

Pursuing Freedom in a Dynamic & Fast-Changing
World (Part 1) - Dr. Mike Abernathy: Ep #466



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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: Hi, David here. Well, this week and the following week, I'm going to treat you to a special conversation that I sat down and had with my good friend, Dr. Mike Abernathy, just a few weeks ago. Mike and I have a longstanding relationship going back many years. Mike was ahead of me in dentistry and in school at Baylor College of Dentistry, where we both graduated, Mike in the late seventies and myself in the early eighties.

But we practiced about 30 miles apart in North Texas, North Dallas area and Mike was always a strong mentor to me. I looked up to him in so many ways and he helped me as he's helped many, many of our colleagues throughout the years and continues to do so today. He's a giver with a hundred percent heart. I think you'll enjoy this conversation this week and the following week regarding some of our experiences in our own evolution in practice, where we started, what we went through, associate shifts, partnerships, successes and failures, and what we learned over the years in this vastly rapidly changing environment we live in today, not just in dentistry, but in everything about life with technology, politically, economically, financially. The world is changing very, very quickly, but there's still some philosophical concepts that I think remain constant throughout the years. And this is what we want to try to focus on and help you, the listener, find those pearls of wisdom that only years of experience can provide. Enjoy this one and we'll catch you next week on the flip side.

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Mike, we go back quite a few decades in our own lives, our own careers, in our practices. You were a few years ahead of me coming out of Baylor. I followed behind you. We actually practiced about 30 miles apart. Not too far.

Mike Abernathy: County seats.

David Phelps: That's right, county seats in our respective counties. And we were just talking, we've talked in the past about how much dentistry, the industry has changed over the years. When you and I came out, dentistry was definitely still very much mom-and-pop, right? We talked about, in fact, our initial associateships, you had a few situations. Talk about some of the first docs that you actually went to work for and how that played out. Kind of compare and contrast that to today because I think a lot of people don't know, going back that many decades, got a lot of younger docs that are out there today. It's a different world today, but let's just go back a little in time. What was it like when you got out?

Mike Abernathy: Well, I think they'll find that as different as they think it is, there are a lot of things that are very similar, a lot of risks, a lot of unknowns. Had a great self-image for no apparent reason. We got out of dental school, but I actually went back to my hometown. I had seven generations of attorneys. I'm the only male in my family—

David Phelps: Seven generations of attorney.

Mike Abernathy: Attorneys. Yeah. But I moved back in town, and you either hate attorneys, or you really like them. You either want to good or bad side. I went back and worked for my family dentist, and it was interesting. I had two ops. He practiced. There were two doctors there. The older doctor just once a week would come piddle. But they even had x-rays that were, you know, you lift the lead shield and count to two and put it back down and the equipment was old. And he says, "Well, we'll pay you 50 percent of what you do." And I had to buy my own equipment though. So I got that room all setup

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and no nitrous oxide, no hygienists, no assistants. It had one person there helped and she would help him when he was working in—

David Phelps: That was back and forth—

Mike Abernathy: Yeah, which wasn't that much different from dental school. Was it? We didn't have assistants. So we did that and it lasted about eight months at the most, something like that. And then he fired me because all of his patients wanted to see me because he was working Monday through Thursday, kind of often on 8 to 5, and he'd see maybe four patients a day, and I was seeing a bunch more. And that was their Fridays and Saturdays. Anytime they wanted to come in, I would be there. And so I went to work for a dentist in town who actually talked me into being a dentist. I was going to go to Southwestern Medical School. It was three or four weeks before school started. He was cleaning my teeth and goes, "Why don't you go to dental school?"

And I want to be a real doctor. And it was interesting, but I said, "Well, I didn't even take my boards for that, I mean exams for that." And he says, "That's okay. I'm with the board of directors." He said he called, got me an appointment that afternoon and I started dental school.

David Phelps: And you were in.

Mike Abernathy: I was in.

David Phelps: No DAT.

Mike Abernathy: Yep. So when I left this first office, he had an associate and something bad happened and he fired him. And so I walked right in there and added another executive unit. So I bought two and I got 50%. And he was on the board of banks, savings and loans. I guess back then you could do that for multiple ones if there was no conflict of interest. He was supposed to retire in 12 months and everything was said, he had a building. I was going

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to buy that, everything. Everything's going to do that. And it didn't happen. So I walked, moved across the street into a 7-Eleven that they had abandoned because everybody was shoplifting and stuff, and opened three ops in there. And then before the end of the year, I had to put a fourth and then a fifth and then just kind of went on from there and then finally built our own building in McKinney.

David Phelps: I remember when I was in my senior year at Baylor and trying to knock out those final credits, you know, splitting a night, putting bullets at night, having those bad dreams about get to the finish line and say, “Nope, you're not ready.”

