feels like they're sinning, they're doing something wrong. "My parents tell me I shouldn't be doing this. My family's telling me I shouldn't be doing this." It's hard.

David: Yeah. No. It's very hard. You saw the way your father, very entrepreneurial. You said even to today. He's lived his own life. He's been successful in his own right, but you decided you didn't want to actually be involved in investing in tangible assets, real estate, in that same way.

Let's talk about what you and I both talk about, and you're helping colleagues that are definitely following the Wealth Formula Podcast through your experience, through your eyes. What is the best way? What do you find is the best way for our busy professional colleagues who are still trading time for dollars, doing well, but they wanted a different path? They don't want the mainstream path, but they have decided it's not going to get them there. So what's the best way? I know part of your answer's going to be people. People, a collaboration, right?

Let's talk a little bit about that because again, that can be a little bit scary for some people. In fact, let's put it bluntly. There's a lot of people out there in the world in all kinds of business and entrepreneurs, real estate, whatever, who maybe look like they're the thing or they've been riding this bull market the last six years and where almost anybody could be making money.

Buck: Anybody can. Right. Everybody looks like a genius.

David: How do we know? How do you decide if we're not going to do it ourselves and go out there and manage the tenants and collect the rent like your dad does? How are we supposed to do it?

Buck: Well, it's a good question because I think I started out initially myself just buying apartment buildings myself. I sort of learned on the job and got burned the first time around and then learned so many lessons with a couple hundred thousand dollars lost that I got a lot better very quickly. I started investing like that.

But what I realized pretty quickly too was that the way I was investing in apartment buildings, I might do a little bit of value add, but I wasn't going in there and creating a massive ... It's not like I had my own crews, my own operations. I wasn't doing this full-time no matter what. Even if I got decent returns, the participation syndication, participating as a passive investor with certain operators, what I found is that the returns were almost as good if not better in some cases, but what was happening is I didn't have to do the work and I was really handing over this full-time job to people who I trusted to do it.

The shift really was a paradigm shift where instead of sitting there looking at numbers, which I got really good at looking at numbers and as you and I both know, looking at the numbers is the easiest part. Anybody can make anything look-

David: Better.

Buck: Anyway they want. The question is, can you trust those numbers? The hardest part in investing in real estate is to invest with people you know, like, and trust. The hardest part for most people is to find those people who you can know, like, and trust. There's lots of ways to do that and one is by trial and error, but that can be pretty expensive. But the other thing is to find people who have already vetted these people and maybe their job is really to go out and vet. I know you do that. I certainly do that for my people. It's never a guarantee. Investing is never a guarantee, but if you can at least make it far less likely that the reason that this deal didn't work out or the reason you lost money was because sometimes things don't work out rather than somebody was nefarious in their activity or they just weren't realistic. Really what they just wanted was your money.

That's about 90% of the battle. That is 90% of the battle. It's worth ... I know David from I understand you have some coaching and consulting and stuff. That kind of stuff is incredibly valuable because you have to learn from somebody. I have this saying that I say to myself when people ask me about consultants or coaches or whatever because I spend a lot of money over time being part of masterminds, things like that. People say, "Well, that's a lot of money to spend." I say, "Well, you know? Here's the thing. You're going to learn from your mistakes or you're going to learn from mistakes one way or another. They don't have to be your mistakes though."

That's really what you get from these types of situations. You got to surround yourself with people and what I've come to call it is tribal investing, where there's literally checks and balances. I don't do something, I don't do my part, the next guy doesn't do his part, then the tribe forces that person out and everybody knows that. That creates a much better, safer environment for somebody who's not willing to go out there and do this full-time.

David: Yeah. That's really good advice. I like the tribal aspect. So true. Same as you, being involved in other masterminds and finding that to be a great environment to vet other people because you can ... It's kind of like, would you go out on a blind date expecting to marry that person? I know it happens sometimes, right? But usually it's better if you develop an organic relationship meaning the first thing you do is not shake hands on a deal because someone said, "Hey, I'm all this. I'm all that." Even if you heard about that person, it's nice if you can sit in an environment where you can just watch, observe, see how that person acts in different ways, hear what other people have to say. Then you can develop a relationship from there.

