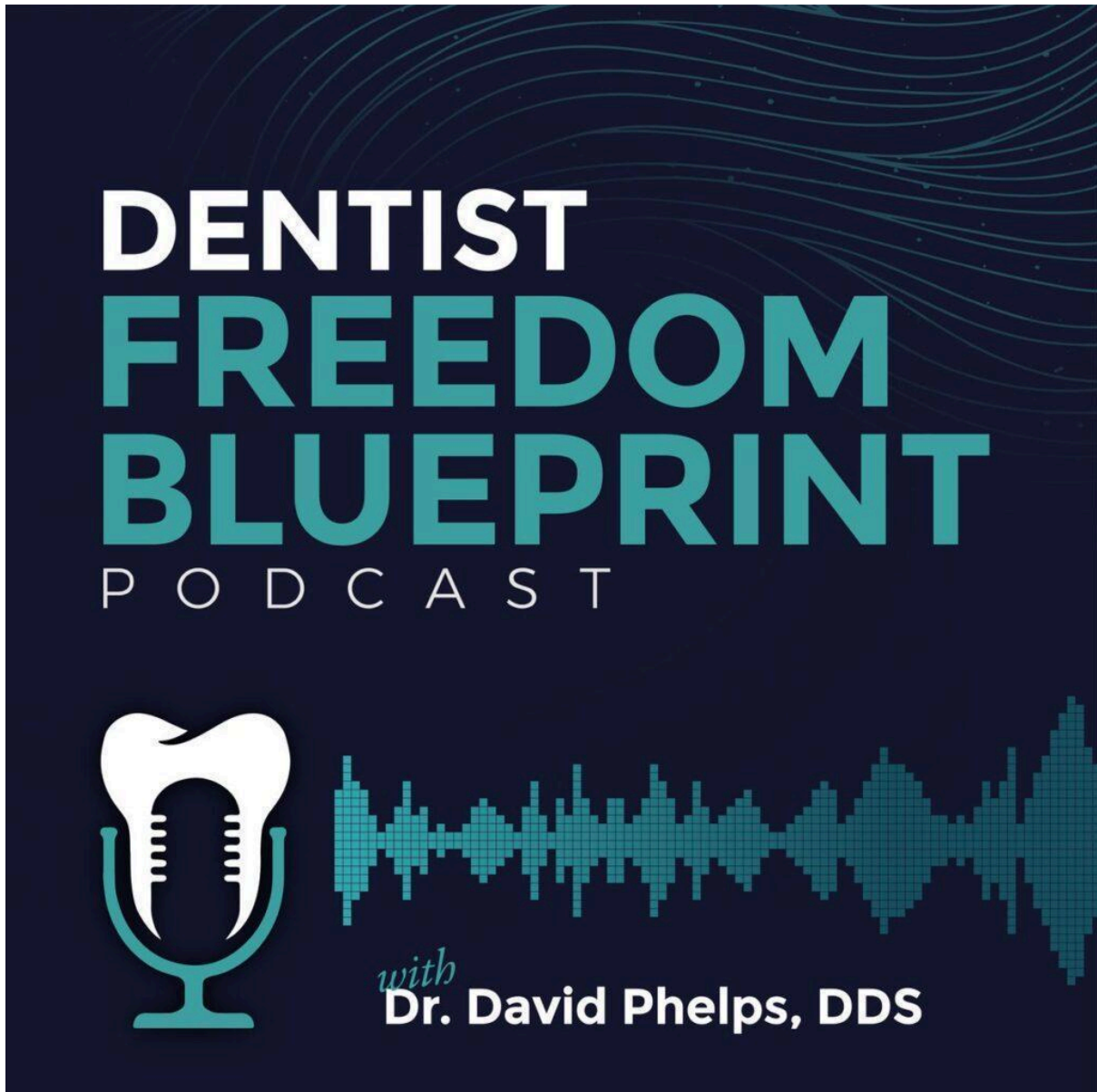


**Traveling the World and Not Paying Taxes - A
Different Approach to Investing and Life -
Andrew McDannels: Ep #511**



Full Episode Transcript

With Your Host

Dr. David Phelps

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Traveling the World and Not Paying Taxes - A Different Approach to Investing and Life - Andrew McDannels: Ep #511

Andrew McDannels: Not being considered a tax resident in any country. You're kind of like a stateless person at that point. That's my main focus right now is to remain stateless and basically continue living this way for as long as I choose.

