

**Ep #372: Darlene Fitzgerald Root - It's All Good Until It Isn't - The Due Diligence that Most Investors Fail to Do**



**Full Episode Transcript**

**With Your Host**

**Dr. David Phelps**

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## **Ep #372: Darlene Fitzgerald Root - It's All Good Until It Isn't - The Due Diligence that Most Investors Fail to Do**

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: Hi. David here. This week's podcast interview is a very important subject topic. I want to give you just a little bit of a context about it before we dive into the interview that I did with Darlene Root. Darlene's been a good friend of mine for many, many years. And very much of a veteran in the alternative investing space. She knows her stuff, but she got caught in something that nobody wants to have happen.

In fact, it's happened to me as well. And that is when the market is up, as we've had in the last eight years plus after the 2008 recession. When the market's up in all sectors, where you can make money, almost doing anything, whether you like stock market, Wall Street, alternatives, real estate, crypto, NFTs, whatever. It's all up, it's all up. And that's fine until it isn't. Where do we have the ability to do the due diligence to understand what we are really investing in?

Because when the market's up, everybody's in. It's all good. No one thinks about the fact that, "Is there really substance behind what I'm investing in?" That's the problem. In the alternative space, which would be real estate and, or businesses, we do have the ability to do what we call due diligence or underwriting. But are we willing to do it? Are we willing to take the time or pay

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somebody else to do it? Typically, not. We follow the crowd. Everybody's in. It all looks good on the surface.

Why would we want to do this? We are all susceptible to this tendency. I want you to listen very carefully as we talk about this on the podcast today. In the Freedom Founders group, because of this very situation, we have a process in which every fund, every syndication, everybody who brings alternative investments to us as an opportunity, have full background checks done on the principles.

And we do a full due diligence on the legalities of the PPM offering. And the substance of the metrics of, does this even make sense? So without that, who knows what you're getting involved in? Anyway, enjoy the conversation. I hope it means something to you, and will save you time, and expense, and frustration, in the future. Remember, it's your freedom. Stay focused on it.

Good day, everyone. It's Dr. David Phelps of the Freedom Founders Mastermind Community and Dentist Freedom Blueprint Podcast. Today, longtime friend, a colleague, and somebody who I totally respect in the space, not just of real estate, but of a great business person and entrepreneur. And I think that's a person we all want to learn from. And we are going to learn some lessons today. I've got Darlene Root with me. Darlene, how are you?

Darlene Root: I am outstanding, David. Thank you so much. It is honestly an honor and a privilege to be on your podcast. I just got done listening to the second version or second podcast episode of Rob Swanson. And he had some really great things. So my presentation is going to be kind

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of on the heels of what he was talking about as it relates to risk factor. And what should we be looking out for as we're heading into an interesting economy and chasing after that yield?

David Phelps: Oh, it's great. It'll be some great lessons. And we all need to keep that on the forefront. Let me get people a little bit of your background, Darlene, so they know who they're listening to today. Darlene Root is a real estate investor. Tax-advantaged, tax-free investment specialist, educator, and coach inspired to teach others to ... I love this ... to take responsibility for their own wealth creation. And how many people abdicate that to whomever, money managers, right?

Darlene's approach to wealth creation is also includes wealth preservation, using techniques that provide anonymity and asset protection, using creative entity structuring. With 40 years of real estate experience, Darlene has been a real estate agent, broker, real estate investor, doing fix and flips, wholesale contracts, owner finance, and rentals. Today, she is the owner of Mutual Investment Holdings. A real estate investment firm specializing in buying and selling institutional and owner-financed promissory notes secured by residential real estate. I love that arena.

Darlene credits her real estate investing to ... I love this too ... assets her savvy to a great mentor. How can we live our lives without those who've gone before us and can pass on the wisdom, experiences, and the scar tissue that they gain along the way, right? So important. So this mentor taught you nontraditional ways ... Love nontraditional ... to invest. Having had a passion for tax-

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free wealth creation and entity structuring led Darlene to co-create a course called the Master Trust System.

She has a passion for empowering others to take self-responsibility and create financial freedom, which is placed her on the national stage as a sought-after speaker. And guest on not just various podcasts, but podcasts like this one. I'm so glad to have you here today, Darlene. It's a real pleasure.