But that last year, for those who didn't have a place to go, and I wasn't going to go back to my hometown, my actual hometown was in Colorado, I was dedicated. I was going to stay in Texas. So I didn't really have family in the area. So what we did back in those days at Baylor is there was the board, the big board outside of the lecture hall, right? On the board was all kinds of notices and that kind of thing. And doctors who were looking for associates because they just wanted someone to come in and take the load off would put notices on the board. And I'm a doctor X, Y, Z, I'm here, there. And I found one that was in Greenville, Texas, and didn't have any other way to vet it.

I called the guy up, and I certainly went out and visited with him. Very nice guy, and that's where I went. I have no other reason. I saw a call on the board. It was 45 minutes outside of Dallas. I've been living Dallas, and it's like here we go. I got married at the same time so just, you know, few more things together, and there we go out to Greenville, Texas, and a little bit better than your situation I actually had a room with actually equipment in it. I didn't have to bring my own chair but it was kind of like, “Here you go,” in a very similar situation where he actually had an assistant with a front desk and actually, I did get an assistant but like you, to build my own practice because there's not an over demand.

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Mike Abernathy: Oh, that's a good point.

David Phelps: So I did the same thing. So I did extended hours. I did the Saturdays. I went late in the evenings and started to build up some clientele because you have to hustle. You had to get up there and hustle to make that happen. And that worked out for a while, but I could tell that like most of us coming out of school, graduating back then, male-dominated classes back then, we all wanted to have our own practice someday. So that was always going to be the road to go. So it's just how soon do you make that move? You made every move after a few moves. I made my move and done a building. This is coming out of the RTC, you remember the Resolution Trust Company, which is really heavy in Texas and Oklahoma. And so it's kind of like we went through the 2008 nationally, but this is more dedicated to the South.

Mike Abernathy: I still have stock from those companies, Viking stock.

David Phelps: Yeah, there you go. And so I captured this building, it was a good deal. And that's where I started the practice back then. And I realized, even though I got a little bit more speed clinically, was still a little bit better about that, still didn't know anything about the business of dentistry.

And that has not changed. That part's not changed because the focus is always on these clinical skills and we could talk hours about how bad the education system is, but let's just say it leaves a lot to be desired back then than does today. And today it's more paramount that docs learn more about business, but they're reticent to do and if they get out there and just try it. So go back to some of the things that you had to figure out, how did you figure them out? Just other than just your own real experience. I mean, you found pathways that got you to move faster and become a better business owner, a better clinician, a better leader. I mean what or was that just built into you?

Mike Abernathy: No, well, I mean, we need to remind that there was no internet. There was no dental economics. There weren't a bunch of

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speakers. There weren't articles. You really had to search it out. But I really felt like dentistry was nothing more than kind of a consumer-driven business in the sense that people chose to come to you or they didn't, kind of voted with their feet.

And I knew people were doing better now. There was a book that came out, and I can't think of the author's name, that's crazy, but it's called "The \$100000 Practice" by Bob Levoy.

David Phelps: Oh, Levoy, yeah.

Mike Abernathy: Yeah, "\$100,000 Practice". Now, it wasn't \$100,000 a month, it was \$100,000 a year, and that was probably two or three times what an average practice would do. So I know the numbers don't sound impressive, but I read that book and I'm going, wow, that's awesome. So I called him. I mean, I just didn't have any residence to not just call somebody up and ask something. And people were willing to help back then too. And he said, "Well, I'm giving a seminar." And I went to it and there was a guy sitting in the back and his name was Bubba Yates. He wasn't taking any notes. And when we got through, somebody said, "Hey, you're sitting with Bubba Yates." And I went, "Yeah, so," and he says, "He does a million dollars a year." Now, a hundred thousand was incredible, unheard of. So I just asked him, "Can I come visit you?" And at the time there wasn't anybody bragging on what they did or, you know, didn't have a platform to speak from.

And I went and his office wasn't as good as nice. I've just going, his clinical dentistry—I was a lab technician when I was in high school, paved my way through college and through dental school being a lab technician, kind of understood that side of it. I didn't understand it. I said, "You know anybody else that has a big practice?" And he says, "Yeah, try Elliot Sutchinson." I mean, so I spent an entire year visiting about 15 or 16 offices that did pretty close to a million dollars a year. You wouldn't know it. And when I got back, I finally realized that they weren't any better looking. Their hands weren't any better than mine. It didn't just fall on their lap.

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They had to train everybody back then. There you go. I mean, we couldn't just hire licensed assistants or licensed anything. We trained our front desk and made time to do that. And so I just came back and said the thing was holding back was me. I was the one reason the practice wasn't—so from the time I did that, within about a year and 15 months, we got \$2 million. So again, I just found that it was easier not to recreate the invention of the wheel, but just sort of go at A, B, C, D. I could start at G or S, and then take the things they learned and could teach me and apply them.

