

Ep #300: Dr. David Phelps - What is Freedom Founders?



Full Episode Transcript

With Your Host

Dr. David Phelps

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

You're listening to the Dentist Freedom Blueprint podcast, powered by Freedom Founders with your host Dr. David Phelps, where the word retirement is bad and true freedom can be secured in three to five years or less. You'll get anti-traditional advice to maximize the value of your practice and multiply your transition options. Create safe and steady wealth building through highly curated real estate and build extraordinary freedom for what matters most to you without depending on the volatility of Wall Street. More at FreedomFounders.com.

David Phelps: Hi, David here. On this podcast of the Dentist Freedom Blueprint podcast, I am doing a monologue podcast. I am answering the question that I get so many times, and that is, "Hey, David, love your work. Love your content. Love your blogs. Love your podcast, but I really don't understand how Freedom Founders works. Could you give me some insight?" So, to answer that question that comes up all the time, I'm doing a special today on how does Freedom Founders work? How we curate the investment deals? And, particularly, who are we right for? And if it's not the right time for you, then how we can potentially help you to get ready in a position to do what we do? Enjoy the podcast today.

Hi, it's David from Freedom Founders. Today, I'm going to answer some questions that are frequently asked of me in different places. Many times it's off of social media, or we get email questions to our team. "What is it exactly that your Freedom Founders community does?" Most people know that we help our members, our clients connect their capital, their investment capital, their equity into

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

alternative investments. That being specifically into highly curated real estate investment opportunities.

The purpose of that is one of the key concepts that I know is a truth, I believe in it because not only do I see that happen with other people, but it's been part of my own story. And that is taking my active income, what I was educated for, formal training, licensure, career path, profession, clinical dentist, business owner, taking that active income, which is the key core of life. It's how we get started, it's how we pay the bills, it's how we support our family. But taking the shift from always focusing on the active income, and making that better, which is a good thing to do, but not if we take the eye off the ball, and don't build a future equity play future bank, some people want to call it retirement. I hate the word retirement. So, I talk about building your plan B, or having the assets that allow you to have passive, recurring, sustainable, predictable income from an asset that doesn't run dry.

In other words, let's take building or digging a well. If you dig a well in a place where the water is there, but you've got to dig down to get to it. You have to do the work on the front end. Somebody does, either you do it, or you, you add capital to it, you create the opportunity on the front end. Once the well has been dug and completed, then that water will flow indefinitely without you doing more work. That's the point of owning real assets. Real assets that don't require your regular daily active involvement. Like a practice, like anything that you do, trading time for dollars, which is what I call transactional income.

Ep #300: Dr. David Phelps - What is Freedom Founders?

And the bad thing about transactional income is not only is it very vulnerable, take COVID for example, how many businesses sectors were shut down and some are still shut down where the active income from those businesses, or the active income created by the business providing jobs to employees was shut down? Not withstanding the federal government stepping in and providing massive unemployment stimulus coverage, and PPP loans through the CARES Act to businesses, things would have been grossly worse than they are today. And we're climbing back out of it. But it showed a key point, that if your focus and your dependence is on one primary stream of income, then you are very vulnerable. And realize it's not just a COVID, it's other things that can happen that can cause small, medium, or major disruptions to that income flow.

So, owning assets, investing in creating, building, whatever you want to do other assets outside of your primary revenue stream is extremely important. Provides you a plan B, so the disruptions that are going to happen in life don't throw you completely off course. And secondly, probably a bigger reason, is because it provides you, what I think is a key to life and that's, freedom and autonomy.

Freedom and autonomy from outside forces that can't take you down. You're not driven or constrained by insurance companies that are dictating to you what your reimbursement rates are because you know the majority of our hardworking professionals in the healthcare industry, their income, their revenue is almost completely, if not a great amount of it, dictated by outside forces, that being the insurance companies. And if the insurance

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

companies aren't the devil in the whole thing, trust me, the government is coming. The government and/or the insurance companies are going to continue to drive your income. So, you've got to be looking ahead and realizing that you can't stay focused on that one revenue stream. Although, make hay while the sun shines. I mean, stay in there working hard, do the best you can with that.