Darlene Root: Well, I had to look around the room to see who you were talking about. That's quite a resume.

David Phelps: Hey, well, listen, I know it's true because I've known you for so many years. And we've been around the block ourselves, and with a lot of other people. I know the merits of somebody who doesn't just teach from a theoretical standpoint, read some books, went and took some courses. Somebody who has lived it, breathed it.

As I said earlier, taking the scar tissue for the stuff that we have to learn. There's some things we did us have to learn as we go through. And with curiosity comes the expansion of our knowledge and experience, and what we get to do. And then, share with other people, which is so much of what you do today.

Darlene Root: Yeah. Yeah. Fiscal responsibility is huge, and it's going to become even huger. I don't even know if huger is a word, but it is today. I know that what you do over at Freedom Founders is nothing short of spectacular. Creating the blueprint for success for people that you would think that would automatically have that dialed in. We know what we know, but we don't know what they don't know, right?

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So everybody kind of goes, "Well, I just assume everyone knows what I do." It's because it's so ingrained and I'm entrenched in it all the time. Incidentally, my mentor, when I met him, he was already in his mid-70s. He was a no-Napoleon-punches kind of guy. He got raid in the trenches and he did some pretty creative stuff. I co-created that course with him. He has since passed. And-

David Phelps: So who are we talking about?

Darlene Root: His name is Jerry Ballard. Jerry came to me through a real estate mentoring course. He was my coach. We hit it off not so famously. We kind of rubbed each on the wrong way, but I learned to love and respect the man. And went on a speaking platform with him. And co-created and co-taught the course. When he died, I said, "The day Jerry died, a library burnt down," because he had so, so much knowledge.

We are the last five people that we've hung out with. I was thinking about that this morning. As I live here in Naples now, I see a lot of people hanging out with their dogs a lot. So if that's the last five entities they're hanging out with, some of the people here are in trouble. But saying all of that, you definitely have a great mastermind. You and I met at a mastermind. We need mentors, we need coaches, even when we've been in this business ... I think you and I have been in the business the same length of time-

David Phelps: That's about the same time. Yes.

Darlene Root: Yeah. Yeah. And we're still learning. I've learned a lot in the last couple of years. Skinned my knee and learned a whole bit. Matter of fact, I came up with a ... When Rob

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talked about the risk factors, there's one that he left out. And that's called the deviant-behavior factor. That is one of the reasons I do a lot of entity structuring because you don't know ... Sometimes it's the people you do know. I mean, we know some of the deviant behavior is our government, its kissing cousin, the IRS, and the Feds. Those are things that we really can't control, the inflation and that sort of thing.

But we certainly can do things to mitigate how that's going to affect us in the long term. There are two deviant behaviors that are from people that you know and people that you don't know. For those people who have rental real estate and those types of investments, entity structuring for anonymity is the first part of asset protection. Hopefully, I'll be able to come back on and talk in more detail about that.

But what I'm going to share today is, it's the people that you do know. We have a lot of people who are, I'm going to use the word charlatan. That might be disrespectful to some of the people that were involved in this transaction, but-

David Phelps: Yeah. Yeah, this is great. This is where I want to go. Let's start at the top. So I'm going to go back to what you said early, is that we have to be responsible for our own financial future. To your point, many highly educate people that earn terrific incomes doing what they do, the craft-of-trade technician, tend to add to that. Because they're told, "It's too complex. Stay in your lane. Do what you do. Make the money, but hand it over here. We'll take care of it over here, where here is. And we'll have it ready for you when you're ready to retire."

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You alluded to it a little bit, the external risk factors or deviant behaviors that we cannot control. The economy, politics, IRS, inflation factors. We can't control those. So just in short, from your standpoint, 40 years of doing this, looking ahead, navigating the turbulent waters. Why is it more important for people today to get a grip on their financial future, Darlene?

Darlene Root: Yeah, more important today than ever. You and I have been through many corrections. We'll just soft sell that call them corrections in the market. This correction is going to be a lot different. There are a couple factors that will come into play. I can be outspoken, I think, about our current administration and the fact that they're not here to help us in any way, shape, or form.

