

Dr. Jeff Anzalone - Debt Free Doctor - Transcript

Tim Mullooly: Welcome back to Living with Money. This is Tim Mullooly. On today's episode, I'm joined by Dr. Jeff Anzalone. Dr. Jeff is a full time periodontist and also the creator of the website and blog, Debt-Free Doctor. So Jeff, thanks for coming on the podcast.

Dr. J. Anzalone: Yeah, my pleasure. Thanks for having me on the show and looking forward to speaking with you and your audience today.

Tim Mullooly: Great. So before we dive into Debt-Free Doctor and some of your other work, let's just start with a quick background about you personally. So if you had to think back, I like to ask all the guests, what was your first memory of learning about money and the importance of money, and what was your relationship like with money growing up?

Dr. J. Anzalone: When I was about 12 or 13 years old, I don't know why, but I started getting interested in wanting my own money. I really can't pinpoint one exact moment in time, but the way that I did that was I started mowing yards in my neighborhood. Now, as you can imagine, a 12 or 13 year old, you can't really do much. And I just had one of those push mowers, so I would push it down the street and my dad would help me carry a weed eater and a little hand blower and that's how I got started. Once I got into high school, I was able to put them over in the back. I had one of those little Chevrolet Blazers, which I don't think they make anymore. But I did that.

And then in college I got up to mowing 35 plus yards a week with the trailer and two riding mowers. So that really taught me how to run a business, to sell, to market. And just that I just wanted to be just independent. I wanted to make my own money. I didn't want to have to ask people for money.

Tim Mullooly: Right. Yeah. That's a pretty standard time for people to want to, right around being a teenager. You don't want to rely on your parents for everything, but it's interesting that that first endeavor, just mowing a few yards here and there actually over the years blossomed into what seems to be a full business for you there. That's interesting that you took it from just doing something as a 12, 13 year old into 35 plus yards through college. That's really interesting.

Dr. J. Anzalone: Yeah. A quick funny story about money. I can still remember, I think I was either maybe a junior or senior in high school and we were going out with friends or whatever. I don't remember what we were doing. Probably getting into trouble like the good old days. But my friend whose dad is a dentist, this was at night, goes to the bank and goes to an ATM machine. I didn't know what that was and I was in high school. And he puts his card in and money comes out. And I said, "How does that work? How do you get that?" He said, "Oh, my dad just gives me money whenever I want." And I was like, mind boggling that's how some people got their money. And I still just it just really didn't resonate with me. I just wanted to be my own boss and have my own income. And like you said, not totally relying on my parents for that.

Tim Mullooly: Yeah, definitely. I mean I'm sure at the time in high school, it was nice for that friend to just have money given to him. But in the long run, I feel like you probably came out on

top because you've learned about work ethic and working for money and building a business. So it's definitely good lessons to learn along the way, and like you said, become independent.

Dr. J. Anzalone: Yeah. And I watch a lot of Shark Tank and my kids do too. They're teenagers. And it's almost like a common thread when you see these younger people get on there. They're always, they've started really young, whether it's mowing yards or lemonade stands, or whatever. It's almost like there's something in that type of person. I mean, I don't know. So maybe it's a personality trait.

Tim Mullooly: Yeah. They have that entrepreneurial spirit where they want to just go out and make their own money. Definitely. Can you tell the listeners a little bit about your own personal story with student loan debt? On your website, it talks about that a little bit and it says it took you several long and intentional years to get out of debt. How were you able to do that?

Dr. J. Anzalone: Well, as going to dental school and then a surgical residency in the back of my mind, I always thought ... I really didn't think that much about it because you're thinking you're going to get out and make a decent income. So it's really not that big of a deal. It's not like I'm going to have \$250,000, \$300,000 of student loan debt and get out making 30,000 a year. I really didn't know what I was going to make, but I knew it was probably be six figures, low six figures starting off. But unfortunately the practice that I was supposed to join two weeks before I completed my training, they pulled out of the deal. So I basically just went into survival mode. I think if that wouldn't have happened, I probably would've just probably sat back like most of these people do, and really delay it, you know, 20, 25, 30 year to pay it off. But instead I really got on it really good. Luckily I was back then and I still am now a big fan of Dave Ramsey.