All right so, how does Freedom Founders do this? Do we sell real estate? No, we do not sell real estate. There are a lot of people out there, and they're not bad people, but understand there's a big difference. People that I call capital raisers, deal sponsors, or aggregators. What they do is they're more marketers. People who market to people like me and to you, typically high income, high net worth people, professionals. There's all kinds of places out there that are talking about, hey, how you can invest in real estate, and how you can make these returns, and how you, you, you. But, typically, the front end of those offerings are done by promoters who, once they promote and access your capital, because you invest with them, they get a cut, they get a commission, they're capital raisers. They're licensed to do this. They're out of the picture.

Then, they step away and they had the great relationship with you. They "sold you on the opportunity," but now you're with a third-party, who is the actual manager of the operation. You may not know them from Adam. Or what you may know about them is just what you saw on a webinar. Do you really, really know who those people are? See, the problem is you don't. And if you haven't been involved in the world of alternative investments, which is a great place to be, it's a great class, it's a very

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

inefficient model. And that's what provides us the opportunity. But if you haven't had the opportunity to be involved in what that looks like, then you have no clue as to what is a good investment opportunity, what's a bad one, what questions should you ask? And is it right for you? See, there can be great investment opportunities, but they may not be right for your goals, where you are in life with the buckets of money, or equity that you have.

See, most people take a hodgepodge approach. It's like whatever the deal of the day is, they take it. I see it happen in the stock market all the time. I see all the conversations about doctors and dentists thinking that they can out do the institutional Wall Street marketplace by trading. That's a world I don't want to go into right now, but trading is not well producing. If you're lucky and you, you hit some just like going to Vegas, and you're a winner more than you are a loser for a short timeframe, it's active income and you're taxed to the max on that. It is not wealth building. It's not security. It's not, long-term passive income. It is more of an addiction to an adrenaline rush to see if you can beat the markets.

Okay, if that's a hobby and you enjoy it like any hobby, go do it, but don't rely on that for your long-term future. Well, that's what I got to say. Long-term wealth building is based not on what you do, your active income, that's the starter, but it's only the catalyst for getting your active income moved over into assets that you actually own, or control that you don't have to be involved in on a regular daily basis, like you do your practice. That's the key construct. That's what Freedom Founders is about, it's about teaching you how to look at those due diligence, providing a safety net, because we curate, through a very

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

involved process with security attorneys and chief financial officers on board, on retainer to review syndications, deal funds that are brought to us. We curate like crazy.

And because we don't sell real estate, we don't make commissions off of what people invest in, we're agnostic. It's not the deal of the day. It's built on relationships. You get to actually start to build your future, and build skillsets that you will be able to use the rest of your life. Not just giving your money to a financial advisor, or somebody who's offering a syndication, or a fund in something X, Y, or Z that sounds sexy, but you have no clue. And even if it does reasonably well for you, how can you repeat that? See, you don't have the construct to do it. You don't know how to do it.

So, how do we do it in Freedom Founders? There's different asset classes. And I'm going to go briefly through those, very briefly. Realize a much deeper dive is necessary. It's what we do in Freedom Founders, but there are, what I call, direct ownership assets, direct ownership, where you or your entity, LLC, if you will, you actually take title to you. Have the title, the ownership control of that actual investment asset.

So, what would that look like in real estate? Well, it's the one that everybody knows. Everybody understands, at least from the outside if they haven't already done it, is it's own rental property. Now, if you've done that before, most of you have maybe done it by accident. Or maybe you just decided you need to try it. Most of those don't go well. Again, because you have no context. You have no idea what's a good deal, bad deal. It's a business and you're

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

not in the investment side to run it as a business. Your business is in dentistry. So, you take on an investment that actually is a business, and it doesn't work out well. Maybe it breaks even, at best, but most of them don't work out well at all. So, you may have a bad taste in your mouth about that, but realize in Freedom Founders, we do that on a whole different scale, a whole different basis that provides for a lack of you having to be involved.

