

**Ep #353: Jim Rachor - Family, Legacy, and Freedom -
How to Get There Sooner, Not Someday**



Full Episode Transcript

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Dr. David Phelps

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Welcome to the Dentist Freedom Blueprint, a podcast about freedom—freedom from expectations of society and the traditional path to success that has been ingrained in us from our early years, I'm joined by mavericks, renegades, and non-conformers to discuss an anti-traditional path to financial freedom, freedom of time, relationships, health, and ultimately freedom of purpose. My name is Dr. David Phelps. Let's get started.

David Phelps: Good day, everyone. This is Dr. David Phelps of the Freedom Founders mastermind community and the Dentist Freedom Blueprint Podcast. I've got the real privilege and honor to bring to you, my audience today, one of our Freedom Founders members. And the reason I like to do this from time to time is that I think the insights from those who have been looking for a different path, a different way towards their retirement goals, their freedom goals, their time goals, their family legacy goals, I think it's nice to hear from people who have decided to take things more in their own hands and not just abdicate to other institutions and other platforms that we've been told we need to do. And so it's my pleasure to bring Dr. Jim Rachor to our call today.

Jim, how are you doing, sir?

Jim Rachor: Thank you, David. Thank you for having me on. I listened to most all of your podcasts, and I sure appreciate you. And I wanted to shout out to you right off the bat. Thank you for showing me a different way. A cash flow mentality changed my life. Your community at Freedom Founders has done so as well. I appreciate your mentorship and friendship. And I think you're changing lives with what

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you're teaching. And I'm just one of many to give you the accolades on that. So thank you for having me on. I appreciate it.

David Phelps: Well, Jim, let's talk a little bit about you growing up and the fact that your father has been in the financial world for many decades and done really well. And you've been around that world. And so, some level, investing talk, if I can call it that, is not new to you. You've been around that. And your father and his firm did very well over a number of decades. What brought you to saying, you know what? I want to look at something a little bit different. In this case, alternatives, real estate, which is what we do in Freedom Founders. What was it that motivated you to say I might want to take a little bit of a different path or do something with some difference in my path forward?

Jim Rachor: Yeah, that's a great question. I mean, I get that a lot actually. And I read your book From High Income to High Net Worth. It just happened to come across my desk. And I was like, man, that is a whole other mindset. Where as my dad lived the accumulation scarcity model in the market. Hey, just give your money to these people, and they'll invest it. And in 40 years, you can have your time off, hopefully, and you'll have the money that you need.

And at the time I was motivated by the fact that I was tired. Dentistry is hard on your body. It's hard on your brain. And when I read your book, and this cash flow model really resonated with me actually. So looking at the stock market and where it was at that point where the market had never been higher, rates have never been lower. Now we got inflation creeping up. We haven't had a

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correction in a while. There's going to be a huge correction. And I can't really mentally or financially afford losing half of my wealth.

And so I was motivated to change the model to kind of copy what you brought to the table and to our group. And it really made sense to me having this monthly cash flow income. Also, I got to sit down and figure out what is my number? What's my burn rate. How much do I need per month? And when you start thinking about that, it's a whole different mindset to than just how much do you need? Oh, I don't know. \$20 million, 10 million. I don't know. Nobody really knows.

But when you sit down and look at your expenses, where you are with your IRAs, where you are with your cash flow and your time, I realized that I was not being smart with my financial process. I was just giving it to these people and they were investing it somewhere. And I knew it was time for a change. We talked a little bit about living your legacy, not leaving a legacy. I believe everyone's going to leave a legacy, but if you can live your legacy with your kids and teach them what they need to know while you're around and not just give it to them later, that was important to me. And your model in Freedom Founders was the way to do it.

Now, as you mentioned, my father did real well in Wall Street. But you really can't look at that because, after '08, everything changed. After Dodd-Frank, everything changed. What they could do with their private money managers is now gone. You can't get that information. It's not legal now. It's on the black edge, they call it. And so I saw the model that you presented. I saw the fact that

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what you brought to the group with this curated real estate. I saw the tax mitigation in that process. And I saw a way that I could create multiple streams of income and maybe get a little more freedom of time. So I appreciate you for that.