“David was of course a dentist, but he was a very sophisticated real estate investor. He had run with a circle of probably the most sophisticated housebuyer types in the country.”

“David is a student of the game.”

“I would never say this about most people. I would get in a foxhole with David.”

“His knowledge is unreal. I mean, it's off the charts.”

“This is not some person in front of you going, ‘Yeah, just give me your money and I'm going to invest it in real estate.’ It's way more elevated than that.”

“The most common message I get, ‘I want to thank you so much for introducing me to Dr. Phelps because my wife and I—we went to Freedom Founders. We're on a path. We're going to be financially free. We are going to retire sooner. We are going to be happier. This changed our life.’”

Andrew McDannels: Not being considered a tax resident in any country, you're kind of like a stateless person at that point. That's my main focus right now is to remain stateless and basically continue living this way for as long as I choose.

Dr. David Phelps: This week, I want to introduce to you a lifestyle investor and business owner who has a very different approach to life and work. Andrew McDannels and his family have lived in 11 countries in the past three years, traveling non-stop. While world-schooling his children, Andrew also runs a real estate private lending business and a mastermind group.

Andrew and I had so much to discuss that our conversation expanded into two broad subjects. We split our conversation into two episodes. In this first episode, we talk about Andrew's lifestyle, traveling, raising kids, and running his businesses, building and trusting your team to do their job without you, how to design a life you actually want, which includes the work you actually want to do, how Andrew does not pay taxes, and much more regarding the entrepreneurial mindset. I think you'll find his experience enlightening for your own journey. Here is Andrew McDannels.

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Andrew, it is so great to reconnect with you. It's been a little while, and I know there's been some reasons for that. We may touch on that a little bit, but I will let people know that you are not an escapee on the run. But in some regards, you are a little bit on the run, but not because someone's forcing you. You're a man, you're a guy who, as many years as I've known you, you respect and realize that autonomy, sovereignty in your own life and for your family is like the top.

I gave a little bit of an intro about you, but I didn't go deep. Let's just talk a little bit about that. And just for starters, like, where are you coming in from today? If you want to give us a little bit of a locale, location, you don't have to like pinpoint exactly because I—but you can give us some idea where you are would be close enough.

Andrew McDannels: Sure. Thanks for the introduction. It's a pleasure to be with you, Dr. Phelps. So I'm talking to you from sunny Da Nang, Vietnam. It's my first time in Asia. I've been basically traveling with my family now for close to a little over three years now and we decided to do that as a family. We homeschool our children.

We really decided during the COVID period that things were too crazy to stay in any one location and so we decided to go to the places that were treated us best. And so we started off in Mexico because that was basically the freest place that we could find close to Texas where we were living at originally.

And we started that journey back in Mexico and now we're in Vietnam. So it's quite a journey and I'm not even done yet.

Dr. David Phelps: I know you're not, I know you're not for context. The ages of your children now are?

Andrew McDannels: Yeah. Well, I have a son who's eight and a girl who's six. We homeschool them ever since they were very little, they speak two languages.

They have two different passports. They've seen some more countries than I have when I was a kid. So they're very blessed and it's a blessing to be able to do that as a family, and to have a unique kind of lifestyle that's location-independent. And like you said, I'm living as a perpetual traveler, perpetual tourist, and that's intentional. I'm doing it for a specific reason, but yeah, I'm happy to jump in deep and go whatever you guys want to talk about.