It doesn't matter what side of the political aisle that you sit on. It not going to bode well for a lot of what we call now, middle to lower class economic socioeconomic. Because there's going to be the haves and the have-nots. That's been coming down the pipe for some time. The inflation that is happening is a little bit different than it was in the 1970s, when we experienced the gas crunch, and the crisis, and all of that. This has a different feel about it in that it's more manipulated now. We've printed our way.

We realize the printing press has to stop. We can't print yourself out of debt. Now, we're going to have to raise the interest rates. But at the same time, we have a housing shortage. So when the people are overpaying, and you know that. It's crazy, especially here in Florida. I think, every two minutes, 1,000 people move in, or some crazy statistic. It may not be correct. But when inflation goes up, generally ... And this is a broad-brush statement, David ...



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prices start to come down. I don't think we're really going to see that. I think our purchasing power-

David Phelps: You mean, when interest rates go up. You said, "Inflation," but when interest rates go up.

Darlene Root: I'm sorry. When interest rates go up ... Corrected. When interest rates go up prices, some notoriously go down. There's a lot of factors involved in that. I don't believe it's going to happen. We are seeing here, there's a buzz in the Naples area about the need to have rent control because the rents have gone up, in some areas, 30%. What is that going to do when the interest rates go up? And what is that going to do when inflation goes up?

Those rates are still going to ... Prices are still going to increase. So it's going to be a little bit different this time. That deviant behavior is going to come out in droves because there's going to be a promise of great return and yield. And just have to be careful. Have to watch out for your ... Cover your assets.

David Phelps: One of the things both of us have learned to do through our years is to collaborate with other people. The synergy of the right people and putting together whether it's joint ventures or other types of ... I don't like the word partnership, but other structuring that you can combine the best of the best and create a bigger pie. That can work well. But there can be the other side of it too, which we're going to talk about today.

You also mentioned this chase for yield. We've got cheap money, low interest rates, which means ... and trillions of dollars of fiat stimulus in the marketplace. What can go wrong there? So all this money is trying to find a home,

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creates the inequality. And the wealthy, the elitists do very well. Those that are middle class and lower, to your point, they have no place on that food chain. It's not fair at all. It's the world we live in. It's manipulated economics for those in power who want to keep it.

So those of us who want to help more people and sustain our own selves, we have to get in on that chain somewhere. And we do it by access points, by knowing other people. Access to opportunities where the government has screwed things up, where we come in as entrepreneurs and fix them, right? We're the fix-up people to the extent they'll let us. And they try to regulate us to death and try to put us out of business.

But that being said, we have to collaborate at some point. We find good people to invest with or through. And that's a little bit of our subject today, because we've both done that over the years. It can be great until the day it's not. So let's go back to your deviant behaviors. So pick it up from there. Let's talk about the opportunity that came across your desk, so to speak, and what happened there.

Darlene Root: Sure. So the opportunity that came across was actually from a real estate investor's association. So that was one checkpoint that was ... So we automatically assume because it's coming through that venue or that vehicle, that it's going to be a safe investment. The other access point, I guess you could say, was that the box that was checked is I knew the individual. I got to vet that individual for about a year. Knew his business model, or so I thought.

Felt comfortable with his investing style. He purported at the time that he was a builder, developer. And was part of

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railing around my ... Let me back up. When I first met this individual, he came to me to do the entity structuring for a large development that he was going to be putting together. And so initially, I was not going to be an investor at all. I was there as an advisory on how to set up the entities for anonymity and asset protection.

And as I listened to the presentation, along with my fellow real estate investors, whom I knew through this association, the investment looked great, right? It checked all the boxes. Great rate of return. The time for the return was in less than two years. It was a motorcoach resort. So we didn't have to erect a lot of buildings. It was pretty much, motorcoach resort travel is at an all-time high. And was so back in 2017 when the opportunity was mentioned.

But it was that too good to be true. And I think everyone ... My takeaway from this whole thing, as I went further on down the rabbit hole, is always listen to your gut. Because my gut knew, although I thought I knew this person, and other people ... That sphere of influences getting involved. And I'm assuming that they felt comfortable. There was always that gnawing part of me, David, that said, "This is too good to be true."

The more-than-double-digit returns in less than 18 months just seemed to be, "Okay, it's possible. It's a vacant piece of property. Putting roads in infrastructure. And you're going to put up a clubhouse. How hard could that be?" But what we didn't do, and this is critical, is we all look great on social media, right? On Facebook, we're all having a great time. Nobody has a bad day.