David Phelps: Speaking freedom of time, I think there was a point, not too many years ago, when you were putting in five, six days a week. That's just what you felt like you need to do. If the opportunity's there to serve and be productive, well, that's how we feel we should do it. And you recently took another day off. And now you don't even go in on Mondays, right? So that was, again, part of freedom. Correct me if I'm wrong. But I think it came from the fact that you've hit these milestones of the cash flow. And you're actually considered one of our free for life members because you actually have replaced your active income and then some, we always like a safe margin there, with the passive or annuity income that comes from the assets you've invested in. So that takes a lot of pressure off. You don't have to be driving as hard. You can actually allow other doctors and your hygienists, and focus on the team and still do the dentistry you want to do. But it's not the same hard pace that we always have to go go through, right?

Jim Rachor: Yeah. I mean, what's kind of funny, I just thought about this, is when you have your money in the market, you talk to a wealth management person. They're never going to give you that number that you could be done investing with them. They make money off of your money. Whereas in Freedom Founders, when I got to the point where I knew what my monthly nugget was, my monthly number, and I reached it, surpassed it, with passively invested

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monthly cash flow, everything opens up. The whole freedom mindset opens up where I can do what I want now. I can travel more. I can read more books. I don't have to work so hard because now I know what my number is. And I think our greatest asset really is time. And I believe that we're chasing and time is pursuing us.

And I really feel that once you reach the financial freedom part, you might find that you're going to do things that you might not have normally have done. You might serve more. And my wife and I serve in Guatemala. We have a foundation called transformingfutures.org. I have a mentorship institute, Smile Mentorship Institute, that I like to mentor young professionals. We have a homeless clinic in Flint where we can do some free dentistry.

The point of that is, is without the financial freedom that you taught us how to acquire, David, none of that would've come up or bubbled up to the top. I think also I have more freedom now to teach my children a high level financial acumen that I might have been just working so hard I wouldn't even know what was going on. Because I didn't know what I didn't know. I thought I had to just work five or six days a week, making great income as a dentist with a great practice. But I wasn't happy. I wasn't free. I was depressed. And I just kept pushing, pushing, pushing.

Whereas I think now with this new mindset of, not a scarcity accumulation theory, stock market theory, now I'm into the cash flow, monthly nugget expenses. My whole life changed. And now I want to teach my kids about it and I want to tell people about it. And then I think once you get to that point of financial freedom, I think you

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get to the point where you're now looking for, not success, but looking to be significant. And I say that a lot, but I think that's really true, is what can I do for others now?

I wasn't going to be one to become free for life in your group, and then play golf all day. When I read the free for life application that Freedom Founders passes out, I realized that financial freedom was just one way to get to the other freedoms. I tell people, I actually had a meeting with the guy this week, but I'm probably the best dentist you want to be with because I don't really need the money. I have no pressure. I come in because I want to. I'm good at it. But a few years back, I hated driving to work. I hated pulling into this place. I know I'd be here for 12 hours working.

Also with Freedom Founders, I will say, it helped me optimize my practice. Meaning working smarter, not longer. Implementing traction into my office. So creating a business that had freedom in it, creating passive income with multiple streams of income outside of it that freedom partners has curated. Has created not only freedom, but also freedom of my mind. I'm not so worried anymore. I know what my numbers are. I know where we're headed, and now I can teach it to my children as well.

David Phelps: And that's part of what you say so often is don't think in terms of leaving a legacy at the end and estate planning and all that that is part of it. You talk about living a legacy. So talk a little bit about that and your family dynamics, and little bit why that's so important, and what benefits you're seeing already from what you've instituted.

Jim Rachor: Yeah. I mean, well, first off, I'll thank Freedom Founders for that too. Because we're able to bring in our family into

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deals. And so I would say we created a family office, which is really a way to use our children's entities to do investment deals on the good side of taxation. And thus, David, our group brings in curated lending deals. And I can come alongside each of my children and actually do a deal, ala your great book, The Apprentice Model, where we are with our kids doing a financial deal, teaching them how it works. I have seven children. We adopted two little children from Guatemala. And so my older five all have done lending deals with me in their LLCs. The upper three also have turnkeys, all curated deals that came through Freedom Founders, all passive.