David Phelps: So I think what you're saying is the problem was you. You were the bottleneck in terms of restricting the growth that you wanted to see, that you had aspirations to do. Didn't have so much to do with you needing some extra CE or some extra new technology per se, but it was more, would say it's more just mindset vision that you were lacking you just needed to actually see that something was possible with other people that were your peers, as you said, no better looking, no better hands, but they were doing something different and as most of that just comes from what's between our ears and what we think about, self-limiting beliefs.

Mike Abernathy: Yeah. I think self-limiting beliefs, I think when you see somebody do it a certain way and I did it, I worked for three doctors in McKinney all doing it. I mean they did in the 1950s, you know, and never really strive. This is probably, and I never thought of it this way, but I never thought about just limiting the growth of my practice. I never thought of it as that being even a possibility. And so by going to these places, it gave me the permission to strive, and certainly, I didn't do certain things as well as certain of these doctors did, but I felt like I could learn that. And I found that once I mastered the fundamentals of dentistry, no one was teaching the business of dentistry. I didn't feel embarrassed that I didn't get that. I just knew that was lacking and I sought it out, and I think that hasn't changed either.

David Phelps: Yeah. Well, I think a lot go through school and it's hard work and you get there and you think this is kind of the mountaintop and maybe you do a GPR, maybe you specialize, whatever it is, but you have your peak

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and go, "I've got it. I'm there and now I just got to go and actually put my head down and do the work." And yeah, there's a big part of that. You have to go and do the work. But I think you're right that without continuing to grow and invest in yourself, and we think about going to take courses, and I've done this, I've taken all kinds of courses as you have over the years, some better than others, but sometimes just getting the information, we think, well, we've adopted something that we'll go put to use and many times we don't implement what we learned.

Mike Abernathy: Yeah. There's no learning without application. You couldn't prep like Peter K. Thomas or do inclusion like Bill Strub or Omer Green. I was his lab technician for three months one year. Learned so much.

David Phelps: I bet, yeah.

Mike Abernathy: But it's just, I went through a period of time where in addition to the dentistry, when I got to be about 40, I never played football, you know, you don't play football in Texas. You don't get dates, right? Okay, so I've always felt kind of like I was never an athlete, stuff like that. But I started getting interested in triathlons or playing tennis or swimming and stuff like that. It was amazing because I could afford to hire somebody that was a world-class coach for Olympic athletes.

And then I realized that they dressed differently, they thought differently, they acted differently, they saw things differently, and I could adapt and get their vision and I'd bring it back and I would denticize it to the dental practice. It just gave me that permission to win and to strive and I knew I'd mess up. And, you know, you talk to these athletes kind of like we're talking and you have something bad happen in your life, and then you overcome it and you realize that you only fail if you don't get your tush back up. And I always looked at that failure as an opportunity or a way to learn something.

And I probably was one of those people when I was a kid, I probably put my hand on a, "Oh, that hurt," And, "Oh, that still burns, and that burns." And I

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didn't learn it the first time. So a lot of these lessons I learned over and over again until I actually acted on it. And when you take that information, start acting on it, you start realizing there's nothing to be scared about. No one's any smarter than you are, you start acting and you get the subtleties of what we see sometimes, like if I saw you invest something, "You know what, nah, I got that. Anybody could go invest in real estate," you know, no, they can't yet.

David Phelps: So many nuances to it that you have to see it. I think that dental school, and I'm guessing it's still that way today, although I haven't sat in the lecture hall for many, many years, but there's a mindset, at least I felt it, that you don't want to make any mistakes. I mean, if you make a mistake, if you go too far out on the Marshall Ridge, you fail. It's like, they should just let you get in the lab and just crank it out and just blow some stuff up, right? Because to your point, until you feel like you've got the permission to actually get out there and make some mistakes and we're putting aside this box and it's like, just stay in these lanes and don't even look left or right. You just got to go down. And you were so different. I think you did it better than almost anybody else I know in terms of you got outside that box, you were never inside the box. I think you had the background in the lab, which gave you probably a better perspective than most of us who didn't have that.

So you already saw what dentistry was about. You had a different mindset, but you got right out and you got after it. I did mine a little bit differently in that I got out, but I was also like you in many ways. I was also kind of a renegade and looking at what other ways that I could be a business owner or investor. Can I do that, you know—

Mike Abernathy: Yeah, I wish I had done that.

