

My Journey to Financial Freedom – Dr. David Phelps:
Ep #474



Full Episode Transcript

With Your Host

Dr. David Phelps

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

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, CEO and Founder of the Freedom Founders Mastermind Community. I often get asked the question by friends, people in our community, people outside the community, "Well, David, why did you start Freedom Founders? What was the nexus, the catalyst for Freedom Founders?" I tell them it was never on my plate, never a part of my vision, which I think is instrumental to look at life in general.

If we stay in the same pathway that we've been on all of our life, whatever that construct was going back to when we went to school for our training, for many of us, it was our practices. If we don't see if there's a way to, I don't mean to get out of whatever we've learned to do, but I mean, just to be able to evolve, change the methodology, change the pattern, go into a different phase of life, then burnout comes out.

Now for me, it wasn't burnout. If you know my story, my daughter, Jenna, went through a lot of major health crises at an early age, age two and a half, diagnosed with high-risk leukemia. Three hard years of getting through that. And subsequently following that, she had really just breakthrough epileptic seizures twice a week that just floored her, just took her down.

This is age 8 to 12, right? So in her developing years, it was just.. It was really hard. And then at age 12, because of all the chemotherapy and the seizure medication, she's in end-stage liver failure. Yeah, her liver's gone and she had to have a life-saving liver transplant.

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

I'll just give you the end game. She made it. She made it through all that. She's a little over 31 years old today and really thriving and catching up on life. She's very resilient and I'm just blessed to still be able to be her dad. But it's during those times that I had that wake up call that I talk about is the fact that I'm working hard, doing the things that all of us do, taking my skills, the training, all the effort I put into being a dentist and making the most of that because that's what we want to do. That's what's in our DNA.

And for me, I thought, you know, I'm going to have the house and, you know, family, probably three kids, and it's all going to be good, and we'll live in the 'burbs, and I'll have my dental practice. And well, it wasn't quite to be for me. And probably, for you, some of the things that you thought would happen may not be either.

That's not, in my estimation, a thing to look at and say, "Well, gee, what happened? Life's not fair." I've learned through that. And maybe there's times when I was really down and I felt that way; that life is not fair. "Why is this happening to me?" There's other things that happened. Well, my marriage to her mother didn't make it through, just barely past the time she survived leukemia.

I mean, there was just so much intensity, emotional, physical. We were just drawn out. And just, you know, you don't even see it happening. You don't even know. I've never been there before. I've had no training in any of this, right? Nobody's fault. Nobody's fault.

And then after that, when she was 12, And going through the liver transplant, I just—I decided I can't keep doing this. I've stretched so thin. Jen doesn't live with me anymore. She lives with her mom. So I get to see her on weekends and I can't really be a real dad. And then she's sick again and she's going through this life-saving liver transplant. And am I going to have any more chances? And I just finally decided that I got to break the chains from this.

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

Even though dentistry is a great profession, it provides for a great lifestyle. Unfortunately, I had, you know, built up over many years, going back to when I was a student in dental school, you know, the real estate portfolio. Nothing fancy, nothing fast, no whole runs. Just the discipline and compound effect of learning a model and designating an asset that I have control over.

And that built up enough by my back of the napkin measurement to allow me to escape the chair, to sell the practice. Now, I didn't think I'd escape it forever, meaning I just wanted to buy back some time then, and I had the assets to buy back time. Isn't that what investing is really supposed to be about? To eventually buy us back time?

Well, why do we have to wait till we're in retirement age, in our 60s, to have that time? Because it's a construct that's set up by society. It's set up by Wall Street. I mean, your IRAs, your tax-deferred 401k plans, you can't touch them till 59 and a half without a penalty. Why?

Well, they're saying, "Well, you don't need it till then because you're supposed to keep working the same way and you don't need it." See, it's all just propaganda. And if you start to think in life and test more of the paradigms that have been set before us, and you start to realize that a lot of it's myths and misinformation, and yet we buy into it.

So my daughter forced me not to buy into that. I didn't buy into it early on in life. I didn't buy the whole life insurance policies. I didn't put money in 401ks. I started buying real estate. So that was my number one thing that I did right. And then secondly, I could take my foot off the pedal and escape the chair when Jenna was sick and recovering. I just didn't want to lose any more opportunities.