And then I was mentioning earlier, but one of my kids, their freedom number is now up to \$2,000 a month in passive income. He is 24 years old. I mean, that's amazing to me. All learned by the books that you wrote and the TAs that you bring to our group. And so one thing I think we're missing in our society is teaching our kids about financial principles. It's nowhere. It's not in our schools, it's just not there. And until we can do that, I think we're going to create a generation of not entrepreneurs. And I think we have a generation of W-2 earners. Not a bad thing, but unless they can learn to run a business, to invest in alternatives, I think we're going to be in trouble.

You look at the market right now, it's fragile. It's market has never been higher, as we talked about. Rates have never been lower. Inflation is higher than the mortgage rate right now. I mean, printed 25% of all the money ever printed in our country was printed in the last two years. 1,000 people are turning 80 every day. Inflation's off the charts. I just feel like there's going to be a huge correction

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and we need to be ready. And for me to be ready as a family.

On top of that, with the ability to create passive income, we've been able to serve as a family in Guatemala multiple times a year. When you can go alongside your children to a place where there's poverty that is incredibly terrible to see, our kids come back here a little more humble and a little more appreciative. And then they have a mindset that they want to help somebody. One of my daughters sees a child at their same age that doesn't have any food, it changes your mindset when you get back here. And then we're able to now create passive income that can generate money to pay for something in Guatemala or here in Flint, Michigan. And so I think of anything I can think of, having the time due to the financial aspect of Freedom Founders, I've had more time to spend with my children to teach them about being other oriented. And I really appreciate Freedom Founders that's helped me able to do that.

David Phelps: Jim, you talked a little bit about the difference between alternatives and what we look at as the cash flow model. These assets that actually produce cash flow and have the tax preferences and have inflation hedges to them as well. Versus the traditional financial model, which is just accumulate. Put your money in different kinds of products, and just try to build it up, build it up as big as you can. And then you go to depletion. You've got to put your money now in something conservative because you don't have the fallback on your active income when you go into retirement. So now you got to be really conservative. And being conservative today doesn't serve a lot of people very well. So that big pile is not earning

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very much. And then now you're going deplete it over a number of years, and hope for the best, right?

I've heard so many people in our group say, "That's not a model I want." This you can make it till your age 91, Dr. Jones and Mrs. Jones. Well, what if I live beyond 91? I don't want to see that happen. Anyway, back to cash flow model. What gives you confidence? Again, because you've got a pretty strong financial background already from your growing up, what gives you the confidence, Jim, that you believe that the alternatives you're investing in, the cash flow model, is any less vulnerable to the economic ... as is Wall Street?

Jim Rachor: Yeah. That's a great question. And actually that's one reason why I switched to the alternatives is now, other than myself or my dad, most people cannot call their stock broker or their money manager and talk to one of the companies that they're invested in. They just don't do it. They don't go to stockholder meetings. They just assume the wealth management person will take their money and do the right thing. In alternatives, and especially in Freedom Founders, I'm one degree away from the deal maker. I can call the person I'm lending money to, and we can talk it out. It's that person. You don't do that in the stock market.

Also, alternatively, I put my toe in the water, like Warren Buffet says, test the depth with one foot, not two feet. And I realized that I could invest in different buckets of alternatives. Turnkeys, self-storage, short term lending, long term lendings, syndications and funds, all within a company or a family office that mitigates taxes on the front end. And we can lever it with leverage and we can

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preserve our principle because we can buy things undervalued in a group with leverage.

In the stock market, you cannot really buy anything nowadays. After 2008, after Dodd-Frank, you can't find a value add stock really. It's just guessing. And so to me it was scary to be in the market. The past performance in the market has changed with legislation. Whereas in Freedom Founders, and in the curated real estate deals that you bring, once I saw checks coming in every month, and then I did it a little bit more and a little bit more, I realized that there wasn't much of a downside. If I lend 60 grand on a \$100,000 property, at the end of the day, the worst case scenario was I have a property for 60 grand. It never happened. But I can earn 10%, 12% on that money all day long, and then roll that money over and do it again. Do it again.