Dr. David Phelps: Well, I think a lot of people want to understand how you were able to do that. Obviously, you had to have some intentionality. I think it comes from your background. We might want to talk a little bit about where you were raised and your family of origin a little bit and how that was weighed into your broader-based, more international thinking. But I think also people are gonna be interested, which

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we'll get into is, most of us, I'll say it's only say my generation, not so much yours, but my generation was built on you go to school and you get some kind of training and typically the higher up you go with formal academic training, the more stable life you're going to have, with security and all the things that you and I figured out and is not the case. I mean, that actually traps you, but that's what we've been built on, right? And you've obviously taken a very different approach. So let's go back to a little bit of your roots, family origin, who influenced you in some respects.

And I know you do a lot of your own exploration, but what were those early influences that kind of set you up for the mindset you have today?

Andrew McDannels: My parents, number one, when I was little, my dad was in the Navy. We lived in Italy for three years and we were stationed in Scotland as well. My mom's Scottish, my dad's American.

So we got to tour Europe as a kid. And that's really where my love of travel began. Soon as I was 18, I moved to America. That's where I knew I wanted to start my business, start my life. I started my real estate journey by doing wholesaling and flipping and buying rentals. And then I realized I was like, okay, I'm doing everything a hard way.

And I decided to change my life and make it the easy way. I looked at my life and I wanted to design it the way I wanted it to be. And I wanted a life where I could work from a computer anywhere on earth. And that I had the freedom to get up if I didn't like something, if something was happening in that particular country, I could leave at any time. If the taxes went up, I could just say, "Nope, that's not for me. I'm out." We kind of had that in the back of our mind. During that period of time during COVID, we realized that we were getting taxed to death and we realized like, okay, it's time for us to see what's out there in the world.

So I transitioned from flipping houses and wholesaling to the lending business. For the past five years, I've been doing hard money loans with me and a couple of my partners. We have a full office in Houston. I don't actually have to be in the office for everything to run perfectly. If anybody wants to do this lifestyle, they need to be comfortable getting out of your comfort zone, also setting up your life where you don't actually have to be there and do all the day-to-day tasks, and then also have a team around you that you can delegate and work with and fill in the things that you're weak at and they're strong at. For me, we have a fantastic team. We're growing our business and it's just a blessing. It's perfect. This is exactly how I dreamed when we first met. If you'd have told me, like, I'd be at this trajectory at this point in my life, I'd pinch myself. I'm really happy with everything in my life and I get to work with great people. Our investors, our capital investors are great, our borrowers are great, our vendors are great, everybody. It's a dream, really.

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Dr. David Phelps: We're going to get into a little bit of that because obviously, I'm a big fan of alternatives, and real estate is something that has been in my life probably about the same age as you were starting your wholesale and flipping business back in the day.

I think what a lot of people probably are trying to wrap their head around is what gave you the vision or the confidence to look at the model you were doing, which, you liked real estate. We both understand there's lots of opportunities in real estate, but most people do it the way and stay with the way that you started.

I mean, that's the entree, let's go buy a house. Let's fix it, let's flip it, let's rent it. Let's, whatever. That's where most people get started as operators, right? Mom and pops. We were, we've all been moms and pops at some point, but that's what we do. What gave you the vision?

Was it a person, a group, a book you read? This model can make me money. It can provide for my family, but to your point, it's got to be kind of shackled down. So what was the side of that for you?

Andrew McDannels: Well, in the beginning, it was my real estate mentors to begin with. One of my first coaches was a hard money lender.

I basically got my start through that. And I saw how he made money. He could do way more business with the amount of time versus what I could do. He could have a probably a hundred loans, whereas I could only handle 10 houses at the time or something like that. For me, I realized really quickly, I was like, okay, I'd rather be on the opposite side than the side that I was on.

I spent probably two, three years flipping and I realized, okay, this is so stressful and my lenders are rolling up to closing and they're relaxed and happy and smiling, whereas I'm stressed out and I was still making money, but I realized really quickly which side of the table I prefer to be on. I've always networked with people.

I think one of the greatest things you can do in your life for success is to meet people in person and then also to fly out to different conferences around the country and around the world and meet people. The kind of people that I've met have influenced me and changed the direction so drastically.

