

EPISODE 471

[INTRODUCTION]

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Jeff Anzalone.

Thanks for being on the show, Jeff.

[0:00:32.8] JA: My pleasure, thanks for having me Whitney.

[0:00:35.7] WS: Jeff is a full-time practicing periodontist in the great state of Louisiana, he's an author and founder of debtfreedr.com. He started his blog after paying of close to \$300,000 in student loan debt and reaching millionaire status by the age of 40. He now focuses on helping other doctors and professionals create passive income from real estate so that they can stop trading their time for money. Jeff, thank you again for your time, give the listeners a little more about who you are and let's jump in.

[0:01:10.8] JA: Yeah, thanks so much for having me on the show Whitney, as you eluded to in the introduction, I am a periodontist, I work full time. I have a wife, beautiful wife who also is they hygienist here at the office and also have two boys that are 14 and 12 which would you know – I still have their pictures on the wall that when they were like three and five here at the office.

There's daily conversation that the patients ask me, "Oh, our kids are so cute, how old are they?" And I was like, "Well, I like to keep them when they used to be nice and sweet, you know how when they used to like dad. So that's why I keep them, keep the three and five-year-old pictures up there so the 14 and 12."

They're the reasons why I do what I do. Not only to provide for them but also to teach them about the different things that we're going to be talking about today. I'm sure so that they can teach their kids as well.

[0:02:08.1] WS: Yeah. You know, even talking about so professionals can stop trading their time for money, you know, most people want more time so they can spend some more with their kids like you're talking about.

[0:02:18.7] JA: Yeah, not just that. I'm sure this is probably true in any industry but especially true in healthcare, there's a lot of burnout, a lot of people burning out, suicide rates going up, actually have a friend of mine that unfortunately committed suicide a few months ago that was a dentist here. And I do believe that some of that issue had to do with finances and debt, if I can just educate people to show them, "Hey, if you don't want to do this, if you don't want to practice, there's different things that you can do out there to help speed up your retirement so you can do something else you like."

That really inspired me to continue to provide that information for people.

[0:03:02.8] WS: You know, you being in a medical field or being in that type of profession and being connected to lots of these people, even creating debtfreedr.com, it's incredible resource for people who obviously, you know, want to increase their income, their passive income but tell me some ways that you're helping them do that through this platform and maybe some ways, let's get into that actually accomplish this goal?

[0:03:26.0] JA: Yeah, it kind of seems like most people such as myself but most people that I talk to that come to the side are kind of all on the same path. You know, we started off a ton of debt, student loan debt and then it seems like I'm kind of getting people that have practiced a little bit, you know, 10 plus years. Most of them have kind of gotten through that debt, you know,

they're established, they're making good money. Every year they max out their 401(k) or IRAA accounts, whatever. They're used to investing the stock market.

But now that they've gotten to the point where they have some excess cash or they paid off some stuff, they kind of like, "All right, what do I do with that money? I know a little bit about real estate but not just enough to be dangerous," which that's kind of how it is when I started off.

I took my experience from starting of just doing some crowd funding online and talked about that and as I am going through, I'm just kind of putting in there what I think somebody should do to learn, whether they're going to do there or not, you know?

As you know, the lingo – It's kind of like if I dropped you into the medical field and started having conversation with somebody else, you're going to be like, what are you talking about?

[0:04:41.9] WS: I'd say stop, wait a minute.

[0:04:44.1] JA: I was the same way, I'm like you know, cap rate and cash on – what is all this stuff, I was just totally foreign to me. So, breaking it down, you know, talking to them about the different things, not trying to overwhelm them. Mainly just being a trusted resource for them because as somebody in our position, you know, where unfortunately, we're kind of a – have a bull's eye on our shirt, we're targeted a lot from people trying to sell stuff and pitch us stuff.

I wanted to tell them hey, I'm not selling anything, I just want to be a trusted resource for you and here's the mistakes I made. You ask my wife, I still make them every day, you know? But I just wanted this to be open and honest about that with them, that's the main reason for the site.