And thus what you've created here in Freedom Founders, David, is a pretty safe place. Now did I believe you? Not at first. I thought it was a cult at first. So I ended up going to most of the TA's places of work, Columbus and down in Alabama and in Kansas City. And had calls with all the TAs that I could think of. And kind of had a small little board of advisors that we created to go in and hash out, hedge out these deals. We didn't have to do that, but we just did. And realized that it was all true. It was all working.

And now four years later, the only deals that haven't been stellar have been deals I did on my own, initially when I thought I was smart. And so I realized the leverage of a group like Freedom Founders is so important. I also realize I need to keep learning. And most people who

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invest in the stock market don't put the time in to learn anything about their finances. And so Freedom Founders kind of taught me to read books, learn about financial principles. And once I got into that, I had the freedom now, with the cash flow model that you created, David, I had more freedom to read and learn. I loved it. And I realized how much I didn't know about the stock market.

And like you said, my dad did very well, but that's not to say that that same model is going to go on forever and ever, and ever. And what I know now, it's just not going to. What they did back in the day, you can't do now. And I feel like people think that in Wall Street, and that's what I realized I was in the wrong spot. So after doing about four years of Freedom Founders deals and these alternative investments, I realized I was in the right spot and I've seen it grow. I've seen it proliferate. And thusly came to be what you would go all a free for life member. I'm happy to be in the group for that. But more, I would say, David, I'm more in tune to the freedom of time that I created with the financial freedom that we parlay through Freedom Founders.

David Phelps: Yeah. The time aspect is huge. That's really what we all want at the end of the day, at the end of the month, at the end of so many years, quote the word I don't like, retirement. But we're all wanting the time back. And yet we chase the money and the net worth and the equity. And if it's not producing cash flow, we never know if we have enough.

Now let me dig in a little bit deeper on the alternatives. You mentioned, I think wise case in that you're only one degree separated from your money. And to give context

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to that to our listeners, when you are investing in your own business, like you have a practice or a business and you put your money in there, then you are not separated from your money at all. You're in there. You're making the decisions. You're deciding. And if you don't like the results you're getting, you can move things around.

Now when you're investing with or through other platforms like the stock market, you're pretty far removed. As you said, you don't really get the opportunity to dial up the board, the CEO, COO, CFO, and get them on a call and say, "Hey, what do you see in this month?" Right? It's not going to happen. You maybe are privy to get some financial reports through your advisor, but how good is that, right? I mean, you'd like to sit next to the person who you're going to be potentially investing with or through.

And that's what you mentioned about going to the trust advisors, going to where they operate, their locale, seeing their culture, seeing their product, seeing how they deal with clients, which in their case is tenants, typically. You get to see, do they run smoothly? Are there are fires going on? I mean, that's an opportunity. We don't get to do it on Wall Street. So that ability to do that kind of due diligence on our own through a group that allows for that, it's great.

But I guess really the question I want to get from you is, with your experience now, and we talk about this a lot in Freedom Founders, but as you said, we expect a correction. We're expecting a correction of some degree could happen any time. What makes you believe that the real estate, the alternative investments that you've invested in so far are going to withhold or sustain, at

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least, the cash flow. The values could fluctuate. That's a fact. But what gives you confidence, what have you learned through your own experience, to say, I think this is a better model than doing it on Wall Street?

Jim Rachor: Yeah. I would say several fold. Number one, in '08, the real estate that we do with Freedom Founders was very stable. It was just the banks, the subprime issue, that was an issue in '08. And so that's pretty stable. Also people always need a place to live. And I think affordable housing and things is going to be something that we're going to need going forward. And we're right there in that space. Also following the tax code. The tax code is basically incentivizing us to invest in what they're giving us tax breaks in. That's not on Wall Street. That's in turnkeys and fix and flips and what have you. So everything points towards the real estate that we do now as the government and tax codes are kind of incentivizing us to do more of.

I think the track record as well. I want people to realize, though, this is not your go down your local street and look for a rental. It's not that product that David brings to us in his group. It is curated trusted advisors that have made the grade, that David's allowed into the group, that brings a product that is strictly passive to me on the cash flow side. David looked at their businesses. I looked at their businesses and doing my due diligence. And realize that it is legit, passive cash flow. These operators are streamlined what they do. They know their markets by the street, by the street light almost. They know every avenue and the market they're in. I don't. I don't have time for that.