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LinkedIn, the resumes are always top-notch. No one really thought to vet this individual on a granular level from his online resume as to, "Really, were you involved in these transactions, these other developments?" And after it was all said and done, he wordsmithed and spun it like crazy. And most of the developments, a couple of them, I can't find that they even exist. And the others, he knew the correct names to drop. "I did this resort development and I did it with this guy." Of course, sure, you research it online. And absolutely, he did.

And it wasn't until we got further into, down the road, when he wasn't producing a result is when we realized that he's not who he said he is. And now, it's time to unravel this thing. It was only because of the way I set up the entity structuring, we were able to finally, after three years being into this thing, able to get the pseudo-developer to deed the property back over to the investors, which is basically a worthless piece of paper right now. Because it would cost more than the property's worth to develop it.

David Phelps: Okay. Yeah. Yeah, this is really important, because you're right. There's a social presence that people can have today because of social media. All kinds of people can say all kinds of things. Look the look, walk the talk, so to speak. Associations. You mentioned the investor association. So we tend to think that this association is creating a barrier to entry and only good people are going to be there.

And people with charisma are really well suited to, unfortunately ... Not all, but unfortunately they have the greatest ability to pull one over on the eyes. And again, I

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would include myself there. It's easy to want to get it involved with someone who carries a flag and says, "I've done all this. I've got this great opportunity." Who doesn't want to get in on that?

Especially when you think, "Well, it's a special opportunity and not everybody's going to hear about this. Hey, I could be one of those few who gets on this. It's because of my relationships. Because I'm here and this is good stuff." You talked about no one really did the granular vetting. So let's talk about that. What would that look like?

I mean, going back now, what would you or somebody else do to do this more granular vetting, other than just seeing some resume that was wordsmithed? Would you make some more definitive calls? Just give me the pieces you would do to go deeper.

Darlene Root: Sure. Yeah. I think the deeper dive, David, would be to definitely skiptrace. Although I did skiptrace the individual using some of the software you're probably familiar with. And there weren't any glaring, obvious things about it. Did some entity searching person and did show that he had some entities further on down. I don't know why I didn't do this first, but he claimed to have been a well-known builder, when, in fact, his builder's license had been revoked.

Now, you don't have to have a developer's license. There isn't a credential called developer's license. But I figured, "Oh, he must've been sanctioned or there was something amiss there." And the charisma part, when you ask him, "Oh, here's why." And it was a big, old story. I think I probably would've taken it further, and would in the future

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to find out from another source, why was his builder's license revoked? What went awry there?

The other thing is, is I would've taken what he had put on his resume and verified. He did a great, great job of wordsmithing things that gave you the illusion, that's case in point, that he attended the college in the State of Michigan, attended the business master's program. Well, come to find out he didn't get a degree. As a matter of fact, he took a weekend course on business, right? Again, putting it on LinkedIn, putting it on Facebook.

The other one was ministry for Church of God or Church of Christ. Well, it just so happened that, that ministerial school had closed down long before he said he got his certification. What he did is he got a minister's license or minister thing, a weekend minister thing, online. So was he telling the truth? Was he lying? He was spinning it in such a way. He was such a great spin doctor.

The other things were, he claimed that he had developed part of a very well-known resort in Michigan, a ski resort. When in fact he did purchase two sites to build two condos, he didn't help develop the resort. So did he develop part of this resort? I think that's definitely stretching it. The only thing he did have on there, because it was super easy to verify, was a Homearama, which is a Michigan thing for builders. They all build a home in the same subdivision, and then you vote on them. I think it's by a jury of their peers. I'm not sure how the voting goes.

The other thing is the other developments he claimed that he was part of, like I said, a couple of them didn't even ... We couldn't find them. We couldn't even find the two developments at all doing Google Search and calling

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around. It just wasn't there, but it looked good on paper, right? It all looked good at on paper. So I think spending some time and money. Sorry, you're going to spend your hard-earned money. I'd rather have spent several thousand dollars to investigate than part of my retirement lost due to not doing that. So don't follow the charm. Don't buy the lie.

