

**Formal Education vs Street Learning - Life Experience  
Wins Every Time - David Phelps: Ep #488**



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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. This week, similar to last week, I'm going to take you to the inside of a little bit of a special project that I've been working on this year and give you some excerpts on my thinking about formal education versus what I would call street smarts or real-life experience. This has been a big part of my life and I believe it's the way to go in the future.

Nothing wrong with formal education, but I believe real life is learned doing it, being around other people that can share their thoughts and give us as individuals insights into what really counts in life. Enjoy.

I started reading books about investing and finance when I was in college and had a little bit of time to explore those things 'cause it was, like I said, I was always a curiosity for me when I was younger, how to first, how to earn money that I needed to buy the things that I wanted. And then I started thinking in terms of investing. I didn't really understand what all that meant or could be, but I understood enough at that point that being an investor sound like it would be a good thing to learn how to do and why not learn now you get a jumpstart, even though I didn't really have any money to invest, but I was still in college and just read a little bit about that to get some ideas in mind.

And read books about investing and kind of Wall Street financial side, and then we're on the alternative side, which is like real estate or business and looking at the two, I quickly decided that for me, that was going to be an

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investment strategy that I would choose, the tangible side, the hard asset side of business and real estate type investments over Wall Street, just because I liked the fact that I felt like there was more control in that arena. So that comes back again to some level of safety. I like control and sometimes controlling too much in one's life can put a ceiling on your ability to climb to different positions in life that you otherwise could, but there's a happy medium there. And so reading those books allowed me to, when I started dental school, to think about acquiring real estate, a rental property was where most people start, and got my father to, fortunately, be my co-investor, really provide the financing and the down payment money, which I had neither.

And I was the manager of the property we bought there on Vanderbilt Street in 1980. And I was the manager of that the entire time. We split profits when we sold it, we didn't hit some home runs, but I think what it taught me where there were some frameworks there that made a lot of sense in an asset, a capital asset that would produce income if it was managed well, and also had the opportunity to create some additional value, which would be profit or gain when that asset would be sold.

And I got to see both sides of that in taking half the profits from that sale, that property, and then parlaying that into more properties as I graduated from dental school and starting to build up a portfolio of similar houses, this time on my own, without going back to my father, just learn how to finance. As I was getting more involved with this, my curiosity sparked and I was looking for where else could I learn more about this.

This is before the internet. This is before any of those kind of online forums. I had to find books. And so I did, I found books and through that, I found my early mentors in real estate back in the early 80s. Jack Miller, I've spoken about, and John Schaub, Jimmy Napier, Pete Fortunato were people that I found just through some books.

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And then I found that they had newsletters and then they actually had events. And so I'm entrenching myself and finding the best people. I think that's what we have to do in life is when you're curious, you want to find who really is teaching sound principles and not just selling tactics, which is a game, if you will.

So those were the people that gave me my entree to finance and investing. And I learned a lot from them, courses and training I never took in school on any of this. So really, I have no credentials behind my name in terms of any finance degrees. My wife does, but I don't. Mine's all learned on the ground, but I think there's a lot of benefit there.

I think that academia is good for certain parts of life that require certifications or licensure. I think there's nothing like self-learning and self-learning on the ground as an apprentice or with other people, through other people's eyes, through their experience. And if you find those right people, there's no limit.

There's no limit. So I got really engrossed in finance and understanding how it worked very early while I'm in dental school and I was kind of doing both. I still had a lot to learn in dentistry, certainly, the art and craft of dentistry, the management side of dentistry, so much to learn there. And I enjoyed that.

I enjoyed that. And I also was putting time in on the finance side and learning all I could there. And so kind of trying to balance those two together during those early years was something I managed to do. And it turned out well, but there's always some sacrifices along the way as well.

**Alex Lerma:** Seems like those two realities in your life are external manifestations of two different parts of who you are as a person. Tell me a little bit more about this tug and pull in your life between the choice of success as society defines it, maybe a perceived sense of safety, and then also this tug of entrepreneurship, freedom and controlling your own destiny.

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**David Phelps:** Dentistry definitely gave me the respect, the definition of success that society would place upon that kind of profession.

It gave me stability of income, certainly, and the structure that also I thought was important to have in one's life, so there's a discipline to that, of course. And that's good. That's that firstborn side of me, that kind of a rule follower and one of that, but then I know that there's the other side of me that was the more entrepreneurial side.

And I think that's where real estate opened that door. So fortunately for me, I was able to express both somewhat at the same time and doing both. I do remember that as I would go advance my learning and capabilities in real estate on one hand, but also dentistry, I would get more excited going to real estate.