David Phelps: Well, look, we took different paths, but both successful in getting there, whatever their means to us. I just think you did it really, really well in the business side of dentistry and you continue to contribute and give back even though you're quite some time out of clinical dentistry, out of

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ownership, and continue to do that because of what you are just like Bob LaVoy, you found, well, people back then were willing to give you, continue to do that.

I went down the path of also need to learn a lot about the business of dentistry. Greenville, Texas, very blue collar. Great people. I don't think there could have been a better place for me to practice, but just learning about the dynamics of communicating with people, the things that, you know, you talk about all the time, communicate with people, how to hire, how to lead your staff, how to engage them, these are all things that can add so much value if you just learn them. And I just added that as a little piece, which was, I'll go out and find some rental properties and kind of add this on the side not knowing what it would be. Like anything, it's the compound effect. You do little things, add some specific disciplines and you just have the additive effect over time.

If you do these things, never perfect, never going to get it right the first time, but you can always deviate. You can iterate as you go, but just stay on a path where you're continuing to trying to grow whatever you're trying to grow. I think that's what is missing for a lot of people when they get the degrees, get the license, get some additional education, they think, "Well, I've got this now." But it's still, got it, but they're kind of on a treadmill, that the treadmill just gets bigger, faster. The incline gets higher because the lifestyle goes up and they're still thinking, "Well, how do I bring this to some kind of conclusion, or where's that freedom I was looking for when I signed up for all this," right?

Mike Abernathy: Right. That's an awesome point. I never even thought about investing outside my career as something equal to my career. I mean, I always felt like if I could produce it, collect it, the money, if I could make the money and I didn't spend it and I invested it wisely, there would be a pile of money that I couldn't outspend. I didn't even figure that out until about 10 years ago. There is no limit to what you can spend. And dentists are interesting in that they really have the opportunity to buy anything they want. They just can't buy everything they want. And oftentimes, as a young doctor,

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you're trying to pay off the school debt, and you're trying to pay off your initial investment if you owned your own practice. And you'd hit a point where, you know, then a spouse helps you spend money and then the kids help you spend money, and then the best-laid plans, you know, and then you wake up when you're 40, 50, 60 years old and realize that you just don't have all the opportunities you thought you would have at that age. And I know we're talking about our background stuff, but I will say when you first started Freedom House, when was that?

David Phelps: 2010, 2011.

Mike Abernathy: Okay. I remember it was kind of at the worst possible time you could think to do that. Okay. I mean, because it's almost like if every time you tried something, somebody would get you for five years, six years, seven years, we'd gone through three recessions back-to-back. Real estate in California, it dropped 47%. I had a guy that bought a building, took a second mortgage house to buy the building, had never done over \$80,000 a year. And then two weeks later, everything happened within two months. They called the notes on both the house and the building. It's like, it's just interesting. I mean, I always thought that if I had a pile of money, there is the size of a pile of money that I couldn't spend enough of it.

But I forgot that if I did have a pile of money, I'd have to put it somewhere, which puts you in danger for a third party that isn't worried about your principal or, you know, and I can live with different returns because I'm not living above my lifestyle stuff. But literally those three recessions, the time you started was a time when I'm going, "You could darn near lose every penny of the money you saved." And when you lost that, you lost all of your future, your dreams, the things you thought would happen. And it was about that time I started buying practices because I could buy them from Bank of America or Wells Fargo for, I mean, they'd have an \$800,000 debt and I could buy it for \$150,000. And I sat through your deals. You asked me just to come and visit.

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David Phelps: Well, I did. I did.

Mike Abernathy: You probably didn't have an audience.

David Phelps: Well, yeah. It was free to come, eat the food, you know? Why don't you come? I needed an audience. I needed some, but also I, seriously, I needed someone I respected that actually sit there and say, "Okay, does this resonate or not?" And like anything, you start out, when you first started, I remember it was death by PowerPoint. It was just, you know, but you were kind, you came.

Mike Abernathy: No, it was good. It was good, but because you had, let's see, in 2008 and 2010, you'd been out of dental school how long?

David Phelps: At that point, what was it, 25 years?

Mike Abernathy: Okay, you knew that. And so it's almost like if you have an audience with dentists in it, you kind of want to know that they feel the stress of making the payroll and having end of August and September happen every year. We think, "Oh my gosh, everybody, they found out I'm a horrible dentist," and your production drops.

David Phelps: Way down.

Mike Abernathy: Yeah. It goes way down. "Oh my God. What am I going to do?" You start biting your fingers—

David Phelps: Showed up at the office. I mean—

Mike Abernathy: Exactly. I mean, you had the rapport and the historical curricula vitae to go, "Yeah, I'm a dentist. And this is what I saw." I've always liked real estate. And then you told me your story about your dad helping with that first house. And then, I mean, I remember this stuff. I'm sitting there taking notes. Okay. It made me start thinking differently about my career.