David Phelps: Yeah, well, we all tend to want to do things quickly with low friction. And we don't want to spend the extra time ourselves, or pay somebody, or put the money in. It's just, we want to get in on that deal. It's human nature. That's our tendency. And we need to hear these stories if we haven't experienced it. But we need to hear stories to put that caution, that red flag out. There's always the urgency. "Well, you need to get in on this deal now. It's closing soon." It's like-

Darlene Root: Yes, David. That definitely was it. He said it had to be for accredited investors. And there was no subscription of agreement at all. There was a blurb in the offering, a very poorly written offering done by a well-known attorney firm in Michigan. But the gentleman, the attorney that wrote the offering was not, in any way, shape, or form qualified to do any type of PPM. Private placement memorandum, for your audience that may not know that. So that was one unfortunate part. It was just poorly written. And you know PPMs aren't written for your favor.

David Phelps: No, never.

Darlene Root: No, they're always written on their favor. It was poorly done. Not having a lot experience in a syndication before, I took it at face value as did the rest of the investors. Some of them very seasoned businessmen, I might add.

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David Phelps: Because it was written by a licensed attorney.

Darlene Root: Thank you. Exactly.

David Phelps: But in reality, attorneys have all kinds of specializations, as do doctors, for example, and have areas of expertise. You can't serve the entire audience of legal work. You just can't. You've got expertise. So here's an attorney who he paid a few dollars to because he did it probably on the cheap. And got this thing that he could now take to the subscribers, the investors. And say, "Hey, it's been documented. It signed, sealed by the attorney. It's got to be good. It's got to be good." And there you go.

Darlene Root: And there you go and there it went. So we all signed it, wired our funds. He did set it up correctly. I set it up correctly that there would be a separate escrow agent. And there would be a watchdog over this gentleman on spending. He paid himself a handsome salary and dragged this thing out. That's one way he was able to filter, or, I don't want to say embezzle. That's a strong word. But he was able to skim off the top, so to say, some of the funds.

I guess, in vetting further, in the next investment that I get into, is asking for referrals. Who have you done business with before? Don't just take the referrals. Call them. A lot of people go, "Well, he gave up a referral, so obviously, he was comfortable doing that." It may be his brother. It be somebody who's ... Really understand the relationship between that person that you are essentially giving your money away to and the person who's giving the referral.

And what was sort of a thing for me, David, was, if this guy's such a well-known developer, why is he going to a

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local REIA, Real Estate Investors Association, meeting in order to raise his capital?

David Phelps: Raise his capital. Yeah. Yeah.

Darlene Root: And I did ask him that. That was a qualifying question because I, again, had no interest in getting involved. And he said he wanted ... This was, of course, something that is near and dear to me. He wanted the social aspect and the connection, and helping individuals who may not be able to get in on other investments. You're nodding. Probably, people can't see this, but David's nodding. Yeah, it showed that camaraderie, that contribution, that kumbaya, which is huge thing for me. He definitely knew how to read the room, and he played that so well to his benefit.

David Phelps: They know the keywords to use.

Darlene Root: They do.

David Phelps: It will obviate any of our initial concerns. They've already got the comeback. They've already got ... Exactly. And they know. People that manipulate others are just good at doing it, unfortunately. And then, that becomes the way they run their life. Unfortunately, they learn, "Well, I can do this. And I can make money or get myself out a hole by using other people because I just became good at that in life."

You said that had you talked to referrals, or looking back at his resume of the other developments he claimed to have done. Again, trying to find some of those people that he listed. That, "I did it with so and so." You could either Google it or you couldn't Google it. But if you could, you

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could call people. Actually, you could probably find some of those people, if they were actually listed with part of the development, and the ones ...

But this was all after the fact. You start doing your looking, your vetting, so to speak, after the fact, when things started to go awry. "Now, wait a minute. What's ... " Right? So on the front end, you probably could have picked some of these things up, but on the back end, this is what you found. So getting the property back, you had to go through litigation, I assume?

Darlene Root: We did not.

David Phelps: Did not. Okay.

Darlene Root: There were two things that happened in this and after he got called out. And he was very good at stringing it along for another year. Unfortunately, because I believe the gentleman, I kind of was an accomplice or so it felt. Because the other investors are like, "Something's not right." I'm like, "No, no, no, this is just how he rolls." And meanwhile, skimming more money off the top and then not paying people.