And I didn't think much about that at the time. I've always looked at the work we do to go wherever we want to go in life. There's a sacrifice period. There's things that you just do. You grind it out. And there's certainly more grinding for me in dentistry. And real estate, looking back, and even to this day, I don't feel like it's a grind.

I enjoy what goes on involved in learning how to create and put together solutions to problems and put financing together. I find that fun to do that. Dentistry, there's a satisfaction goes along with that, but it's also a lot of work. I mean, very detailed, arduous work. And I realized looking back that probably for me, I was the best dentist for doing procedures that were relatively quick and conclusive, emergencies type work where you complete treatment and the patient's released and there's not going to be ongoing treatment that goes on for a long period of time, really two different things. There are people that thankfully are very good at producing long-term, well, I would say arduous treatment plans, but they're really good at that.

And for me, it was a grind to do those, but I didn't know any different. I just thought, well, this is the way it is. And I didn't talk to other people about that.

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I just figured we're all in the same place. And I don't think, not today, I know that's not the case. There are some people I know, in fact, people in my class that love the clinical side of dentistry.

And I'm not saying I didn't like it. I enjoyed the challenge. I love challenges. But the actual work to take on arduous, long, detailed cases would just take the energy out of me. And real estate was the opposite. I would, it would light me up. It would energize me. And looking back now, that was a clue. I just didn't see it as a clue. And really at that time, early on, what was I going to do about it?

**Alex Lerma:** I've heard you describe yourself as an entrepreneur disguised as a dentist.

**David Phelps:** Yeah. I think really I was an entrepreneur in my own mind and self really disguised as a dentist. And that persona certainly worked early on. I think it checked all the boxes of what society's expectations would be of me. Getting no pressure from my family, anybody.

But I think it just checked the boxes and made me feel like I had done the right thing because being an entrepreneur, not having the degrees behind one's name seemed a little bit like, "Ah, you just didn't really climb the mountain to the height that you could have." And so I got it done and so I didn't have to have regrets about that, but yes, the other side of me, the entrepreneurial side, it was always hidden inside.

And when I got to express that during my career path of doing both, that was fun. I enjoyed the people probably overall more the camaraderie on the entrepreneurial side than I did the dentistry side. I respected both. No question. I respected both. But I just felt like the life that the people on the real estate side, and these were, again, these were long term people who live principled lives, but being entrepreneurs in the real estate side, they didn't have the same degrees I had. They hadn't had all this formal training. They also learned the way I was learning. And to me, from the outside, you'd

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say, "Well, that doesn't look very assuring. That looks like that's got a lot of holes in that. Who would want to go down that road?"

But actually looking back, that's the resiliency I think is required more and more today. Yeah, in college, the books that I found on investing, there were several on mutual funds, which kind of came out during the late 70s, which they're pervasive today. So mutual funds, I don't know the names of the books, but like Morningstar was coming out and I remember those names. The actual books on real estate, I remember specifically there was a book that was authored, now deceased William Nickerson. And that book was How I Turned \$1000 Into a Million in Real Estate. And I have that book to this day and the fundamentals of that book carry through to exactly what real estate tangible assets do today.

The fundamentals don't change. The economy does. There's another book by Dr. Albert Lowry, forget the title of the book, but I've got that book on my shelf as well. Those are the first two books that really set the stage for me, understanding from my status at that point what tangible asset real estate investing could potentially do. And after reading those books about real estate, I knew that was the path to my future destiny, my freedom. And that's what led me to buy that first property with my dad in 1980.

**Alex Lerma:** David, what do you think drove you to pursue reading books on investing?

**David Phelps:** Yeah, when I'm in school with everybody else, and there's not a lot of free time when you're in the pre-debt, pre-med program, no doubt.

But I had got enough of my credits done. I think that my curiosity that started when I was younger and wanting to have more control in my life was leading me to like, well, how do I continue to do that? I'm now getting closer, not there yet to where I'm going to be at, go out and be responsible and actually can start earning a living, a real living.

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And how could I have more control of that because it goes back to the control I wanted early on in my life. And so I knew I had to do some reading and investigating. What does that look like? And so I think that's what really piqued my desire, my need to do some of that early on, because I've always been someone who wanted to plant seeds and plan ahead and not wait until I'm ready to do something, but could I plan ahead? Not knowing at that point that I could convince my dad to buy that property in 1980, but the opportunity was there. I was ready for it because I'd read the books and I could actually speak to my dad with some fluency about why real estate was good and wasn't hard to convince him because tangible assets kind of make sense to anybody. And he bought in and we bought the house.

**Alex Lerma:** That's an interesting theme because what you're saying is you did the homework first, right? So I would love to get just a quick overview of the story of that first house with your dad.