Now, as it happened, and now we're getting to the question that I posed at the front end: why, how did Freedom Founders originate? I leave the

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

practice. I sell it. Well, I sold it twice. That's another story for another day, but I had to sell it twice. I bombed the first time. I carried financing. I had to take it back.

But again, I learned a lot of lessons through that. And a lot of lessons I teach my Freedom Founders members today about their business exits and how to elevate their business. But again, let's put that on another podcast. Learning lessons through adversity is probably a key lesson in life.

With the expanded time margin that I created by not having the obligation to go to a dental office and produce the high income that I can produce and just say, "Hey, I've got enough right now with the passive income that comes from these assets that I've built up over time." Paid off the debt. I leveraged heavily at first, paid a lot of that debt down over the years, snowballed it down. So we call snowballing down the debt. A lot of free and clear assets that were producing a nice monthly stipend, if you want to call it that. Recurring sustainable income is what I call it.

And that gave me the freedom to say, "I can do this maybe for 18 months, we'll see. We'll see." But I just wanted that time right now. I was just so motivated to do it and I did it. And I never went back to dentistry, even though I could go back today. Well, I need to go back and take a little bit more CE to catch up, but I've still got my license. I can go back today and do dentistry if I needed to, but I probably won't. That was a great life.

And I love the fact that I was able to--because of my daughter's crises--I was able to turn the table and be a better father for her, which is number one, and then create a new freedom path for me. And so Freedom Path has evolved from people who ask me once I sold the practice, "Well, David, I understand why you did it because of your daughter. That makes sense. But on the financial standpoint, could you really leave in your 40s? Don't you have to like make some more money because, I mean, do you have like some big retirement plan?," or "What's the plan here?" Right?

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

They didn't know I did real estate and that's why I started to let on to some people. I said, "Well, you know, I've always been building up real estate." Well, then their eyes get big and it's like, "Well, could you tell me how to do this?" Now, this is a handful of people. I'm not broadcasting this, you know, in the newspaper or on the internet. No, this is just me telling a few people that know me and go, "Well, congratulations for selling a practice. Sounds cool, wish I could do that. But seriously, how'd you do it?"

And so I said, "Well, I started buying real estate when I was in my early 20s." "Well, could you show me how you did that?" I said, "Yeah, I could show you how to do it." But now I'm in my 40s, these are people that are 40s and 50s and some late 50s who I knew through my collegiate atmosphere in the medical and dental community. They're not going to want to go back and start how I did when I was even still single and with no family at all, right? That's when I started, when I had more time than money.

That's something I try to explain to a lot of people who think it's easy to go out and do this on your own. It's not. There's a time element, there's a time trait. When you're young, you've got the time and the ability to go test things. That's what you should do when you're young. You should try things, you should experiment. But when you're down the road and you've got family obligations, in this case, my daughter had a lot of medical expenses, and, you know, you've got a house and a mortgage on a house-- although I had mine paid off at that time, but still there's all these things that build up and it's a little harder to have the margin to be creative and try some things, but I did it.

And so I thought, "Well, how can I help these people without having them do what I did?" Because they're not going to want to do that. So I thought what I have built up over these years, 20 some years of doing this, I said, you know, I've built up a network. I've got a network of resources where I

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

know how to access deal flow. The key is deal flow. How do you find the right deals?

Well, for me, it was about relationships. Who do I know in certain communities in North Texas? I knew attorneys. I've been dealt with real estate. I've titled companies. The people knew me there. Assorted bankers, CPAs, real estate realtors, and management companies.

I got to know the key people, the players, if you will, because I just put the time in as I was doing my own transactions. I met these people, and they start to know who I am. They know that I'm a young doc, and I'm buying properties, and oftentimes I could solve problems that they couldn't solve for some of their buyers. Not everybody. But I would make offers on deals that, where I could see the opportunity to solve a problem for somebody else and I did it with creative finance.

Again, that's a course I teach in Freedom Founders about how you can create wealth and do it using other people's money, but without going to the bank to getting loans. Now, I know that sounds like an oxymoron, but I promise you, it's very feasible because I did it. I did it over and over and over and over again without the banks. Today, people don't teach that because they say, "Well, you should just go to the bank," because the bank was giving money because you're a doctor.

And it's like, yeah, but that's the lazy way. That's also the dangerous way, I'll tell you, particularly in an environment like we're in today. That's how Freedom Founders started. And so as I thought, "How can I expand the deal flow without me going and being in a business of property management or building out some new business?"