So that was the other thing in vetting is make sure that the person that you are doing business with is honorable. That they're actually paying their purveyors, their vendors. I would probably go as far, the next time, David, as to even call the contractors that he's done business with in the past. "If you did this development, who did you use to do the vertical? Who did you do for the horizontal? Who did you use?" And then, call those people. "Was he forthright? Did he pay on time?"

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As we got further into the development, he wasn't paying key people and he was spending more money than he should have. We went embarrassingly over budget. And he clearly just had no idea, no idea of what he was doing. And so that go spend money. Spend money and time vetting the individual or individuals, as it were, to make sure that this is legit.

David Phelps: So with this experience that you, as investors, had with this person, then if there's no litigation, is there nothing that goes on his resume or on a record that someone else could find? Because of this, is there nothing that you can do there that would actually warn other people that would show up?

Darlene Root: So here's how we wound up. And this is the short version. Because I do a lot of trust work, I teach a trust class, and I knew that there was some securities violations in here. His second round of money that he brought in didn't adhere to the PPM at all. He didn't follow through on half the things that were on the PPM. So there were some securities issues that could have been brought up. But more importantly was trust fraud.

I am a friend, was a friend, of the trustee at the time. I made it abundantly clear that what he's doing is ... Because he was kind of going around the back door of having this property possibly deeded over to him, right? Because all the trustee had to do, because he was the grantor and she was the trustee. And he's super believable. There was the fear that he would deed that over.

But there was some information that I wrote into the trust that could have prevented that. It could have been

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possible trust fraud. That's not just a slap on the wrist. When you're dealing with a large sum of money, and this gentleman was also a beneficiary, so he was doing it to his own betterment. I had several strong conversations with him. And encouraged him that it would probably be better for him to deed the property over instead of face possible securities violation or trust fraud.

It didn't go down with one conversation. It went down with many. And he finally acquiesced and signed it over. But this is after all of the money was gone. And we're in the process of trying to sell the property, will take probably a bath on the whole thing. But lesson learned is, measure twice, cut once. Do all the due diligence beforehand, not in the throes of it.

It could've gone really, really sideways. Had he dug his heels in, then we would've had to litigate. And you know the only people that really make many money in litigations is the attorney, because we have friends-

David Phelps: That's the problem. That's the problem. That's the problem.

Darlene Root: Yeah.

David Phelps: Yeah. This is really great. So let's wrap this up. But I would say, I love that you are willing to have this conversation to show the world, to show my listeners. Because I've got a lot of hardworking, high-income people that look at different kinds of investments outside of Wall Street. As I talk to many doctors and dentists, many will say, "Well, I'm doing really well right now. I've put my money in X, Y, Z, syndication X, Y, Z, this or that."

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And I said, "Interesting." I said, "How did you come across that?" I'm just always curious what the connections are. "Well, went to a conference somewhere." Now, again, I'm not judging no anybody or anything. But my question is, how did you know or how do you know today that, that is a solid investment? "Well, so far," well, so far, "it's good." "Well, great. I'm happy to hear that. But again, was any due diligence done?"

"Nope. We went into a room and seemed like this person had a great presence and had a reputation." "Well, of course, it's their conference in this case or a sponsor's showcasing them." So everybody was around lauding the great run rate and track record," on a similar basis that you had with the person that you ventured with. And you can't just go on that. People don't know, "Well, where do I go?" Well, you start by Googling. You start by doing the research.

And if you can't do it yourself, hire it out. I mean, you can hire that out for not a whole lot of money to just do some of this basic research to see what's uncovered. And then, I'm not looking for people that have no glitches on their resume. There can legitimate stories that you can-

Darlene Root: I want glitches. I don't want fairytale.

David Phelps: Yeah, I want to see some war stories. Yeah. So I'm happy to go and see ... But what I always do ... What we do is we require a basic application. And part of the application is, just tell us your story. What are we going to find? What are we going to find, right? And then, the forefront, because then we go and look. And if some of those things come up, then at least we go, "Okay, great. Now let's talk about the story."

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But if you leave something significant off, like you should've remembered that one, I got a problem. I got a problem. Incidental things, sure. I got a DWI 15 years ago when I was 37 years old or 27. Okay. Nothing since. That's not what I'm looking for, right?