[0:05:30.8] WS: Okay, you know, you had mentioned earlier or we briefly talked about you know, some other benefits of this professionals investing in a syndication. Maybe you can elaborate on some other things like lower their taxes or whatever it may be and you know, why you advise them to do that.

[0:05:49.2] JA: I was talking to you a little bit before the interview. I spoke with the dentist last night. He is 46, practices in Texas, he's in the process of a company buying him out and he's

going to be working for another four years. He's planning on completely retiring at 50, he's done well in the stock market, index funds, he has a few duplexes that he manages but you know, with him retiring at 50. He said, "five kids." He said, "You know have 529 plans for them but I've got to have some money to access until I can tap into my traditional retirement accounts," 401(k) basically.

He was planning on using some savings, some post tax, some vanguard accounts and then also, he was going to use some money for the cash flow from his duplexes. He was intrigued about this idea about syndications and how a lot of that money could potentially be tax free. I just told him again, I'm just saying, "You know, look, I'm not an accountant but I can just tell you from my experience, both as an investor and then as somebody that knows several syndicators that as you know, majority of the distributions that I have gotten, you know, monthly they have been haven't been taxed on just because of the different write offs and depreciation."

So, he was very intrigued about that. Again, that helps a lot as something called the FIRE community, the financially independent, retire early so again, a lot of this people are looking for ways to lower their tax rate and being able to retire earlier, again, without having to access a retirement accounts.

[0:07:37.8] WS: No doubt. The benefits of investing in real estate. I mean, that's why so many wealthy people have created their wealth through real estate and it's been proven time and time again. You know, as far as yourself, how are you introduced to the syndication space or industry. You know, so many people, just like you know, you've talked about and you and I talked about per even the show, so many people don't even know that this is available and so how are you introduced to this space?

[0:08:03.1] JA: I believe I just researching it. At one point and knew that I wanted to do real estate but didn't know if I wanted to be active or passive. I interviewed and talked with several people in my area that were friends and I actually looked at some single-family homes, four-plexes, I said, you know what? Just – I just don't have time to run a practice, to deal with kids, to coach and deal with tenants. I kind of x'd that, scratch that. Which led me into starting a research other avenues which crowd funding which back then, realty shares was the big one.

Patch of land was another one so I started investing, just small little debt deals with those companies and that's how I got started.

[0:08:49.2] WS: Okay, what about – you know, people that are coming to you know that are say, high income earners and they're trying to figure out, "Jeff, how are you doing this and what should I be doing, what are some of the first steps I should be doing to thinking about investing this way?"

[0:09:01.1] JA: Well, my main rule of thumb is, don't invest in anything that you don't understand. Literally, five minutes before I just got on this interview, I got a text message from another periodontist who said, "Hey, I just emailed you like a," – he was like in a fund, you know, several syndications put together, of a group, I'm not going to name the group, he said, "Do you know anything about them?" He's like –

"I did a deal with them last year, he's like, I don't know if he was joking or not but he said, I don't even know – he's like, I couldn't even tell you if this was a Ponzi scheme or not." I emailed him back and I said, just to him, what I just stated to you, "You know what? You really should know what you're getting into, you should not only know about the deal but you should also know who you're going to be investing with, you know? The partners, the operators."

That's my first piece of advice is you know, learn about it just like with taxes, I know, most people aren't going to do their own taxes but they should at least know enough to ask educated questions. And I encourage my patients – They you're not going to be doing the surgeries but they need to be educated enough to ask the questions and that's why I've written a couple of books. One on dental implants and one on some other different types of surgical procedures that we give out to our patients beforehand.

Educate them, whenever they get here, they know, "Hey, you know, number one, this guy kind of know what he's talking about, he's written a couple of books." But number two, it puts him a little bit more at east that they kind of know what they're getting into.