So, we just followed his plan. Did the emergency fund and then the debt snowball. I had several student loans, some small, some large, and we just started with the smallest, paid it off, moved on to the next, and then after about seven, seven and a half years, we had luckily paid it off.

Tim Mullooly: Yeah. It sounds unfortunate that the job pulled out, but again, in the long run it seems like it taught you a pretty valuable lesson in how to be intentional about tackling debt and it ultimately led you to something bigger, which is the Debt-Free Doctor blog and website that you have. Can you talk about why you started the blog and what the main goal for Debt-Free Doctor is?

Dr. J. Anzalone: It's actually changed because when I started it a couple of years ago, really the only thing that I wanted to do is share my experience with other doctors, physicians, dentists, high income earners that typically have a lot of student loan debt and that start later on in life. We don't start at 21 years old. We're typically in our 30s. So, we get out and we're really behind the eight ball. But unfortunately as soon as we get out, society rubber stamps us as, oh, you're a doctor, you have to start acting like one. You have to drive the cars, go to the country clubs, live in the house. You've got to start playing the part right.

And it's just really hard. People are saying that and going in one ear and then you're really looking at your bank account going, "Golly, I'm broke." So, that was my main goal. I wanted to discuss about what you could do to get out of debt and then talk about the basic investments. At

the time we were mainly doing index funds. So basically just automating it, both in retirement accounts at the practice, and then we have several other accounts that, 529 plans and just some post-tax accounts. That was 99% of what we were doing at that time. So, that's basically how it started.

Tim Mullooly: Apart from getting out of debt, there's a lot on the site now about real estate investing. Can you tell us a little bit about your experience with real estate investing? How you got started with that and how others might be able to get their foot in the door in terms of investing in real estate?

Dr. J. Anzalone: Well, I noticed once we became debt free and I had reached a couple of large financial goal milestones, I started getting a little bit complacent and because I'd always had goals going through college and dental school or residency. So I hit that and it was kind of like, okay, what's next? I really didn't know where to go. So I started to do a little research and started looking at the way our practice was, the way the family was. I said, "You know what, I'm nothing more than somebody that goes to a job every day because I'm a solo practitioner and if I'm not working, there's only" ... At that time there was only one source of income coming in, and that was from the practice, this active earn income. So I started doing some research and looking into ways to get passive income.

After doing a lot of research, decided to investigate real estate. Thought I wanted to be an active real estate investor. Talked to several people that did it full time, talked to some other people that had full time jobs that did it on the side, and actually looked at some properties and decided, you know what, with running a practice, family, kids, sports, all that, I don't think I could have dedicated the time and energy and really just didn't want the stress of dealing with being a landlord. So I scratched that and decided to start doing a little bit of crowdfunding online. I did just a few small deals. Those worked out fairly well. I started to learn a little bit about it, but I think just enough to be dangerous.

So I did that, but then I did a larger equity deal. It was an apartment complex in Oklahoma and I lost big time, lost a lot of money, and it really made me realize I didn't know what I was doing. So I just really dove into it real deep and met people, went to events, and finally started to invest in what they call syndications and really have changed my investment philosophy, but also changed the information that I put on the blog, and now it's more geared towards helping people get multiple streams of passive income so that they can reach financial independence a lot quicker. And then if they want to retire, that's fine. If not, they can keep working or travel or do whatever they want, but at least there's multiple checks coming in every month and it's not totally dependent on them going to their job.

Tim Mullooly: Right. Yeah, exactly. There were a couple of things in there that I wanted to ask you about. You mentioned crowdfunding. Just on a basic level for someone who might not know what that is, could you briefly just explain what crowdfunding is?

Dr. J. Anzalone: Crowdfunding, if you've ever watched, and I mentioned it earlier, if you've ever watched Shark Tank, a lot of the times they'll ask the people that come up with a new idea, how did you get your start? Or have you put any money or whatever. And they say, "Well, we've

done a Kickstarter campaign." So it's kind of like that. You put money in. It could be ... For instance, one of the first ones that I did was a debt deal that it was a house somewhere in Florida that someone bought and they were renovating it. So basically it said, "Hey, whatever money you put in, you put into the pot and they're going to pay you X amount of percentage." I think it was like 10% interest over a 12 month period. So it was you pool your money in and it was just a straight debt deal. And I think the minimum was like 2000 bucks, something like that. So that's how I got started with that.