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And it wasn't that I wasn't making a penny. It wasn't that I wasn't saving money. It's just going, it made me nervous to hear it because it was just the opposite of what I always thought, you know, a little bit, but it made perfect sense. You had that aha moment and you go, I don't know if I could say this, you kind of go, "Oh shit," you know, it's like, "Ah, oh no." You know it was just this deal, and I thought, and I'd been out of school six years more than you had. And it changed my future when I started to see that, and I started seeing the things I invest in maybe weren't the wisest things to do.

David Phelps: Well, like you said, it makes you start to look at them and there's multiple paths you could go down. I think the key point that you made was in our business, in our profession, we have the ability, the blessing, if we're halfway prudent to earn a substantially better than average living, which is a great living. And yes, over time with some discipline, you can save and put the money somewhere, but you're saving up this nest egg, this asset, and someday you sell the business of the practice and you add to that and you see it, I see it, docs that get to that point where they run this course and got their kids graduated through school. If you feel a little bit tired on the backside, it's time to take my foot off the pedal. And now I'm going to start looking at and talking to people that might help me sell the practice, whatever direction they go and they start looking at, "Well, okay, here's how much we have". And they talk to the financial advisor and financial advisors as well, you know, if you live to 92 and we don't take out more than 4 percent per year and we don't have a major recession or correction, and if inflation gets back down to where Fed wants it, there's all these variables and they're going, "I don't think I can give this active income up yet."

Mike Abernathy: I don't want to kill the golden goose.

David Phelps: Yeah. I can't do that. And so it's like, back to it again. And young docs, we've all been young where we think time is forever. You're in your thirties and your forties, even early fifties think, "I've got this, I've got this." And you're living a life and your family's good and getting the kids to go through school, but don't realize how fast time goes. And if you haven't

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figured out how to make your money work for your equity, your equity is in your business. And that's what you are good at. You get good at making that equity produced because you're in there producing it. You got your hands on it. Now I've got to take this equity, this capital that I've worked so hard, saved it, take it out of my practice when I sold it, and now I got to do what with it?

And people that have gone through some downturns, recessions, realize that docs who, just go back to 2008, docs who got out at the high before the market dropped, and they're going back, "Where can I get a job? Who will take me on as an associate now?" Because they just never figured out what to do with that money that they worked so hard for and I think that is the problem. That's what I try to get people to think about and young people just don't want to think about it. I get it. I guess I was just weird. I was different. I just started putting all my extra money, I didn't do the 401k, I just, my 401k was the houses. I put it in the houses.

Mike Abernathy: Okay, wait, wait, wait. Okay, so you're a dentist?

David Phelps: Yep.

Mike Abernathy: Okay, so I mean, 'cause we kind of bumped each other when you were kind of getting totally out of dentistry and you were how old?

David Phelps: I was 47, around 50.

Mike Abernathy: Okay, but less than 50.

David Phelps: Yeah.

Mike Abernathy: Okay. And then, so prior to that, you'd done what?

David Phelps: I just bought houses. I bought houses. Well, houses, I got into a mobile home park. I bought some commercial, but it started with house, started with bread and butter. And the thing that worked for me was

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again, nothing brash, nothing fast, no home runs. It was just the fact that I was putting money into what I consider a tangible asset. I like hard assets, business, I like practices. That's why you like practice. So that's why you were good at doing that. So I like something tangible and it's relatively illiquid. I mean, you don't buy a rental property, right? It's a long-term buying a home investor. I'm not a flipper. I'm not a flipper. Flipping stuff is for people in a business, right, flipping. Just bought it and even if my wife had been a spendthrift, which she was not, thankfully, realized that equity is locked up there. And so what I did was any extra money that came out of the practice that would have been like on the savings or the 401k, I just paid down the loans because everything I had was less.

So I just paid down the extra on the loans. So what happens there? Well, that money, again, it's trapped. That's not good. Well, actually it is good because it keeps you from letting your lifestyle do this. So you've got these properties that start spitting off some, quote, "passive income", you still have to manage it, but it's passive income.

It starts spitting off. Well, when they become free and clear, they spit off a whole lot more, a lot more. And again, once you get a discipline of learning what to do with your money, because it's addictive, I wouldn't do anything else. I looked at, should I buy a new car? Yeah, but no, that money I get a loan or put that money for a new car, I could buy another house.

Well, what am I going to do? I'm going to buy the house because the house will actually put out the money that I need or the cash flow to buy a car if I need a car. So my mindset always went to how do I invest, how do I invest, and I just never got into buying a lot of materialism. I mean, my wife did want some better things and we did move up the scale in a better house, in a better neighborhood. I grant you that, but it was just always about how can I make the money work for me. Well, I work for the money in the practice. How can I make that money that I'll go to work for me, where I'm not having to do all the work again and it's just, it's assets. And again, like I said, you did the

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same thing over the many years, you know, buying practices that you could do the same thing where I'm putting in doctors

Mike Abernathy: And I bought real estate.