You're right. It does take time. It takes intention. I think where people lose their way is they get excited. We all get excited about something new. You do the numbers, it makes sense, you get the calculator out, you're just looking at how you can arbitrage and use a tangible asset instead of Wall Street. I mean it's fun stuff. What I find is people, they get so excited it's like they want to jump into that next deal just like finding that perfect women or women finding that perfect guy and not seeing all the options.

Buck: Well, you know, a few things. It's a great example actually because if you look at ... I don't know. I'm sure you get this all the time where somebody who's in your group sends you a proforma or operating memorandum and says, "What do you think?"

David: Yup.

Buck: My first idea, "Okay, well, yeah. The numbers seem like they look good, but I don't know this person. I have no idea who they are." It would be just like literally sending you a picture of somebody and say, "What do you think? You want to marry her?" "Well, she looks good."

David: Exactly. Exactly.

Buck: I don't know how much touch up there was to this photo. I don't know what kind of personality. This could be somebody who's been in jail for 10 years. I don't know.

David: Exactly. Yeah. So true. So true. We both also talk about leverage. Lots of ways to leverages all kinds of assets we have and people and experience and time. Financial leverage.

There's good debt. There's bad debt. Talk a little bit about that and what your beliefs are about the use of leverage and how that can expand and compound and what some of the negatives are to that.

Buck: Well, I think leverage is critically important. I use ... There's a mathematical formula that's really simple that I think of when I think of creating wealth, which is wealth is ultimately the product of three variables which I call mass, which is actually money. It's how much money do you actually put in. It doesn't matter what your yield is if you're not investing. That's mass and then there's velocity. Velocity is how quickly money's coming back to you or your yield. I ripped that off from Newtonian physics. That's momentum. But then there's one other piece to this that magnifies it all and that is leverage.

Leverage is critically important because I challenge anyone out there to show me somebody who's become a high net worth individual without the use of leverage. Unless you're a professional athlete, you're Lady Gaga, you won the lottery, it is almost impossible to become sort of one of these ultra wealthy people, maybe 10 million plus, if you've never utilized leverage. I've just not seen it. Somebody can come and show me how they've saved their way into 10 million bucks or 20 million bucks in 20 years, but I've just never seen that. I think it's critically important. I think it's absolutely critically important. As you mentioned, it's not without its risk. I mean you have to be careful what you're doing. I think particularly if you're looking at the kind of environment we're in right now where arguably the cycles ... We're at the top of the cycle or maybe we're even coming off of the top of the cycle. We might be slipping a little bit. I think right now to be maximally leveraged and not doing something to add value to your properties and raise that operating income is a mistake.

David: Yes.

Buck: I think that you got to be really careful. You know this too. In your part of town ... You're in Dallas, right, is it?

David: Right.

Buck: There's some groups out there that are taking down huge assets, 20 million dollar assets, and they're doing 80% leverage and they're buying things just around five ... Cap rates of around five and they're buying these things, Fannie Freddie debt, and they've got full-time jobs.

David: Yeah.

Buck: Even if they cashflow, even if they're going to cashflow, 18 months down the line at some point, they're going to have an appraisal and the bank's going to say, "I don't care if you cashflow. You just violated a loan company. You owe us a ton of money or you lose the building." I think like you were talking about before, anybody who made money in real estate in the last 10 years looks like a genius until they won't. This is all it's going to take. You don't have to screw something up, but if you buy right now and do nothing with that property and you're maximally leveraged, you're going to get in big trouble.

David: Yeah. Totally agree. Totally agree. We see it every cycle. That's one of the things that I really, really emphasize. The docs that we have is ... Right now it's a time to be very careful. We can stay invested.

Buck: Oh, yeah.

David: We can do it well through our connections, but it's the right projects, right syndication, really, really looking hard at the cashflow and not over leveraging and not going into deals today that are marginal in their cashflow because we know that all it takes is a tip of the economy and if you don't have that margin there, then cards can tumble down very, very quickly.