Tim Mullooly: Yeah, that makes sense. And then I also wanted to ask about the apartment syndications. There were a handful of posts on the site about that and investing in these syndications. Can you explain to the listeners what that is, what an apartment syndication is and what are the few steps that people might be able to take if they want to invest in their own first apartment syndication?

Dr. J. Anzalone: Yeah, that's what now most of the site is dedicated to. As I like to write about what I'm passionate about and I like to write about what I'm currently investing in. And it's doing fantastic. But to answer your question, a syndication is nothing more than just pooling your money together with other people to buy something like an apartment complex that you and I couldn't buy on our own. We have to go with a group. So that's basically all the syndication is, and there's multiple different ones. The key is finding the operator or the person that puts the deals together, finds the deals, manages the complex. It's finding one that you are comfortable with and you trust.

We've all heard the Bernie Madoff stuff and we've heard of all these other things, scams and all that. And really my goal now for the site is to basically just filter through all the stuff, do all the research for people that come to me. And I basically say, "Hey look, these are the deals that I can vouch for." Most of the ones that I've invested in, I'll put them on the site and then just educate people, walk them through it. Nine times out of 10, people are real nervous, but after they get in and get their feet wet, they really like the idea of the monthly check coming into the account. It's pretty nice.

Tim Mullooly: Yeah, absolutely. So, this is in a sense, this is passive. It's not like you purchase into the syndication, you purchase an apartment complex and then you're not the one actually managing the complex. There's someone who does that for the complex, right?

Dr. J. Anzalone: Yeah, absolutely. You focus on your job and whether it's seeing patients or whatever. And you just, you get a check every month and it's as passive as passive can be.

Tim Mullooly: That's really cool. And I think that that's unique. I feel like it's something, it's fairly new to me. I feel like a lot of people out there might not know that that's an option for something that they could invest in. And I think that that's really useful that you do the vetting in a sense for these complexes and managers and they can come to you and know that the recommendations that you're giving are solid and that they're people that they can trust.

Dr. J. Anzalone: Yeah. And the other cool part about it is most of the people that come to the site, they are in a higher tax bracket. We get hammered all the time with taxes, and it takes a

little bit to get into the details. But basically everything that you get each month, your distributions because of the depreciation and offset costs, you're basically not paying any taxes on any of that money. So it's literally tax free.

Tim Mullooly: I mean I'm sure people's eyes light up when you hear tax-free. So that's again like you said, a nice bonus there too as well. On top of the syndications that people might not generally be aware about, there was another post that caught my eye because it was a place that I didn't think to invest. It was a post about the benefits of mobile home investing. Can you talk about some of the benefits to investing in mobile homes?

Dr. J. Anzalone: Yeah, it's just like with houses and just like with apartments. I mean you could either do it yourself, go out and I've got several patients that own mobile home parks or you could ... and there's syndications out there that, so it just depends on if you want to be a...

Tim Mullooly: So, it works kind of similar to an apartment syndication. You could buy into almost like a mobile home syndication, and like for a park, not just like a specific mobile home.

Dr. J. Anzalone: Right. It would be for a park. And they have it for apartments. They have it for mobile homes. They have it for self-storage. They have it for all different types. There's all different types of syndications. Again, it's finding that person that you trust. A lot of the people that are in our little investors club, I'll talk about later on our site, they are interested. They've been asking me about self-storage and mobile home parks. I haven't personally invested in them, but I'm in the conversation with a couple of operators that do, and again, I don't recommend anything until I do this vetting process. So, I'm in that stage right now. It looks very promising with what's going on and the different types of returns that people are getting from the mobile home parks just because more and more people are moving into them.