**David Phelps:** So when I proposed to my dad that I will be obviously in dental school for four years, and as most people would be doing, most students, I'd be renting a house.

Well, wouldn't it make sense if we own a house, the keyword being we, so when he said, "Yes, I think that's a good idea." And I showed him that I had done the research to understand what it would take to own a house, and I would be the manager. And he knew once I set my sights on something, I would do it. So I had that track record with my dad, but doing the research in advance and showing him I had done it was important.

And so he came from Colorado to Dallas, I know two different times, in the spring of 1980, I think maybe three or four weeks apart. And I found somehow through the grapevine or through the realtor, local realtors, I found an office and found an agent who agreed to do what they normally do is drive you around and show you quote investment properties or what they deemed to be investment properties.



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And we spent two weekends doing that. And on the second weekend, after we looked at properties, different kinds of properties, most of them where I remember being like triplex, there was a fourplex, which would be definitely deemed investment properties, but there were locations that didn't seem to fit.

As I recall, I kind of remember where they were. And then we found this house located a little bit east of SMU in central Dallas and it was on a street of kind of at that time, I'd say stately houses. Now I say stately, I'm not talking about McMansions, but these were houses built typically back in the 50s and 60s.

And this particular street, they were mostly two-story. I'm going to guess they were 3,500 square feet ish, maybe not really typically what you think it was a rental house today. But this house that we found through the realtor was an estate sale. The widow lady who had lived there alone for who knows how many years passed and the heirs wanted to sell the house.

And typically when heirs, multiple heirs owning a property through the beneficiary status, they just didn't want to sell it and harvest it and move on. And so they're not looking for top shelf price. This prop, this house was not neglected. It was dated. Big difference. Neglect means rust bad, mechanicals are bad, could have bad foundation, could have plumbing, electrical problems, not the kind of thing that I needed to get involved in. But dated, it's different. That's where you rip out the shag carpet of the time and paint and just update some fixtures, which is not what I call heavy lift. And that's what this property ended up being. And I remember that once we acquired it, the acquisition was I had to go out to the title company.

And my dad, I think, used power of attorney for his signing, but I actually went, didn't physically went and signed documents. I remember that was a big deal because that's first property I've ever bought. But I'm signing documents, signing my name to all these documents. And that felt pretty good to actually receive the documents and understand I had a title to a

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property and this was our property now, but I'm in charge because dad's two states away.

He's not gonna help manage this. So I remember that before we bought the property, one of the things that we did, which is conventional, is you hire an inspector. You wanna have an inspector who's licensed and knows what to look for, 'cause I certainly didn't know, and my dad didn't know everything to look at.

We kind of look at the cosmetics and go, "Well, let's tap on the cycle, seems solid." But we want someone to look at it. And I remember when I made the appointment, I made sure I was there with the inspector. I wanted to go with him. And I still remember that he was a nice guy and I, to my best of my ability, he knew what he was doing.

And we climbed around all over that house and he would show me stuff. And I thought, well, this is great. He's actually showing me the stuff he's looking for and making notes. And I think he found a shower pan that was leaking and some stuff like that that we got taken care of in the negotiations.

But that was good for me to see, you know, the other elements of what you want to look for, because I had no experience doing that. And then now the house is acquired. And I remember both my parents, my mother and dad came back to Dallas one weekend, probably in early summer 'cause I was out of school.

That was my first summer out of dental school. And so I had the summer off, it was a great time, and we, the three of us, figured out what we needed, what we wanted to do to enhance the house. And we hired out some of the stuff, but I got some of my buddies to come over, too, and help with some of the painting and stuff like that.

Gosh, I remember going down to the local Sears, and choosing some replacement carpet for one of the rooms, and, gosh, we got some wallpaper.

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We went to the, this was back in the day when wallpaper was still a thing. And we went and chose wallpaper, my mom and dad actually were good at wallpapering.

They'd done some of this stuff before. And so we're into a dining area and I'm helping. We're wallpapering one wall just to set it up a little bit better and just doing those kind of upgrades and had to have a plumber come and clean out some stuff. So this is my first entree and to see, well, what's it take to get a house and do some upgrades, do what we call it as some value ad, enhance it to make it more appealing to the potential tenant, whoever that might be. And we didn't put thousands and thousands of dollars. And this, as I said, the property was structurally sound, but clean up and I did some of the, a lot of yard work 'cause that's what I was good at. I need some refreshing there.