And we have top scale management that takes all the riff raff away from you, and provides you with highly curated, really well curated, well acquired, I should say, investments in the right markets with the right managers. And you just don't have all this up and down stuff. So, that's one direct ownership. You actually have title to, you own that property, therefore you control it. You control as much as you want to. If you don't like the asset, if you don't like the manager, if you don't like anything about it, you can make moves and change it. And that's good and bad. Control is good, but how much control do you want? If you have to control everything in your life then, you have no capacity and no time to really focus on the things where your highest time value can be leveraged.

So, we don't want our members to be in the weeds with learning how to go out in their neighborhood, or their community and learn how to be a real estate investor. That's not what we teach at Freedom Founders. Many people are mixed up and confused by that, and they think that they're going to come to Freedom Founders, and learn how to go out and buy rental properties, or do fix and flips, or have a TV show called HGTV, or Flip This House. I'm being a little bit facetious there but, of course,

Ep #300: Dr. David Phelps - What is Freedom Founders?

that's not what we want you to do. We want you to be able to invest in the right things for you that fit for you.

Now, what other direct ownership side that most people don't have any clue can be done, and that is actually owning debt as an asset. Debt secured by real estate, getting single family houses, which is very stable, very safe, very secure. In the right markets, single family residential is the most stable investment real estate there is. It doesn't mean it's the best or only, but it's very stable. Well being the bank, owning the debt like the bank maybe has a mortgage on your practice building, your house, or whatever, the bank always gets paid first, always gets paid first, and there's no management issues. There's no tenants, there's no maintenance, there's no upkeep, there's no capital expenditures, nothing. It's a very safe way. And a lot of the time, we start our Freedom Founders members in the game of investing in real estate by direct ownership, investing in the debt, being the bank first, then we add on the other pieces. So, that's direct ownership. Lots of opportunities and lots of benefits in direct ownership. I'm not going to go through every one of them.

What are the returns on that? As a bank, you can earn easily 10, 11, 12, 13%, even on up, depending upon the market flow with a lot of safety. On the equity side, owning the turnkey rental property itself on a cash on cash basis, 8%, 9%, 10%, 11%. You add leverage to that by using the bank's low interest rate money today, you're going to pop those returns up well into the double digits. So, that's just a quick look at direct ownership.

Ep #300: Dr. David Phelps - What is Freedom Founders?

The next one I'll talk about will be syndications. So, syndications is where there's an opportunity to invest in a larger real estate platform, a facility. Like a multi-family apartment complex, or a self storage facility, or a mobile home park community. Those are just typical examples where I don't want to own the whole thing myself, because then, again, I'm not passive. But I'd like a participation with somebody who knows what they're doing, where that niche is their specialty.

And, again, that's what we bring in Freedom Founders. We bring the operators that have the track records, not just a recent, not of late, not just the last two or three years. They just came out of the woodwork and started riding a bull market up. We bring only operators, trusted advisors who, number one, I have a relationship with. Number two, I know their track record. They've gone through at least the last Great Recession of 2008. So, they have the track record, the ability, the discernment. They have the deal flow, which none of us have to actually acquire, procure really, really good investments.

A syndication into one of these real estate platforms may be a acquisition price point of \$10 million, way bigger than I would do, or you would want to do. So, that the operator who has experience in this arena, they're not going to raise \$10 million from investors. They're going to raise about 25% of that, the 25% called the equity play. So, about 2 1/2 million dollars. Where do they get the other 75% or \$7.5 million? They're going to go to the bank and tap into these historically low interest rates like we've never seen in 40 years, getting these rates down at 3.75, 4, probably 4 1/4. Rates that they can capture. We don't have to do any that work. We don't have to go do the

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

financial underwriting. We don't have to sign any loans. They do it. We get to piggyback not only on their deal flow, but also on their ability to leverage.

Why is leverage important to utilize in not all, but some real estate investments? It's what ups your return. When you can utilize extremely interest rates on the majority of the acquisition price of an investment, whether it's a single family house, or a larger syndication, then your returns on the equity, the ownership piece, the 25% I'm talking about here, those returns go way, way up. Now, again, I don't have time to go into how to assess that leverage. That's an important play. We talk about that, how much leverage is safe? What kind of terms? Very, very important. Not going to go into that day. I just want to give you the quick look.