David Phelps: So you have the same thing going on.

Mike Abernathy: I figure my son built, now it's not going to sound like a big house now, but back 30 years ago, they were six, seven hundred thousand, pretty expensive houses at the time. He only built one at a time and he was ready to move into it. That was it. Okay. So you got the real estate. I got that. I mean, I can't believe you were able to do all that, but you still had to practice. So I guess as a dentist who didn't do that, I'm kind of interested about your practice. And just so people that are listening to us understand this too, I really didn't see your practice when you were practicing in it. I saw it at a later time. You can tell me about that. So tell me a little bit about the practice. I mean, was it just like this thing, incredibly great practice or huge growing, what was it?

David Phelps: Reno, Texas is 50 miles outside of Dallas and it's a very blue collar, a lot of ranchers or farmers and just good, hardworking people. So my practice was, I'd say, just that. Very much bread and butter. Before I left practice, implants were on the scene, but she's not even close to level today. So it was very much a bread and butter practice, a lot of crown bridge, root canals, lots of dentures, partials. That's what we did. So it was a practice that was doing, you know, in the below seven figures back 20 years ago. I almost always had at least one associate.

There's a time when I had two associates. I didn't start out of the gate that way, was solo for a while but the practice even without my great skills at business and my charisma, and my good looks, that actually attraction, but actually I had a lot of growth early on and I don't know exactly, I think I was always a good communicator. I was an average dentist with average hands, but I think I had to learn a lot about dealing with staff.

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I was fortunate that the associates I had, I never had a bad associate that I had to go back and like redo a lot of work that probably wouldn't play with like that burn your hand and never go back and do that again kind of feeling. So I was always fortunate, but there's a lot of things I didn't know. So it was a practice that was, I'd say a good, solid average practice that was doing good numbers, but had the slumps in the fall, typical things like everybody had.

Mike Abernathy: Okay. I understand. It wasn't this humongous practice, but doing really well and you had associates, most doctors at that time didn't have associates. So you had the real estate, had the practice. So at some point, you sold the practice and at some point you really do nothing but invest in things like that. So tell me how that happened.

David Phelps: I don't think I really had an end game, like we're talking about, my father was an eye surgeon and it was like most people got into a profession or career or business and you ran it all the way 'til your quote "retirement age" in your sixties, and I thought it'd be the same thing. Yeah, I did have the real estate on the side and I saw that as a light at the end of the tunnel, but I didn't really have a game plan for it. There wasn't some plan in mind where like a certain point that everything would triangulate and that would be my escape path. I'd get out like early.

I wasn't built that way. I was built like most of us. I got to be productive doing something and dentistry was my train profession. So heck yeah, I'd stay in that 'til my sixties and probably just quote "retired" out of that, and I didn't really know, but what happened was my daughter, Jenna, had some early pretty significant health crises in her life. She, age two and a half, she was diagnosed with a high-risk leukemia. It's like hell on earth when you have a sick kid who's going through cancer treatments and it throws everything upside down. I still had to stay focused on the business. Her mom was just super advocate and I think saved her life many times in the hospital where you have to be an advocate for your kids, you know, they're hanging bags

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all the time. We got through that. Jenna got through that. She survived that. Our marriage, unfortunately, didn't.

We continued to co-parent from some distance. Doing the best we can with that. I'm still in the practice, working hard. And Jenna wasn't through with her health issues, unfortunately. She had, after her leukemia, I don't know if it was tied to the chemotherapy or not, but she had epileptic seizures that were not well controlled, and she was taking all kinds of seizure medication. Four years later at age 12, I think between the chemo and the seizure medication, her liver, the toxicity to her liver just was overcome it, and she was in end-stage liver failure.

This is age 12, and one more thing's just blowing up here in regards to her health, and she was able to have her liver transplant in Houston. After figuring out where to go and which are the best doctors and who had the best team that had been together, she was blessed to have that transplant. And it wasn't until after the transplant was completed, and I was there at the hospital, basically just sitting in, like on a bench, like this, on a bench, and she's on the bed over here, hooked up to all the IV tubes and the machines monitoring her heart. Across the bed board in the hospital, there's like 30 bottles of pills.

I kid you not 30 bottles of pills, everything she's—it's dwindled down over time, but initially, this is what we're looking at. I'm watching her just breathe. She's asleep, and she's breathing and just watching her breathing I'm just thinking, how many more chances do I get as a dad to be there? Is God giving me a couple slaps in the face? And I just kind of said, “Ah, no, I got this. Don't worry,” you know, ‘cause I got to keep financially strong, but it was sitting in that hospital, I really just kind of back of the napkin in my head ‘cause I had time to think, which is something we don't do enough of.