And what's happening is there's the majority of them in the United States are owned by a little mom and pop, you know, mom and pop owned. A lot of these people are getting out. What's happening is these larger companies are going in and buying them out, so they're getting really good deals on them and they're the ones that have the capital where they can go in and really improve them, make them worth a lot more money. So, that's what we're seeing now with syndications that are going in and taking over a lot of these.

Tim Mullooly: Again, that's pretty interesting to me. That's not an area that I would naturally think would be budding with investment opportunities. So it's definitely an interesting area to look for sure, for us and for the listeners as well.

Dr. J. Anzalone: Well, one of the things that I like about them, I like about it versus somebody that's renting apartment, they may move out after a year or two. What they find with these people in these mobile home parks, there's a very, very low turnover because it costs a lot of money, anywhere from five to seven plus thousand dollars for them to have somebody come in and physically move their home out of the park versus we can just move our stuff out of apartment. It's not that big of a deal. But research shows that about 98% of the people of the mobile homes, they'll stay in that part in the second year, and then 75% will stay for five years or longer. So

that's really key and you don't have to worry about vacancies or anything like that as much as you do for some other things.

Tim Mullooly: Wow, again, that's really interesting to hear the opportunities are potentially better for mobile home investing than just regular real estate and apartment investing. It's new to me. So I'm happy that you're sharing all of this information with me and with the listeners. There's a debate going on in ... I'm an investment advisor and a financial planner. So there's always a debate about active and passive investing. But there's also that debate between passive and non-passive in real estate as well. Can you talk about some pros and cons of passive versus non-passive and how people might be able to decide if they want to get involved in a passive way or a non-passive way with real estate?

Dr. J. Anzalone: Yeah, like I discussed a little bit earlier, I think it just boils down to your time. Are you willing to put in the time to not only learn how to do it yourself and become an active investor, maybe find a mentor in your area that can help you through that, because it's going to take a lot of time. You've got to surround yourself with a lot of people that can support and help you. So if you're willing to do that and learn and maybe you're older and maybe your kids have moved out and you have time to do that and maybe it's something that you're thinking about. You want to find something to retire to. Well maybe you can go and buy some duplexes or four-plexes or some single family homes or something like that to start off with.

For myself and most of the people that I talk to on literally a daily basis, we're busy seeing patients or working jobs and we just don't have the time and we want to build up these different passive streams of income so we can eventually back out of our day-to-day operations and if we want to take off for two or three weeks in the summer or do something with the kids, that's a lot more possible having a check coming in or multiple checks coming in every month versus not having that.

Tim Mullooly: Kind of a follow-up to that. In your experience, people that have gotten involved in real estate investing, I feel like, and I might be off on this, but I feel like passive investing would be a good way to get your feet wet in a sense and get your bearings and get to know the landscape a little bit. Have you seen people start with passive investing, learn the ropes and then you know over time maybe once they retire or something like that, then go into active management with that active role in real estate investing?

Dr. J. Anzalone: Yes. It's funny you say that because I just had a dentist email me yesterday that was selling a commercial building. I guess it was like a strip center or something like that. So he was the one that was dealing with all the tenants in there. He sold it, and he was looking for something to do, like a 1031 exchange on for getting tax benefits. And he said, so basically he was going from an active investor, he's like, "You know what, I don't want to be a landlord anymore. I want to move from being an active investor to a passive." So, I-

Tim Mullooly: I guess it works both ways then. Yeah.

Dr. J. Anzalone: Yeah, it works both ways. But yeah, if you get to the point, whether you're an active or a passive investor, especially being active, but even if you are just going to say,

"Hey, you know what? I'm just going to send my money in and I'm just going to get a check," well you still need to know what you're getting into. And unfortunately I didn't early on and that's why I got burned. So, you need to be able to look at the financials, you need to be looking at the return, the business plan. What is this group planning on doing to raise the value, to raise the rents, to encourage there's not vacancy rate? So there's a lot that goes into that.

But the analogy I give with finding somebody that you can trust is if you were to, let's say you went to your childhood dentist your whole life and you go every six months. You get a cleaning and you go in one day and they say, "Hey, it looks like this tooth back here in the back, it's bad. It needs a root canal and a crown." You would probably do it, right?

Tim Mullooly: Right, yeah.