I didn't want another business at that point. The whole point of leaving dentistry is I wanted out of the business because I needed to spend more time with my daughter. So, going back into another business was not on

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

my table right then. So I thought, "Well, I know people," back to the resources and relationships, "I have the network."

I brought my resources, who are people that could buy properties that had management teams. They had contractors, people I'd lent money to on many of their deals, and who actually did some of the management on my properties and so, well, if I've got more private capital, because again, I'm not going to the banks to buy these properties.

This is now getting close to 2008 when the great financial crisis hit and at that point, then assets went on sale. I mean, assets all across America. I don't care if it's businesses, stock markets, real estate, everything took the hit. And now's the time to go for it. But the problem is no one has the access to make money, right?

I've heard so many people in my circle saying, "Boy, if only I had been prepared for 2009." They didn't prepare because they got lazy and they use bank money, and when the bank money tightens up and goes away, it's prime time to buy assets and you got no money, you're stuck. But private capital, the way I built my portfolio, leveraging other people's money, the leveraging terms of equity on people that were motivated to sell, was the way I built my wealth.

And so in this case, I have these doctors who said, "We've got the private capital." Some of it took from the retirement accounts, some of it took from the taxable accounts and said, "David, you find the right deals and we can put our money together." And so I did, I went off deals. I didn't do syndications. This is just one property. I found it and negotiated the deal on it and put my co-partner, if you will, code 'a joint venture partner', and we created both equity and debt deals.

Now there's a difference there. And I can explain that in another podcast or in some training, but both work. And it depends on where we are on the

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

market, where it's one works better than the other, but put it this way, equity and debt deals, put them together as a JV. And this was passive for these docs. But it was also good for them because it was tangible property. They could go out and actually see the property.

A lot of people that haven't done real estate before it's like, "I want to see the property. I need to understand this." And, you know, you live in a house. Well, it's not really hard work to understand how a house works, right. And I just showed them the numbers and how I vetted deals and basically show them everything I did, but I just did the work for them. And then we split profits.

I had very little money in these deals. So what am I doing? I'm leveraging. I'm leveraging again, big time, but we're able to access probably a little over 5 million of property from about 2009 to 2013 or '14. And in that, both sides made great returns. I'm more than double my net worth during that period of time. And the docs who are my private capital lenders, they made way into double-digit returns.

Now, can you do that right now in the marketplace? No, not right now. See the market cycles. You have to know where you are in the market cycle and where to put your money. So we move money today into debt instruments where we are lending money more than we are buying equities. But again, that's training for another time. We'll have that opportunity to come again. That's why I tell people in Freedom Founders, I said, "Just be patient," because the opportunity to ride the equity curve back up again is coming.

I see all these young people who are with FOMO--fear of missing out, are just jumping in at the absolute wrong time. Absolute wrong time. They're buying at retail prices based on thin margins of cashflow, if any, with interest rates that are high along with the high prices of the properties. And they're just making a big mistake. Why? They just don't know any better.

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

They just don't know anything different. They can't compare and contrast because they haven't lived long enough through a market cycle.

So, this is the key to understanding how to move and navigate your investment capital through different markets. But you've got to be willing to jump in somewhere and put the time in or buy your way into constructs that people can provide you the curated investments.

Second reason Freedom Founders made a lot of sense for me was because I was really done being an active investor. I just didn't want to go do that anymore. So I'm thinking, "Well, these doctors don't want to be active investors and, really, I don't either. So why don't I build something that serves both them, other doctors who are my colleagues and friends?"

I can use my knowledge and my resources, my network, to build something that all of us can benefit from because I need the same thing. I want the leverage of a community that can then go to the marketplace and bring in, attract the highest and best operators. And the key today is best operators.

There's a lot of people out there raising capital, been raising capital that are average, if not well under average operators, they've only been able to cycle the money because the market's been kind to them up until now. Now, the headwinds are beating them down. As Warren Buffett often says, you find out who's been swimming naked when the tide goes out. Well, that's happening.

So, understanding who are the operators, and because we have the leverage of a community with a lot of capital, we get to pick a juice, we get to cherry pick. We cherry pick the best of the best. We don't have to just deal with what I call 'family and friends investing' where it's like "Well, who do you know that has that deal today? I saw that in a forum the other day." "Well, I'm looking for a cap rate of preferred return of 10% and I need to see a total IRR of 19%, I need to be in and out of the deal in three years."