So just a lot of basic stuff and then that's my time to go and rent it, right? So I got to get tenants in there, get to see producing cashflow. That's the name of the game here. And I forget where I put my ads, but they had to be like through a newspaper because that's all we had back then. So I'm sure I put an ad in the Dallas Morning News and took inquiries, and ended up selecting three SMU male students. Might think, "Well, that's kind of risky," but I did one thing smart and I don't remember who told me to do this. Somebody did, but I got their parents to cosign on the lease and that saved my lunch later. I don't know how long these students lasted.

I'm guessing the better part of a year, but there was some fallout. And then when I got the house back, there was some broken sheetrock, walls, nothing really, really bad. I mean, they didn't rip the house apart. I think they ended up leaving. I don't think we had to evict. I think they just, their partnership fell apart and they wanted to go back to campus.

I don't know what it was. So I had to take it back and go through some refurb, but I got full restitution because the parents had co-signed and I was able to, a local attorney. So again, I'm not buying my first attorney to help get this

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thing done and got full restitution. So we got the property back in line and then I never went back to SMU again for my tenants.

I said, "Enough of that." I've got a young family, a couple with a young child and they stayed the rest of the time that we own that property, the next three years. And of course, the managing it that way was simple. I mean, there really wasn't any management to do. Family just paid the rent and took care of it.

And actually they would have stayed longer, but when I graduated from dental school, I didn't know exactly where I was going to go. But as I was figuring out where I was going to go, it wasn't going to be staying close enough to where I felt like I could manage the property. So today, what I know today, I could have figured out a way to keep it if that would've made sense, but here, that point in my life made sense to conclude that property and we split about \$50,000 in our profits on selling that property.

And then I took mine and went on to more properties. What's interesting is that during the time that I was managing our first rental property, for my dad and myself, I was also working at a restaurant evenings, nights, some nights during the week and typically weekends while I was going to dental school to make the extra money that I needed to fund a lot of the things I needed, pay rent so that I wasn't taking on more debt and what's interesting is that though I made really good tips at this restaurant for that period of time, when I looked at the amount of hours that I put in to earn tips over four years and the profit that I made on my half of the gain from the sale of the rental property is I put about a 10th of the time, about 10% of the time into the acquisition and management of this property that I put in for the hours I traded at a good tip amount over those years.

That was a ten-to-one ratio. So I realized was there's something about capital assets, tangible investment assets that would preclude my trading time for dollars, even at a relatively high level of dollars. So that definitely sunk home with me and put, I think, be on a definite path to, "I'm going to do more of

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this. I have to do more of this because if I can do it, this coming out of the gate and do it reasonably well, I can learn how to do this even better.” And I could see how the compound effect of having assets on the side where I call today a plan B, along with my income in dentistry, used to be waiting tables.

Now it's enhanced because I'm doing dentistry. I could start to build this formula and make it go faster, potentially, and you'll gain more ground. More profit, more gain, more equity that go turn into more cash flow on the side and still have my dental practice building over here. In the mid-90s, And this is when I'd been at my real estate and dental participation for probably better part of 15 years, I think I felt a little bit of guilt and that guilt came from not peer pressure, but just what others were doing. Kind of the group think, the herd mentality, we're all susceptible to it. And what was that at the time? Well, most of my peers, had started with their CPA, their account, whomever, a 401k, what we know today is the tax deferral retirement plan.

It's been around for a long time. It's been around since the 70s and seems like everybody else was doing that. My contemporaries all had one. I was the only one that didn't have one, at least of the people I knew because why? Well, I had my plan B, I had my real estate. It's going to be the way to go, right?

I think even though I was building well with my real estate, I hadn't really it. Harvested the fruits of my labor there yet. Well, it wasn't time for one thing. It wasn't time. I was still active. I hadn't gone through the situations with Jennifer or selling the practice, any of that, none of that had happened.

So I hadn't really tested my model yet, even though I felt like I was doing well. And so I bought into, “Well, maybe I should. Maybe I should go ahead and also do a 401k plan for my office too.” And so I did. So I went to, again, one of the dental people who provide that level of accounting and tax planning and retirement planning.

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And for three years I invested in and my team invested in a 401k. And after three years and looking at the results, and with my good friend and mentor CPA, he was against it the whole time, my CPA, but I think he had to let me just learn my own lesson. So he let me run. And I came back after three years, we looked at it together and he said, "So what do you think, David?"

I said, "Doesn't cut it." And so we shut it down. And what many people in Freedom Founders find after they do their own Investigation, which is important, you've got to decide what's right for you, and if you are more like me and want more control, I think most people will find that getting control of those monies and self-directing it is the best way to go. So that's what we do with that claim. Folded it, no more contribution to that ever again. And, that was the story of my little bit of time with a 401k. So I do have experience there and not very long.

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