Darlene Root: No, no. Even the bankruptcy that showed up on his-

David Phelps: Even the bankruptcies, no. Yeah.

Darlene Root: ... it doesn't matter.

David Phelps: No, it doesn't. It doesn't. So I want people to understand that we're not looking for someone who has a clean record, because if they do, they probably haven't done anything in life at all. So you don't want those people. They're the newbies that they're going to take your money with good intentions and not do anything.

But we're looking for people that show up and they have some kind of a classic stream of not following through. Maybe that's a good way to put it. Not following through. That's who you definitely don't want to get into bed with.

Darlene Root: Absolutely. Absolutely. Couldn't have set better myself. Even when I did ask this person, "Tell me about your failure." We can all learn from somebody's success or get excited about that. But I learn more from people's failures when I ask them. That opens a wound for some people. And that's not to throw salt in that wound, but just to sort of, "Hey," excavate this. I need to know, unpack it a little bit. "What was the ah-ha moment that you took away and how are you going to apply that into what we're doing?"

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Boy, answer right off the cuff. I mean, there was no hesitation. It was really open and free. It was probably all nonsense. But he was so good at what he did, that he was so polished, polished, polished. So if they're super polished, run. It's not—

David Phelps: Not a good sign.

Darlene Root: Not, yeah.

David Phelps: The other thing that we do have to our advantage, and I use this sometimes, Darlene. Because again, we've been in this arena for 40 years, each of us. And that means we've collected a lot of names on our Rolodex, the old Rolodex. Today, it's digital. Oftentimes, people will come to me, or it's a Freedom Founder that says overall, "Hey, David, I think I'm somebody you want to know." It's like ... So my first response back, and it's not even for me. It's from my assistant Lindsey, the response.

She responds back and says, "David says, 'Great. Who do you know that David also knows?'" Because not that I'm everything to everybody, but you ought to be two or three connections away from me. Two or three connections away from you, Darlene. If you can't tie the dots together, I don't think we have anything to talk about. You should be able to connect me to somebody you know. And then, that's a starting point. That's a starting point for me to go. But if you can't do that, I don't think we're talking the same language here.

Darlene Root: Boy, David, that is so good. And the other point, before we wrap up, is if this is a person you really want to get involved with in an investment, or in a relationship for that matter, introduce them to your friend or business

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associate. I have to give props to my business partner, Lisa, and friend, that she called it the minute she met him. She said, "I have no idea what you see in this person." She walked out of a room because he was pitching a business opportunity to the both of us.

And she literally, disrespectfully, I might add, got up and walked out of the room. I was taken back and I said, "That was so disrespectful." She goes, "I could tell when he got out of the car that this was trouble." So don't be afraid to have someone sit down and vet the individual. If they don't want to do that, or they're hesitant, or "No, I don't have time for that. You need to get involved now. I'm closing this window of opportunity." Close it. Move on.

David Phelps: That's right.

Darlene Root: Yeah.

David Phelps: Yeah, yeah. A third party who is not already emotionally invested in the opportunity. Because once we get sucked in ... And I say, again, we all do get sucked in. Yeah, you need some of those to look at it, who's not an investor, not a potential investor, who can look at it objectively. And bring out those signs that we often can miss, because we're so excited about the opportunity.

Well, Darlene, great conversation. Thank you so much for your wisdom and just sharing. I know you have so many wins in the win column, but thanks for sharing the one here that was a troublesome spot. Because, as you said, we learn more from the failures or things that didn't go as planned than we do from the successes. And I thank you for that.



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Darlene Root: Absolutely. Part of my book. Part of my new book coming out. Again, I loved your book. I'm going to go back and read the other one I missed somehow. Great author. Great job. Great community that you have for your people. Super excited about where you're going.

David Phelps: Thank you. What's the title of your book? Just so we know.

Darlene Root: I haven't decided yet. I think, Build the Ark Before the Flood might be a ... or Cover Your Assets. Kind of a play on words, but taking that whole experience and the dead Bob experience, which I think I shared in the mastermind that we were in. This kind of had the dead-Bob vibe about it, but I think we're going to take those experiences and say, this is how to not do that again.

David Phelps: Beautiful.

Darlene Root: Yeah.

David Phelps: Thank you, Darlene. Great to talk to you.

Darlene Root: Thank you, David. Nice talking to you too.

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