So, if the syndication is going to raise 25% or \$2.5 million of equity, I could invest 100,000, or 200,000, or \$250,000, whatever I feel I want to. Other investors will put it in the rest of the money. We all have a proportionate share in the LLC of the equity piece. And there's a cashflow position, called preferred return that we get first. And then, after that, there's, what's called, a waterfall return, where the additional returns beyond, say, 8% are split in our favor as investors, typically, 80% and 20% then, goes to the operator. Or it could be 70% to us, 30% to them. It's called a waterfall.

Again, we explain all this in Freedom Founders, but super way to achieve higher returns, own equity participations in really well-run real estate. And to get the tax benefits. Yes, as a member share in an equity syndication, we get the tax benefits of the depreciation. And we get the capital

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

gains treatment, which is very important in real estate investments because capital gains tax rates long-term are about half of what the ordinary income tax rate is. Are you starting to see how this works? Again, you couldn't nor could I go out and find these deals on my own. And I would not go out in the wild wild West and search on Google, or wait for the emails to come to me from the capital raisers, the deal aggregators to sell me into some deal, because I don't know who they are. I don't know their track record. Got to be very, very careful. One slip-up and you've lost a lot of money.

The third category that we have in Freedom Founders would be the ability to invest into funds F-U-N-D-S, funds. Managers of funds that, again, are investing only in real estate. See, we stay really specific. We don't do outside the box stuff just because it's out there. We don't do oil and gas and energy. And we don't do factoring for various types of businesses. I mean, we stay really, really aligned. That's what we're good at. I'm very fearful of people who go and try to do capital raises and do all these different sectors because they don't have a clue what they're doing. And they're putting all the risk on you or me, the investor. So, stay with people who are in a lane that they know it well. Don't get outside of the box. Don't go for the sexy promises of high returns. Because, most of the time, they're not going to be there. In fact, you probably won't get your principal back in many cases.

So, funds allow for us to invest in real estate, but diversified. So, a fund manager has the opportunity to invest in other equity syndications, for example. They could also be the bank and do lending to commercial borrowers. They could be involved in debt structures.

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

There's so many places that a fund manager can be involved in. And they're real play is because they have connections. The people in our group have super connections. They go to all the conferences, all the networks. So, they're curating, just like I do for trusted advisors in our group, the best of the best opportunities.

You understand that what we're doing is we're leveraging relationships here. We are leveraging a community, a very highly curated community that saves us time, saves us from going off the deep end. In the wrong investments with the wrong people, the wrong timing. The savings on time and capital and not having to make up for lost time, or be in volatile markets. Like the stock market that goes up for six, or seven, or eight years, and then drops like a rock in two or three weeks because the emotions of the market.

See, real estate doesn't do that. It doesn't drop like a rock. Nor does it go up as fast. You want steady, stable? That's running the race, like the tortoise and the hare. That's running the 20 mile March that Jim Collins speaks about in his Good to Great book. That's what we do in Freedom Founders. It's not the deal of the day. It's not trying to play the market and out guess what's going to happen. That's for gamblers. If you want to gamble, go gamble, have fun at that. But make sure that you keep that segregated from building your real wealth, your sustainable wealth, which is what gives you freedom and options and the plan B, and lets you stay outside of the disruptions in the economy.

No matter who wins the election, there's going to be a lot of people, who get hurt. And a lot of people who take

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

advantage of the opportunities, where do you want to be? Do you want to be with a group that understands how to look down the horizon and take advantage of those opportunities? Or do you want to be playing solo ball, and playing catch-up all the rest of your life? Because that's what we have to do if we play solo. So, those are some of the main constructs about how Freedom Founders works in a nutshell.