Dr. J. Anzalone: Because you trust him.

Tim Mullooly: Because you have a relationship with them, yep.

Dr. J. Anzalone: So that's kind of like with the syndicators. Once you find one and trust, they're going to say, "Hey, we're going to buy this piece of property in Texas and this is the reasons." Well, you know what their goals are. You know that they're looking at 50, 60 or 100 deals and then they sort through all of those and then they find the one, and this is the one that they're going to recommend. So, once you can build up that trust, it's a lot easier. The key is finding them. And like I said, I've found just a couple that I deal with and I usually just pass those along to the investors on the site.

Tim Mullooly: Right, yeah. It's definitely important to understand completely what you're getting yourself into. We tell clients that all the time. If you can't explain to someone briefly what you're invested in, you probably shouldn't be invested in it in the first place. With a name like Debt-Free Doctor for the website, and you've talked about how you personally worked your way out of debt. If someone is looking to set up a game plan for themselves to pay off debt quickly, where would you say that they should begin? And could you walk us through maybe a couple of steps that's involved with getting yourself out of debt quickly?

Dr. J. Anzalone: Yeah, what we did, my wife and I, we bought just one of those dry erase boards from Office Depot or Office Max, something like that. And I just went through and listed every single one of our student loans, smallest to largest. I think visually seeing that, and once you pay off a couple and you see it's really rolling and you can really start putting a lot of money every month towards it, that's when the excitement starts. So I would recommend doing something visual like that to get people involved.

Tim Mullooly: Right, yeah. And actually planning it out. I feel like sometimes people get overwhelmed and they think it's too much to handle, but if you act, like you said, just get a basic whiteboard and write it down and plan it out, it becomes more manageable and easier to digest and tackle.

Dr. J. Anzalone: Yeah, I agree.

Tim Mullooly: Everybody out there, not just doctors, but I'm sure doctors, dentists, medical professionals, everyone wants lower taxes. In your area of expertise, doctors, dentists, and other medical professionals, what can be done for them to try and keep their taxes as low as possible?

Dr. J. Anzalone: Definitely not an accountant or a tax attorney or anything like that, but I would probably, the first step would be finding a really good one. One that really knows what they're doing, and that's going to be somebody that's going to help you your whole career. Don't be afraid to interview. I think I interviewed about five or six and I finally found one that fit what I was looking for. So, don't be afraid. Don't just go to the first one that you go to. Make sure that you're interviewing people and they're the ones that are wanting your business, not the other way around. So that would be the first step.

The second one is, I still invest in the market, so we have like a little waterfall, like a little game plan. First we fund these retirement accounts. We're getting the tax breaks with those. We do 529 plans. We're saving on taxes there. So, we go through all of that and it just goes down and then whatever's left over, we're funding the syndications and again, all of that, those monthly distributions are tax free. To answer your question, it's have a plan and work the plan and make sure if you're married, make sure your spouse is on board. Because if you work the plan and everything is automated, which that makes it really easy for us. Then anything left over, you can go and enjoy yourself.

Tim Mullooly: Right. Yeah, exactly. I think going back to your first point about interviewing accountants and CPAs out there, that's a really big point and I think people need to take the time to actually find an accountant that works for them and not just default to whoever's closest to their house or the first one that they interview, and actually use that accountant. Because I feel like a lot of people just go there to get their taxes done for April every year and then they never talk to them again until next March or next April when they want to get their taxes done. I mean, having a long, good relationship with your accountant can go a long way. Right?

Dr. J. Anzalone: Absolutely.

Tim Mullooly: There was a guest post on the site last June I believe, and it was talking about paying off debt versus investing and which should doctors do. I wanted to ask what your feelings are on that, the debate between paying off debt or investing, which should come first or should doctors pay off debt before they start investing?