I honestly think that nothing happens for reasons. It's from blessings for the people that have come into my life. It's nothing to do with me. It's not because I'm so intelligent, so smart, it's completely from God. And I honestly believe that at the right time, at the right place, the right person will come into your life.

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And one of the guys that helped me out the most when I was going through the darkest period of my life, a guy named Matthew Owens, I think you know him pretty well. He's a guy from Praise Masters. We worked together for years and I'd known him for like at least 10 years on Facebook. Basically got my start with Matt.

I just, I owe him everything. Just changed the direction of my life to the point where today I'm at where I'm at.

Dr. David Phelps: I totally agree with you. I think that we're not lucky in life. It's we have to be opportunistic and you create opportunities by getting out, right? And not just stay head in the sand doing some model that you're grinding it out.

You've got to get out. What have you used in your life with your experience as far as filters, discernment? Because you go to conferences and you meet a lot of people and whether it's Facebook or live, what's your discernment? What's your feeling to say, "Hey, I should go deep with this person." Versus, "A nice person to know, but..."

Andrew McDannels: That's a great question. And for newer people starting out, especially newer investors and newer people going to conferences, that's a very hard thing to do because everybody just thinks, "Oh, I need to talk with everybody." Here's what I do. I use my gut with people. If my gut is telling me something's not right with this person, it's not for me.

I just like to work with and connect with like-minded people. So if they're not like-minded and they complete opposite of me, they don't have my beliefs, they don't have my values, I will not work with them. I'll give somebody a chance but if they ever wrong me or do anything like if they do bad business or they do something unethical, I won't give them a second chance because as soon as somebody shows they're only concerned about money or they're just not a nice person, I'm not interested.

They could have all the money I need for my business to raise from and if they're just a bad person, I just won't, I won't work with them. You get that experience just with life experience. Connecting with groups of people that are like your group, Dr. Phelps, your group brings together the like-minded people.

So, that the type of people are genuine, they're good people. They believe in the same beliefs. They have the same values, like 50% of success is just the people you connect with and you interact with. If they know you, they like you and they trust you, they'll do business with you.

Dr. David Phelps: Absolutely. Absolutely. All right, I'm gonna start working our way into your current business, but I want to take that last little piece about your

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discernment and the right people. Obviously, you live a nomadic lifestyle. As you said, you can run your business laptop from anywhere. So now we're going from meeting people at conferences and influencers and people that were mentors and just gave you aspirations to do what you do today.

But now we're going into a business and a business now where you're lending money and you're taking investors money. So now we're upping the scale. It's not just it's not just you on the line. You know, and if I do something risky with this person, well, okay, it's me. Now you've got a lot of responsibility.

Do you use a different scale or a higher level of filtering when you've got this group in Houston? So you're building this great team. You've got amazing people. Again, a lot of people would say, "Man, That seems a little scary." You've got people, I mean, how do you know all these people are going to be running things well?

You're dealing with a lot of money, moving fast, obviously systems protocols. I mean, I know you've got a lot of that built-in, but how did you start that? And were there any lessons along the way that before you got into a deep hole, they go, "Okay, I gotta fill that gap," because we all go through that, right?

We go through iterations of a model. It's like, but now I'm scaling it, right? And scale requires higher degree of systems processes and the people.

Andrew McDannels: Well, the nice thing is we focus our business only in Texas. So we centralize everything so that we have boots on the ground, we can verify everything, we have inspectors, we have third-party vendors that go out and do things for us whenever we need something. We can actually go out and drive to a property if needed. So we just don't take people's word for it anymore. In this business, a lot of people will lie to you. They'll try to put the wool over your eyes. You just have to have a bullshit detector, right? And if you have the kind of people around you that are like yourself, it makes everything way easier.