Freedom Founders members, typically, our best members who get the best return have a million dollars, or more of deployable capital. Now, that does not mean cash in the bank. It doesn't mean liquid money. It could be in 401ks, could be stocks, bonds, mutual funds. It could be equity that you have in your business commercial building. You may have other real estate. You may have a vacation home. You may have big equity in a personal residence, which it's a great time to tap that, if you know what to do with the money. You may have a cash value life insurance policy that allows you to borrow from that at relatively low rates.

There are so many places we help our members to find the capital that they did know they had. Capital or equity that it's not well deployed. It's, what I call, a dead equity that could be put into place because getting your equity to getting the hard dollars that you earned, wherever you may place them, whatever investments, or non-investments you have them in the key is to get that money working for you because if it's not working for you as hard as you work for it you're not getting the maximum out of your opportunity. That's what we do in Freedom Founders, get your capital and your equity working for you, so that you can have the option to take your foot off

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

the pedal, to decide when to transition, to decide when to bring in the associate, or a partner to sell shares, or get out completely. To the uncertainty of the stock market, uncertainty of the traditional financial markets is what keeps people working so hard, and on that proverbial treadmill much longer than they need to.

We help our members achieve their freedom with our clients in three to five years max. Many are doing it in one year to 18 months based on the program, and the processes that we have put into place that have shown this to work over and over again. Not just in my life but see, we have a tribe of people that are doing it, have done it. That's where the social proof is. Can you get that same social proof outside in the stock market, or in outside real estate investments? No, you can't. It's not there. They don't show it. And there's no communities that have that. So, that's one of the big opportunities that we have.

Where do hobbyists and, what I call, do it yourselfers, make the biggest mistakes? Well, it's just that they don't have experience. Look, if you're 20 or 25 years old and you've got more time than money, then yes, go out there and try it yourself and do stuff. That's how you learn. But if you're in your mid career, if you're in your late 30s, and 40s, and 50s, or you're in your 50s or late 60s, and you're ready to protect capital, and have it continue to increase the inflation hedge against future loss of the purchasing power of the dollar, and have a sustainable cashflow, you don't have time to fool around and try to figure this stuff out yourself. Or play the gambling of rolling the dice. And just hoping that whoever you're investing your money with is going to make good on it. You don't have that margin

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

anymore. So, the Freedom Founders is about speed to goal, speed to getting it done.

If you're interested in learning more about Freedom Founders, you have many opportunities, but one is you can just text to this phone number 972-203-6960. Again, that's 972-203-6960. Just text the word Mastermind, and one of our team members will give you a quick call, no sales involved. We don't do it that way. We're totally transparent. We try to help people with where they are. And if you're not a fit for our community, which many people aren't right now. Let's face it, many people aren't. Don't have a million dollars or more of capital. Some of our members are investing with us 8, 9, 10, 11, 12, \$15 million of capital. So, we have the whole range, but it starts at a million. If you don't have that right now, no worries. Stay connected to us. But our team will help you ascertain where you are and what things you could do to get yourself ready to be a part of Freedom Founders. So, text to that number, that's the easiest way.

You can also email to info@freedomfounders.com. Again, that's info@freedomfounders.com, same thing, Mastermind in the subject line. Just ask, "Hey, could I get a quick call with somebody just to see where I am in my search, my journey, my path to freedom?" And we'll give you some help there. We'll give you everything we've got to show you what direction. And, if you are qualified for the mastermind, how you can, without any risk, you'll enter our world and check it out. And kick all the tires and make sure, on both sides, it's a good fit. You can also just go to our website, freedomfounders.com, lots of information there as well.

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

Ep #300: Dr. David Phelps - What is Freedom Founders?

So, thank you for your time today. I wish you all the best on your journey, your path to freedom. Remember, it all starts with you. Stay focused on your freedom. I'll see you next time.

You've been listening to the Dentist Freedom Blueprint podcast. If you're tired of trading time for dollars and you're uncertain that Wall Street has your best interest at heart, then take the next step to more cashflow, security and ultimately more freedom. Text the word newsletter to 972-203-6960 to receive David's monthly online newsletter for free or text the word book to receive your new free copy of David's book From High Income to High Net Worth delivered right to your home. Text 972-203-6960.

More@freedomfounders.com.