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I don't think you have that same specific investing in your money managers on Wall Street. So I mean, I can on about that. And I've actually seen it. I've seen it happen. I saw it through COVID. I didn't really lose any money at all during COVID, especially in the real estate realm. And we had top notch, trusted advisors being super nimble and pivoting where they needed to pivot. I had no clue what they were doing. Looked good, I did great. No, I didn't do great. These trusted advisors did. We're also in markets in the country that are robust Southeast. Some of the areas of the country that are doing well. Some of the areas of the country where there are landlord friendly, mayors, governors, and congresspeople. I wouldn't know where that was. People who specialize in that do.

So now I also see Wall Street throwing money at dental practices and throwing money at syndications that are just not good ideas. And then I realize they're just trying find yield until there isn't anything. And they don't really know their product. So back in the day, 80s and 90s, you could find a money manager traveling to China and really getting into the weeds, for instance, with Motorola and getting a nugget that would make millions of dollars. Those days are gone.

I think that kind of notion is now in the real estate realm. You can buy things undervalued. You make money on the buy. And the backend protection is pretty strong. When the worst thing that possibly could happen, you don't really lose any money at all. You just move on to the next deal. And once you do a few deals with a few of the TAs, they trust you and you trust them. And you're able to keep the velocity of money moving, which is what we all want to do. We all want to have cash flow to have time. Have

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time to do what we want. And that's what you teach, David, and I appreciate that.

David Phelps: I think one of the things that we do is we take a lot of the inefficiencies out of the inefficiency of what alternatives are. I mean, it is an inefficient marketplace. It's very local. It is based on insider information. It's totally legal because there's no open market database that allows people to, real time, go click a mouse and buy here or there. You just can't do that with specific alternatives.

And so what we've done is, people that love real estate, Jim, and have tried it themselves sometimes haphazardly, I think I'll buy if few rental properties, or I'll try some lending if they have a place like that. And again, we just don't know what we don't know. So what we try to do is take that inefficiency out, but still utilize the fact the real estate market is inefficient, and that's where the holes are. That's where we as individual, call us retail investors, can actually participate on a wholesale basis because it's through relationships. And as you said, value adds and knowing which markets we're investing in geographically to be in the right states with the right economy with the right governance, that's all part of what you get to do. But if you're a soloist just starting out, that's probably not something you have the time and capacity to do. It takes a lot to do that. And we try to bring that together and make that more efficient through what we do in Freedom Founders.

Jim Rachor: Yeah. I would add to that, when you ask a wealth management person or your wealth advisor, I'm not sure I mentioned this or not, but when you ask him, "Hey, what's my return on my investment? But if you can you please

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weigh it for taxation fees and inflation." I'm always dumbfounded in the fact that they don't have that figure. They don't want you to know that. And your ROI on Wall Street really might not be what they're telling you. And they always pick a date after '08, like maybe '09, some favorable date, to show you how much you've made.

In real estate, you have such a great way to create a nice return, and then increase it with tax mitigation, depreciation. You can preserve your principle. You can leverage it to increase your wealth. In my case, I run it through my family bank strategy with insurance to supercharge that. There's so many ways that you can increase that return in a business. Because the financial advisors that I use, I might lose all my money in the market, but the fees that they incur are run through their business. And it's a business expense, like a lifestyle expense that they may use to live their life. Where for me, I'm just losing all of my principle in the market. And as you said, you get later in life, do I want to sip off that principle just slowly daily? And if there's a correction when I'm older, will I have enough? And if you can create passive income through alternatives that is sustainable, that mindset sounds so much better to me than it does to hope there's going to be enough money there at the end.

David Phelps: Yeah. Super well said, Jim. Well, thank you for sharing today. I think really my title for this one, I'm just going to say it's, with Dr. Jim Rachor, it's life, legacy, freedom. I think that's really what you espouse today. And I thank you for your time and for sharing some of your insights, and the path that you've taken to get to the point where you are able to live and give the way you do today.

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Jim Rachor: Thank you, David. Thank you for your time, and thank you for your mentorship and your amazing group. And thank you for showing me the way, my friend.

David Phelps: Thanks, Jim.

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