But of course, expanding, growing. Yes, it's always a challenge. Those are great challenges to have. I'd rather have those than the opposite. For risk management, I think our default rate is less than 5%. If there's a problem with one of our loans, we step in and take care of it. We'll get it through, and if it ever ends up in default, we'll know in advance if something's happening, so it's not a surprise.

So we're on the ball. We're in constant communication with our partners. We don't just issue draws randomly. We want to make sure that the work is being done. And we verify the value beforehand. We do an appraisal before we even get to closing. We use a third-party vendor to verify the scope of work to make sure that everything's included and there's not any surprises.

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Majority of the time, somebody will open up a wall and there'll be an additional something else added. And another thing that we do is we make sure they have enough liquidity. The borrower has experience. We verify that they've got enough liquidity. So we like to see them having at least 20% to 30% of the loan amount in cash.

They're either somebody we've worked with in the past, or we know somebody referring us to them. So yeah, like we try to cover all the bases as far as risk, as far as growing and expanding. We're trying to do it slowly, but surely. We have a goal to grow, but that's not the number one thing for us. The number one thing is making sure our capital investors are completely happy with everything. They get paid on time, everything. That's my main focus right now.

Dr. David Phelps: So to take yourself out of the daily operations in Houston, you've had to put in place, obviously, a good team. What is your primary function job? In terms of this particular business, what is your function today?

Andrew McDannels: Sure. My partner, his name is Joe Davis. What he does is he generates the loan business. He's out doing events and networking. He's got a team of individuals that will go out in each of the major areas, DFW, San Antonio, and Houston. So that triangle is where we focus. We've got team members all the way through those areas. So as far as my responsibility, it's raising capital, client interactions.

Like we want to make sure that we have a great experience, investor relations, strategic advice, strategic planning. That's my goal is trying to provide my level of expertise towards the business. Joe reached out to me because he knew that I had a vast amount of experience with the business. We joined forces together. And it's been fantastic. I really enjoy everything that I do and really amazing people.

Dr. David Phelps: Outstanding. All right. So one more question in terms of real estate, then we'll move into some other topics. I think it'll be even more fun. But this is good stuff. This is very good stuff. So when people look at real estate, we typically look at, you've already mentioned it, we look at the equity side, right?

That's buying the house, the short-term Airbnb. It's putting value at its recurring rental income or capital gains profit at some point. Perfect. Tax benefits galore, et cetera. If I'm lending money, which I do too, but not on a scale business, then it's a different model on the capital stack. I'm not participating in tax benefits.

I'm not participating in growth or capital gains profit. I'm just getting recurring revenue. Yours is a business. So that's different than me being an investor, doing a little bit of business that way. Yours is a business. So I get that, your ability to

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business does have enterprise value to it. I have no problem at all with what you've done, but help me out as an individual, would you still tell somebody that it makes sense at some level to be a lender of money secured by a good collateral versus being in the equity game? Is there a balance there that an individual investor could look for? Or even if someone invested with you because they're going to be getting those returns as interest income, typically more secure and more risk averse on the capital stack.

But again, without the equity play, what do you say to some of that?

Andrew McDannels: Yeah, it really just depends on the person because there's people that are so busy that they just have no interest in doing the day-to-day operations. They're not interested in trying to track down and get new business and new applications.

We're trying to use our technology to get that side of the business so that we can get a constant supply of new loans, a constant supply of good people. We have our CRM that's chock full of potential borrowers, so we're constantly trying to do that side. And I think that in itself is a complete full time business in itself.

Some of our guys that work with us, they're just, they've either made their money in real estate and they're like, "I just want to spend time with my kids, Andrew." They've did all that stuff, went through the ringer. They're either accredited investors themselves, or they've got a really nice income from a high-paying job.

And they just don't want to do that side of the business, but they want to partner with people that are operators, that have that type of experience and the know-how and can bring both sides together. The people that want to do it in a passive side, it's really just, again, it's personal preference. I like to do passive stuff myself because I'd rather spend time with my family.

I would rather do more traveling than do another 20, 30 hours of work, if that makes sense. So it really just depends on your personal preferences, like what you want in your life, and how you want to design it. Some guys they're okay. Being in an office 80 hours a week, 90 hours a week. That's not for me. I want a balance in my life.