I didn't think is what would it be like if I stepped away from the obligations, responsibility of a dental practice, meaning could I actually sell this practice and focus? What I wanted to focus was on Jenna at that time, could I be

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responsible enough in my left brain logic to make this work, or is this just a foolish idea, and the math wasn't that complicated?

And I tell doctors that it's not that complicated to look and see where you are and what you have. And so when I looked at it and realized that I had a certain amount of, again, I say passive income. But the rental properties were producing a certain amount of income, a lot were paid off that point, and all I needed was enough of that income to buy me some time, just buy me some. I didn't know how much. I thought I'll take a year and a half, I'll go back and I can maybe go back to the practice I sold and be an associate, I can associate somewhere else.

I could fire up another practice somewhere. I knew how to do that. I wasn't afraid of doing that. I just wanted the time. And so I found a doc. I think I was in between associates, I don't remember exactly, but this time would be different. I wasn't just looking for another associate, had to be associate who wanted to be a buyer, right? So I changed my mindset about that. And so I found a doc who actually had done some training with a doc that we know well, who's very productive in dentistry. I thought this talk will have some really good skill sets that he had come in and he wanted to buy a practice. He was looking for that opportunity. So I thought perfect marriage, right? We talk a lot about how long do you date your wife and the dating period, realized I was very motivated. Once I make a decision, I go through with it. So it was just a matter of just plugging this thing together. This dog came in, he was quite productive actually, and did a good job and was giving me some time away even before we consummated the deal where I would sell a practice.

One little problem, he was not bankable. He had some credit history problems. And so I thought, well, I've owned or financed property before real estate. I know how to do that. I'll just finance this property, this young doc. In 12 months, the bank will see that this guy's a good producer. He's bought the practice. He's the owner and they'll cash me out, refinance him out. And it didn't quite work out that way. This young doc, again, some character flaws, we all have them. I'm not here to throw him under the bus at all, but there

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were some problems and essentially he couldn't carry on. He defaulted on our transaction, which means I had to go back and take back the practice.

It took some time because there were some litigation issues. It's just not as easy as you think. And so when I get the practice back, kind of like if you ever rented out a house and you had a bad tenant and he squatters, maybe, and this guy, I'm not saying this doctor is a squatter, but you know—you take the house back and it's not quite the shape you left it in, right? So you kind of get the feeling it's not—

Mike Abernathy: How long was that period?

David Phelps: That took about a year. It took about a year.

Mike Abernathy: And you had a contract.

David Phelps: Oh yeah.

Mike Abernathy: And it had a non-compete.

David Phelps: Yeah.

Mike Abernathy: Okay, this is about where I came in, so I just want to make sure I understand.

David Phelps: Yeah, so, you came in, so I took the practice back. I hadn't seen David in scrubs, you know, and he's got to put scrubs back on, and here he goes back in. So I had to go back in and start cleaning up. It's clean up, well, in many ways, obviously. You got patients that are in the middle of treatment. You've got treatment that wasn't done well. You've got staff that are half there, half gone. It's kind of a mess. But I had to think about what am I going to do here? And I remember when I reached out to you, you said to me, you said, "David, you got two choices. If you really don't need the practice financially, then you could just, you know, close it down. I mean,

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finish off what you need to do. Take care of people, get them records. Put out to other docs and just close it down. Shut it, lock it up. You can solve the equipment.”

Mike Abernathy: That's like come to you and go, I'm gonna take your man card, and you just went, “I'm not gonna do that.”

David Phelps: I said, “That's not, Mike.” You said, “Or you could go back in and do what most of us do, David, man up and bat it up and take the thing on and go do it again.” I didn't like that one either

Mike Abernathy: You didn't say though that this guy opened another office across the street.

David Phelps: He did. He did.

Mike Abernathy: And took a lot of patients. Yeah. Okay. Just so they really understand how bad.

David Phelps: It was not good. So I decided I'm going to fix this. I'm going to resolve this as quickly as I can. And I'm not going to be in stay in here for years down the road and redo this 'cause I just, I can't. I just decided I didn't want to do that. And so I realized too, that in my life, just like you found, there's other people that have gone down paths similar to yours. And if you find them and invest in them or ask for their help, that there's ways to get from point A to point B faster. And this is something I had not navigated. This is back in my lap and I could be a dentist, but I didn't want to do it that way. So that's why I called you and you being 30 minutes away, you were kind of you'd drive over your truck and, yeah, we'd have lunch, but you would dig into the practice and you could see what a mess it was.