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

I'm going, "That was yesterday." You're not going to find that market. If you're trying to find that, you're going to be sadly disappointed. It's not the place to play right now. Could that come back again? Certainly, it could. But you don't know how to read the tea leaves if you haven't been through the cycles.

So, you just think whatever's been in the past is going to continue to work and it won't. It never does. It never does. We're in a marketplace right now where the PE multiples, price earnings ratio in the stock market equities. We have multiples also in the real estate market where we have rent to value ratios. And they're off the charts on the valuations now. Off the charts. Yet people keep buying both sides, stock market and real estate. It's the euphoria of the marketplace. It's the madness of the crowds. It's going to be a big correction, and when it hits, it's going to take a lot of people down.

But that wealth gets transferred to the people who are positioned to be able to take it. That's where I was after 2008 and '09 in that great position. I'm out of my practice. I've got private capital who's looking to me to let's go make some deals. And we did.

Now I've got a big community where we run several hundred million dollars of capital into the various markets through top-rated operators that we do heavy reviews on. So we know what our financials look like. We know what we have, the legal structures pinned down by a securities attorney. We can look at all this and mitigate. Never guaranteed that we can mitigate the risk factor and still get the best returns that the market will provide.

Let me say that again, 'what the market will provide'. See, too many people think I'm going to go get something from the market. No, the market is going to provide something today, but it's probably not what it provided three years ago. And that's what people get wrong. They think I can keep getting the same thing from the market. And the market has a mean and

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

nasty side to it that says, "Back off because you don't get that today. You've taken too much out of the previous market. And now it's time for you to learn a lesson."

It's kind of like Mother Nature saying, "You took the advantage of me and now I'm going to teach you a lesson." Don't want to be in that place, particularly when you work so hard or your capital for so many years. And if you're at a point where you want to make that capital work for you or your point where you're ready to exit your practice and take that equity from the sale of that hard work that you put into build a value, where are you going to put it now? What are you going to do with it? We've got inflation on one side. We've got recession on the other side. We've got high interest rates here. What are you going to do?

This is the thing that you've got to understand that you can learn. You've got to learn. So Freedom Founders was a win-win for me. It let me go free of my practice. I've never gone back. I've remained totally free. I run my business from home. I travel when and where I want to, I can do everything without being chained to a schedule. Dentistry was great. It provided me the wherewithal to do two things at once: to be a business owner, serve patients, and also be an investor. I did two at once. It was easy to do when I started out early in life, not something I would necessarily say would be a good thing to do if you're mid-career or a little bit over.

As we get further along in life, we realize the value of our time. How much more valuable our time becomes for us as we get further down the road in life. Our mortality starts to creep up on us. We have friends or maybe family members whose health or decline is inevitable. Ours is inevitable at some point. And we can't buy back that time, not with all the money in the world. So why don't we use what we've got today and make that I'm talking about the capital investments, make that work better, more efficiently today? So we can actually have some of that time today? Not talking about retirement, not stepping out completely. That may be you, if that's you, then do it. Don't

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

My Journey to Financial Freedom – Dr. David Phelps: Ep #474

wait. But I see so many that get close to the point of selling a business or a practice, and that's the first time they really take a look and say, "Well, what am I going to have when it's left over?" And it's this amount of money, it's like, "Well, I got a million dollars. I got a million and a half dollars, two million, whatever it is going," well, is that going to be enough?

And a financial advisor kind of says, "Well, as long as we don't have a downturn or correction in the market in your first three years of retirement." Well, how likely is that right now? I'd say that the likelihood is pretty high. So again, you've got to take control of your money, your future, your assets, because if you don't, nobody else will. And you're just going to be succumbing to the markets, which to me is like going to Vegas to gamble, not where I put my retirement accounts. Talk to you soon.

You've been listening to the Dentist Freedom Blueprint Podcast. If you're tired of trading time for dollars and you want to create more freedom in your life, I encourage you to visit my week blog, freedomfounders.com/blog. I post weekly hard-hitting videos about creating more freedom in your life. Check out my latest book on Amazon, *What's Your Next?: The Blueprint for Creating Your Freedom Lifestyle*, or visit freedomfounders.com to learn more about how we help high income earners create the freedom to buy back their time and create more impact.