Of course, I want to make money, not just for myself, but for other people as well. But for me, it's not the number one motivating factor, if that makes sense.

Dr. David Phelps: Yeah, that's good. I know that you mentioned when you decided to become mobile, taxes were a big thing. Taxes are a big thing, certainly here as a U.S. citizen.

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You renounced your citizenship in 2022. Explain to all of us a little bit what kind of freedom that gives you from taxation. I'm not always even clear about that. I know there's ways that like a U.S. citizen can take business and go to Puerto Rico, for example, and reduce taxes, but that's limited to Puerto Rico, for example.

If you're able to mitigate taxes by choosing locale, how does that work as a non-citizen of the U.S.

Andrew McDannels: It's a topic I love to talk about. But for your audience, that's going to be 100% or 99% U.S. citizens, it's impossible to live outside the United States and not be taxed. You're going to be taxed no matter where you are on earth as a U.S. citizen. So the first step is to see if you have the ability to get a second passport, or if you already have a second passport, you're already ahead of the game. But a lot of people, they're either have Italian heritage or Irish heritage or something like that, and they can go through their family tree, possibly get a second passport through their family members.

But for me, I made the decision. It's probably one of the best decisions I ever made. Some people will say to me, "Oh, Andrew, the U.S. is the best country on earth." All this stuff. Like, "Okay, yeah, it's beautiful. It's great." But I didn't like the direction the country was heading in. And I saw that if I didn't do it, then they could possibly keep me in the system and I'd never be able to get out. And I saw that and I didn't want that to happen. What I see the government doing is kind of like closing in on, it's like a net basically trying to close you in, try to keep people as citizens, even though they don't want to. I wanted to exit that system, didn't want to deal with the IRS anymore, such a headache and just all the additional expenses and time and just frustration dealing with those people.

I just don't want to deal with it anymore. The main thing for me was I knew in advance that I was going to do this and I started reading about, it's called the PT lifestyle, which is prior taxpayer or perpetual traveler, that kind of thing. And so I really got into that and I realized that not being considered a tax resident in any country, you're kind of like a stateless person at that point.

That's my main focus right now is to remain stateless and basically continue living this way for as long as I choose until I decide to end up in Monaco, which would be my ultimate destination.

Dr. David Phelps: So you don't have citizenship anywhere. You're stateless.

Andrew McDannels: No, I do. Yeah, I do. Yeah. I have a British passport. No, I can't go get another passport. There's other parts of the world where you can do citizenship by investment. For example, if you buy property in Turkey, you can get a

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passport there, and the Caribbean can do a donation and they'll give you a passport, but there's different parts of the world where you can get a second passport, but for me, another alternative for people that are non-U.S. citizens would be to go to somewhere like the Bahamas or Cayman Islands or the UAE, places like that, where they don't have income tax at all. But for me, as long as I don't trigger that tax residency in any country, that's how I live my life right now.

Dr. David Phelps: So right now, you don't have to pay tax to any country? Zero.

Andrew McDannels: Nope.

Dr. David Phelps: Even with a British passport, that doesn't require you. Interesting.

Andrew McDannels: Owning property in a country doesn't make you a tax resident unless it specifically says that owning property makes you a resident. Like for example, in the UK. If you own a property in the UK and you stay there for, I think, like one day, you're considered a tax resident.

So yeah, there's different rules in different countries. As long as I don't become a tax resident in any country, that's called the PT lifestyle. I'm not the only one living like this. It's very popular, especially among the people, like the kind of world schooler groups and that kind of thing. So I love it.

Dr. David Phelps: In my conversation with Andrew, it's clear that he has solved some problems that are very uncommon. I think in life, oftentimes we come across challenges, obstacles, things that just don't go right. And instead of taking them on or looking to think what I would say is outside the box, we often just push back and fall back in line with whatever society says is the right way to go.