Buck: Oh, yeah. It may have nothing to do with how you're handling the business. You could be cashflow positive.

David: That's right.

Buck: And still get in trouble.

David: Exactly. Exactly right. One thing that you talked about a little bit is new rules for early retirement. Do you want to expand upon that a little bit? New rules for early retirement.

Buck: Well, I don't remember talking about that specifically, but I think the new rules for early retirement ... Well, let me tell you the things that I think of when I think of early retirement. You and I have talked a lot about real estate here and we've talked about cashflow and how important these things are. But remember in that equation when we had wealth is equal to mass times velocity, with leverage. Early in your career, it may make sense to really focus on increasing mass. How can you figure out how to make more money? Of course nobody wants to continue to keep working more and more hours just to make more money, but it might be okay if that's the short term plan.

The short term plan is maybe you're going to do a little bit more work. Maybe you're going to have a little bit, some kind of a side gig that can create more mass. But I think that for me, the key to my early retirement from surgery was definitely that. I took some early risks, meaning I did some entrepreneurial activity. I made some investments which I would consider asymmetric risks and I came up on top. That created the ability for me to turn that into more cashflow.

You've seen this I'm sure before too and you might have younger people who come to you and say, "Well, gosh. I mean if I get 10% on cashflow on every dollar that I invest, I'm going to have to invest a million dollars before I even get to 100000 dollars. I mean that's a lot of money." Well, you can make more money. That's one way of doing it. The other way that I like to do it and I'm sure this is something you utilize is a lot, is trying to invest in things that will allow me to recycle the same money over and over. If that's through cash out refinances, different kinds of leverage there too. It's creative financing and all those things. But I think to the extent that that quote ... I'm not sure if it was my quote or not, but that's kind of how I personally approached it.

David: I think it's well said, Buck. I agree with you. I think that what we're talking about is sacrificing early in life, maybe working a little bit harder, maybe keeping the lifestyle down a bit, building up that mass. And then doing something wise with that mass. That's what most people get ... don't do it the right way. They keep trying to build a mass their whole life and never figure out really how to leverage it or move it into producing wealth so we've got cashflow.

I think that's well said. I'm not a real fan of the millionaire next door who says, "Live this austere lifestyle your whole life and you never live." I think that's the wrong way, but I think there is always a sacrifice period somewhere, not eating dog food, but certainly keeping that lifestyle down. As you said, stepping out, taking a little bit of risk, but mitigating that risk by doing some study and particularly finding the right people in whatever sector, whatever you want to invest in. We love healthcare and always will. But figuring out how to take a little bit of risk early on that has low downside. You can always make it back up. But gosh, if you can get that mass going, as you said, with velocity, it is a great formula and works very well.

Buck: Yeah. I think particularly ... I think what you teach ... Again, I don't know your curriculum that well, but I know some people have been through your program and say that you've helped them a lot with the actual business, the operations of the business, the dental businesses and that sort of thing. That's one way you create mass.

David: Yes.

Buck: You inherently, if you're a healthcare professional, you have an opportunity to make a lot of money. That's a huge advantage because if you look at a lot of people out there who are making 40000, 50000 dollars a year and who are not trained to do anything that's going to inherently pay them a lot more money, they've got a much bigger task ahead. If we're starting with six figures to start and we're turning it into multiple six figures, that's a great use of what you're already doing and ultimately being able to maximize it. I mean really, that's what I did initially with my initial practices. I mean they're still running as standalone businesses. That to me has been ... That's a perfect example of how you can leverage what you already do into something by just thinking a little bit differently.

David: Very good. Very good. Well, Buck. It's always a pleasure. I love talking about philosophy, what we've learned in our lives and what we continue to investigate and really just bring the message to more people so they can see things through a different light and hopefully do things different than the majority. I think that's the key to everything. Dr. Buck Joffrey, WealthFormula.com and The Wealth Formula Podcast. Check it in. You always bring great information, great topics, you do a lot of great interviews. I jump in whenever I can and I try to pull some nuggets out because you're a real student in the trenches investor yourself. Thanks for your time today.

Buck: Great. Thanks for having me, David.

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