Dr. J. Anzalone: That's a great question and I would say it just depends on the person. If you listen to Dave Ramsey, he recommends you don't do any investing until you're completely debt free, consumer debt free, so all your debts except your house. I thought that I was disciplined enough where I could do both. So I did both. I didn't want to lose all those years of compound interest. We were aggressively paying off our student loans, but at the same time we were also maximizing contributing, maxing out our retirement plans. If you don't think that you're disciplined enough and you could only do one or the other, I would recommend getting rid of those student loans because if not, you will carry them a long time, just because life is just going to get more expensive whether you realize it or not. Nothing goes down in price. It just keep adding expenses, whether it's kids or cars or insurance or colleges or weddings or whatever.

There's going to be more coming, but if you think that you're disciplined enough, I'd recommend doing both.

Tim Mullooly: Definitely. I think it goes back to, we've touched on it a couple times now, just having a plan and figuring out what works for you. So I'd have to agree with that definitely. We mentioned it a little bit earlier, but can you tell the potential doctors listening out there about the Dr. Investor's Circle that's highlighted on the website's homepage?

Dr. J. Anzalone: Yeah, and it's actually it's not just for doctors. That's just the name of it. I have attorneys in it, I have IT people in it. It's basically for credit investors, high income earners and it's nothing more than you get on a mailing list, an email list. You learn more about the passive syndications, the passive income. I typically will have like a 10 or 15 minute call to discuss the person's financial goals they're trying to reach. And then they usually have questions about how the investments work, who do we recommend, how does the process work? And I just recently spoke to a girl, she's a dentist and she had some money saved up. So we walked her through that process.

I had a guy that called me, he was an accountant and his wife was a teacher in Arkansas, and he had inherited a good bit of money from his grandfather. And so on our call, he had everything very conservative. He was very adamant about he wanted to protect this money. He didn't want to lose it. He wanted to leave it as a legacy for his kids. So we helped him and walked him through some different options for him. So I think it's really important that we have that call just because everybody's different.

And then sometimes I tell people that I don't recommend it. I had a young dentist call me and he was, after we tallied up everything, he was about a million dollars in debt, including loans, his practice, his house, the mortgage on his office building. And I said, "You know what, I would focus on getting rid of the majority of that before I looked at doing any real estate." So I think that's an important aspect and that's why I wanted to set up something to where I could be more one-on-one helping people because a lot of times we're a target for people selling us stuff, selling us investments or products, and I wanted to be that trusted person for people out there that they could go to. So, that's really the whole goal of the site now.

Tim Mullooly: A couple more questions for you here before we wrap up. Personally for you, throughout your career, what do you think has been the most impactful financial lesson that you've ever learned?

Dr. J. Anzalone: I think it's probably, we've all heard it before and we may have even mentioned it on this interview, is don't invest in anything that you don't understand. Whether it's stocks, bonds, real estate, whatever. If you can't explain it to a fourth grader, don't invest in it or get somebody that can teach you.

Tim Mullooly: Yeah, absolutely. I 100% agree with that. We tell our clients the same thing all the time. So definitely, that's a great lesson. And not everyone learns it or they do learn it, but they learn it the hard way. Last question for you before we wrap up, whether it's something you

learned in your personal life or something that you learned professionally through your career, what would you say has been the best piece of advice that someone has ever given to you?

Dr. J. Anzalone: I would say it is, and again, this is something that's not new, but we've heard it before, but I think it's so important, is really spend time as you're working your job, your career, whatever you do, investing in yourself, getting better, getting more productive, getting more efficient at what you do, maximizing your income. Because the more money you make, the more you can invest and create these passive income streams. So, it's really hard to do that when you're not making much money, but if you're making a good six figures, then you could really become financially independent in five, seven, nine years. And focus on getting better at your day job so then you can, like I said, you can invest that money and then you could just do whatever you want after that.

Tim Mullooly: Again, I'd have to agree with that. That's a great piece of advice to pass along to the listeners. And Jeff, that that was all the questions that I had for you today. Thanks so much for coming on the podcast and talking about your story and Debt-Free Doctor. I really appreciate it.

Dr. J. Anzalone: Yeah, absolutely. It was my pleasure. Anytime.

Tim Mullooly: For the listeners out there, again, I'll link in the show notes to Debt-Free Doctor. You can learn more about what Jeff's doing and all the information, real estate investing, everything that we covered here in this episode. So thanks for tuning in to this episode of Living With Money, and we'll catch you on the next one.