Putting away our dreams, our goals and really even the freedoms that we could achieve if we just took some additional steps. So how do you do that? How do you do that without fear of failing? Fear of making a mistake, which I think we all have inside of us somewhere. I know I did in my life. Once we define what our real goals are in life, and this takes some time, it takes some clarity, it takes some vision, oftentimes it takes somebody else looking at your life from an outside perspective.

Someone who's unbiased, someone who can see the forest for the trees that we often cannot see. Perhaps you are considering a practice exit, a transition, or even looking at retirement options, maybe moving to another locale, but these challenges stay in front of you because, well, you've never encountered them before.

Getting a really clear vision and focus on where you want to go and what you really need to get there is something that most people are missing. And I think the

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collaboration with other people, being in mentorships, being in communities where these conversations can be articulated is one of the keys that I found in my life to gaining real clarity about where I wanted to go and how I can get there much sooner and much more efficiently.

So how do you intentionally surround yourself with people that will take you to the success you want in life to help you break through those barriers? Sometimes the fear of failure, the fear of doing something different than other people. The key is to find people who have already gone down the path.

People who have already taken a high road approach to navigating their own frontier, going against the grain, being contrarian, being a renegade, and not just following the groupthink of everybody else. Following the groupthink only gets you mediocre or average results, and for me, personally, and probably for those of you who are listening to this today, you are not that person who wants to be just mediocre.

You don't want just an okay life. You've established the fact that you are someone who's always wanted more in life, and more doesn't always mean more money, it means more quality of life and time. How can I get X without Y? How can I achieve the goals I want without trying to do everything everybody else tells me to do because that's the only way to do it?

I think those are the keys and having people around you that's been there, done that, and looked over the shoulders of other people who have also struggled with these things, but also accomplished the goals they want is one of the key drivers I found in my own life to be very true. How do we also come to trust the people around us so that we can actually escape the mundane, the tasks, the operations that many of us really never cared to get into in the first place, but we had to start there to start our vision, our dream, our enterprise, whatever that might be.

We are so much in charge of our own lives and wanting to maintain that control, delegating, empowering others is something that doesn't come naturally. Taking our foot off the pedal and allowing other people to realize that they have the ability to oftentimes run things, do things better than we can, is a real revelation, but we have to be willing to take the risk to take the chance.

So how do we do that? Personally, it happened to me when I was forced to allow my team to step up to the plate when my daughter was very ill. Some 20 years ago, and I had to be out of my practice for some lengthy periods of time to be with my daughter to support her in her health needs and her crisis.

What I found was most of the time, I was the one who was holding people back because my presence, my very presence as the owner, as the operator, as the

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leader tended to subdue other people. I didn't purposely do this, but subconsciously I was holding people back. So a test drive for me would be to purposely take yourself out of your operations.

Maybe you start with a half a day. Maybe that's the first place you start. Baby steps at a time. Take yourself out for half a day, excuse yourself for half a day and just tell your staff, your people that you've got to be out. Don't tell them why you've got to be out and let them pick up the pieces. Next time, go to a point where you can do it for a full day.

Eventually, you can go to several days and maybe get to a week. It just goes on from there, but finding the right people who can keep the ship rided while you are absentee is the key to creating more time in your life, even though you're not ready to give up the reins to a business or a practice.

Learning how to create more financial security, more freedom, and generational wealth beyond just money takes hard work and a strong team around you to mitigate market volatility and prepare for both opportunity and the challenges ahead. It's a path few take. It's a journey of self-awareness, growth, and expanding what you thought was possible.

The ones who have taken this road less traveled have discovered life-changing relationships, financial freedom, and a passion and purpose for life beyond that hamster wheel.

If you're willing to brave traversing this path together, to create true wealth and freedom, and my team would love to discuss how we can help you.

Go to freedomfounders.com/discover to schedule your call. That's freedomfounders.com/discover. And don't forget to hit the like and subscribe button wherever you're listening or watching so you don't miss a single episode of the Freedom Founders Podcast. I'll see you next time.