[0:10:34.8] WS: It's like coming out of surgery, thinking you were going to be missing one arm but you're missing two, you know? Or not have any teeth when you come out, right? I mean,

you know, I didn't know that was going to happen or – but yeah, that's awesome. Educating yourself ahead of time.

Any specific ways that you advise them to educate their selves so they understand what they're getting into?

[0:10:54.3] JA: Three main ways and that's what I do, I read a lot, read a lot of books, read a lot of blogs, listen to great podcasts such as your podcast and there's many others. With people commuting all the time or they are working out on a treadmill instead of listening to music, well hey, maybe every other day listen to a podcast and educate yourself and then third would be reaching out to people, networking with them. There is plenty of people online that you could network with continue to read and learn and listen to things. And the funny thing is once you start doing that then somebody will introduce you to somebody else or one book will lead you to another resource and so it's just snowballs from there.

[0:11:37.1] WS: Any hard lessons you have learned Jeff from investing passively into syndications?

[0:11:41.9] JA: Yeah and actually I bit the bullet and wrote a whole article on it. If someone wants to read the whole thing it is on my site. But a few years ago, I lost a lot of money with RealtyShares that as you know has been taken over now by another group. RealtyShares went under. Again, I didn't know what I was doing. It was really my first equity deal, it was an apartment complex in Tulsa, Oklahoma and I was putting my trust in that website.

Because that website was saying, "Hey, you know what? We get all of these deals pitched to us every year and we are sorting through them and we only put the best ones on the site." So again, I didn't really know the people at RealtyShares and I didn't know the sponsor and long story short, they went in, they put in too much money in this complex too fast. It was a seedy area. It was a lot of crime, there was more people moving out than moving in and the whole deal followed it and every investor lost their money.

So that was a huge setback and that really – probably if that deal went well, I probably would just have kept doing what I was doing then and not really learning about it and I just putting my

trust in someone else, which I mean you still have to do that but not really knowing what to look for and that sort of thing, how to vet people that really pushed me to start learning myself.

[0:13:08.9] WS: Okay. Yeah, no doubt. That would push you to either learn or to quit and do something else. So, you know Jeff, what's some other advice you provide to passive investors now who are or maybe some big fears that you see that they have that are maybe not some of the common ones. But anything that you have heard recently that they're like, "Jeff, I just don't feel good about investing into syndication."

[0:13:28.3] JA: Yes, it is just like life. It is just fear of the unknown. You know they're like, "Well I am in my 40s and I have been investing my whole life and how come I am just now hearing about this now?" So that is one of the things – that is probably one of the biggest hurdles I think people have to overcome is that and I think the longer it goes, the more popular it is going to be but it's just – that is probably the number one thing. It's just getting them comfortable with it.

Getting them comfortable with how it works, encouraging them to talk to other investors, talk to sponsors, go to groups, go to meetings, really again educate themselves that this really isn't a Ponzi scheme. This is legit.

[0:14:12.5] WS: Jeff, what's been the hardest part of the syndication process or journey for you?

[0:14:17.6] JA: I would probably say the hardest part is what we talked about a little bit earlier was losing that large amount of money and really showing me that, "Hey, you know what? You really didn't know as much as you thought you do." And that's with life, you know? You get knocked down but it is not how you get knocked down. As long as you keep getting up and keep moving forward and keep learning, at least learn something from it and that was probably the biggest mistake or the biggest thing that really put me behind the eight ball at first.

[0:14:47.4] WS: Wow, and how are you prepared for a potential downturn that everybody is talking about?

[0:14:53.0] JA: Well, I don't have all my eggs in one basket. So, I continue every year and I have – my wife and I, we have a plan. You know every month, we have money that goes into our office retirement account. So, we continue to invest in the stock market, index funds. We have after that's funded then we have other accounts for the kids, 529 plans. We have some other post tax accounts and then we have money and then as it builds up to get into a syndication, we do that.