And I don't think you like tapped me on my shoulder and said, “David,” but it was like, “This is going to take some work.” I found some new associates, relatively quickly, a couple of young ones in. And you're always so good in

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mentoring and I have enough to take care of on other aspects. So you came in and you actually mentored those on docs, you helped the staff, some of the people with summit management who to this day are my friends, Max Kocher, but, you know, John Ruddy, just some of the people that came that still are in that realm came in and really helped take this kind of new practice with new docs, new staff, reorganizing, and turn that thing around again in a relatively short period of time. I say relatively, it took another couple of years before I consummated the sale to one of those associates at bottom of 2010. So it took a couple of years to get there, but fortunately, it still gave me enough relief where I didn't have to be in there being the main producer.

In fact, I would say it's because the doc who took it over into buying it, he was doing most of the production at that time. It's really the first time, Mike, that I actually had a practice where I was not the primary driver. I was a little bit more of a CEO owner, and I'd never been in that position before, never really wanted to be, I'd never felt that way, but here, I needed to see if I could make that work, and I learned a lot, as you would say, in doing this. I learned a lot of things about myself, it was literally the least that I had about how I had to be there to do everything, wear all the hats. It's a little bit of a pride and ego thing, but I think, we just think, well, we're the senior doc, we're supposed to be there to handle everything.

Well, when I was out of the practice, with Jenna in the hospital in Houston, the associate was there, patients had no choice. I mean, they could decide, "Well, I'm only going to see Dr. Phelps, so I'm out of here," but they didn't do that because they had relationships, fortunately, with staff. The associate doctor was a good doctor. He's still there today. Good doctor, good skills. And it was just a matter of just getting people to accept a different dynamic that wasn't bad for anybody, it was just different. And that's the hard part. Change is hard. Change is hard for everybody. And none of us like change. And when somebody on the team bucks up and says, "Well, I don't want to do it that way."

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You bring something new into the practice. Some new idea, some new technology. We're going to change some things here. Well, people like, "I don't want to do that." And patients won't do that, and we can't do it that way because it's never been done that way before. And you just have to find some ways to help people understand that, pilot test something, let's just try something, let's just try it for 90 days, whatever it is.

Anyway, we went down that path, the doctor, the one associate, bought the practice, ultimately, cash out, full bank loan, at the bottom of the 2008 recession, when banks still really weren't winning. But they did for this one because the doctor was actually, had proven himself that—

Mike Abernathy: And he was buying what he knew.

David Phelps: What he knew.

Mike Abernathy: That's alright. And then you owned the building.

David Phelps: Yeah, I owned the building. I kept the building. He didn't buy both at the same time, which is not uncommon. It's a lot to take on so I kept the building. I gave him a first right refusal, of course, because I, and I wanted to have the building ultimately. I just knew he would take it when he was ready. And so I continued to own the building. I don't fall in love with real estate. Like I've always learned that I can take equity from this one and move it because I just had enough experience to do it. But a lot of docs don't and that's okay. They think the building is good real estate and maybe it is good real estate and some it's good, I don't care. I want to take my chips off the table, kind of get out of Greenville, I guess, you know, just to be true. Get out of Dodge and just make a clean break.

Mike Abernathy: And so your mentality though was when that doctor, and you had to take his practice back over, you realized I'm not getting passive income on this building. I need to get a lessor in there again, and you were

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the lessor too. So now you have good real estate again. So I wasn't sure whether you sold it to them or not. That's why I was asking.

David Phelps: Yeah, that way. So the story worked out, but I think there was a lot of lessons in there that I learned, and some of those lessons are what I try to take back to doctors today, no matter where they are in their career span that, and you're so good about that too, just about helping break those looming beliefs in the mindset that we tend to adopt because this is the way you do it, you only can do it that way, you had to break that mold with the doctors that you associated with early because you saw they were doing the same thing they'd always been doing, it got them to where they were, and if they were satisfied and happy with that, there's nothing wrong with that.

But when there's something more you want in life, I don't mean more money, but most people think it's more money. Most people think, well, I've got to have more money to get my dreams. And I don't think that's true. More money can solve certain problems, but if you don't know what you're going to do with that money, what's that money really for?

How do you make that money give you back what you're looking for? And I think more today, it's more time, less stress. How can you make that happen? And that's what I'm all about today.

And that concludes week one of my conversation with Dr. Mike Abernathy. Come back next week and we'll pick back up where we left off. We'll focus on financial independence and investing outside of your practice. They don't practice ownership dynamics, personal growth, and family dynamics along with legacy, lifelong learning, community support, networking, and some reflections on our individual careers and the importance of adapting to change. Come back next week. And I think you'll enjoy this next week as much as you enjoy this week. Thanks for listening.

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