So, I try to stay spread out as much as I can and not just say, "Hey, let's just put all of our money here" because as you know eventually things can happen. So, I think staying diversified and really following a plan, a monthly plan is probably some of the best advice I can give your listeners.

[0:15:43.4] WS: A monthly plan and you have landed out like this, this is where we are investing first and second and third or it sounded like you had an order of investing.

[0:15:51.3] JA: It's actually gotten to the point now it is weekly. It's a weekly plan but the good thing with a lot of that is it's automated. You know certain money comes out each week that goes into these different accounts that hey, you know I am going to have to help my kids get a car or I am going to have to eventually me get a car, my wife get a vehicle, going on trips. So every week, a little bit of money comes out and it goes in all different directions.

But if not, you are going to look up one day and go, "Well golly, I sure would like to take a nice trip but how am I going to pay for it?" Well, if you're saving in different investments along the way you don't have to worry about it. Again, it took me a while to get to that point just because I never done it before but if you know you're going to have some large expenses coming up that's one thing that I would recommend.

But one thing that's changed my mindset now that I am investing in syndications, I think about it a little bit differently. You know if I want to buy something like a vehicle or something that's going to cost let's say 5,000 or more maybe like an ATV, a four wheeler or something like that I kind of look at it as, "Okay, well I can just put that money in and it's gone or I could get this much passive income from a syndication to where it's going to pay for the stuff" So it is a little bit different mindset shift now instead.

[0:17:17.0] WS: So, what's a way that you have recently improved your investing business that we could apply to ours?

[0:17:22.2] JA: That's a good question. I would say a little bit more involved with syndications I invest in. So not only have I – I'd get to know them personally, meet with them one on one and occasionally I would go and do a property tour, it really – you are looking at it through their eyes. I think that's really important what they are looking for when they do a walkthrough of a property how they're planning on improving the property. It is like I know you're not much of a sports fan but as the Lays sport fan that I am I could sit there and watch college football or NFL from a chair in the den.

You know looking at it, "Okay this team has the ball it's offense and this team defense and they're running passes or whatever." But if I were to go and watch film with them the next day with the coaches and they start analyzing and looking at it from a totally different perspective and that's when you're like, "Man that's unbelievable." My son is 14. He started umpiring last year a little bit for the Little League and Dixie League and the first thing he said when he got home was he said, "Dad, man you're looking at it from the umpire's point of view" because he had a guy help him and he said, "Man I am looking at it, everything from a totally different perspective not as a player but as an umpire."

So, I think looking at it from that perspective would help, definitely would help me.

[0:18:49.6] WS: Good advice. I like that analogy too. If you are sitting there with the coaches while they are watching it yeah, you would hear totally different comments. It would help you to see different things in that play. So, what's the number one thing that's contributed to your success?

[0:19:03.8] JA: I would say probably getting out of debt and really paying off that consumer debt mainly the student loans and then once the house was paid off it freed up so much extra money that you take a deep breath and then really figure out what. Once you get to that point then you have a lot of money every month that you could do stuff with. You know whether you

want to invest or save or give or whatever. So that probably was one of the big contributing points.

[0:19:35.8] WS: And how do you like to give back?

[0:19:37.2] JA: We do three things. One with our time in our community. We are involved with our church not only with the giving our time but also giving money to the church and then can do it very easily with the patients. You know people that come in that truly want work, they're working hard but they just can't afford it. So, we'll give away free dentistry so that is really rewarding as well.

[0:20:02.6] WS: Wow, well Jeff thank you very much for sharing that and giving back in that way and your time today with us. Tell the listeners how they can get in touch with you and learn more about you?

[0:20:10.8] JA: Sure, they could go to the website. It is debtfreedr.com. Or if they want to get in touch with me directly, they can email me jeff@debtfreedr.com.

[0:20:26.1] WS: All right that's a wrap, Jeff. Thank you very much.

[0:20:28.4] JA: Yes sir, thank you.

[END OF INTERVIEW]

[0:20:30.1] WS: Don't go yet, thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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