

EPISODE 21

[INTRODUCTION]

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ANNOUNCER: If you're struggling with your vitality, energy, mood, focus, or sleep, this podcast is for you. Your host, Dr. Ann Tsung, ER doctor, and aerospace flight surgeon, will help you reach for the stars and remove the barriers or blockades that have been holding you back from living your best life. If you've been challenged by your health, relationships, or productivity, then it's time for a breakthrough. So, here's your host, Dr. Ann Tsung.

01:20

Ann Tsung (AT): Hello, welcome to It's not Rocket Science Show, and I am your host, Dr. Ann Tsung. Today, I have Joel and Winnie Napeñas here. Joel is a practicing academic dentist and Winnie is a supermom of her household and also a real estate professional status. And we're going to be talking about how professionals can actually pivot to achieve financial freedom, time freedom, and even balance life with many, many kids at home through real estate investing.

And so, Joel and Winnie thank you and welcome to the show. Would you please introduce yourself to our audience a little bit about what you do and why you're doing all the real estate investing that you do?

02:01

Joel Napeñas (JN): All right, I'll go first. So, I'm an academic dentist, my specialty is in oral medicine. And so, I wear a number of hats as a residency program director, also a hospital department chief and medical director within an academic medical center here in Charlotte, North Carolina. But I think we've pivoted in mid-career while still working full time in starting investing in real estate and then starting a real estate investing firm. 5DH Capital is our company, which I work together with Winnie to help

dentists achieve financial freedom and build wealth by earning passive income through investing in multifamily real estate. So Winnie, introduce yourself.

01:21

Winnie Napeñas (WN): Yes. Thanks, Ann, again, for having us. So, I actually had a diverse background as well, myself. So, I actually studied economics at the University of Western Ontario at a young age. And I wanted to work in banking, really, just to learn more about what I needed to know to get financially ahead in life while helping others out at the same time.

So, my first job actually, going back was in high school and I was actually a bank teller. The first thing that I saw was how eye-opening it was that to see individuals live paycheck to paycheck, essentially. And so, it really opened my eyes some more and I continued to work in the bank further when I graduated and became a personal banking officer. I obtained my personal financial planning designation. And it was just a fulfillment of loving to help people financially helping to get their finances in order, achieving their dreams, again, that first home, etcetera, etcetera. And just send them on the right path. So that was the first of many to come. And, essentially, with my career path, I saw also that there was this personal bondable side of things to people with regard to situations and I got to see where they were coming from. And so, as I moved to the corporate chain, and banking, I realized that in the managerial role, I really missed helping out people financially. And this wasn't where the corporate ladder was leading me to, in terms of my passion and fulfillment, that sense.

So, I found myself at this intersection of life, where I wanted to achieve my goal, which was, I was there, I was getting there, but realizing my passion for helping others was missing. So, I was drawn to a world that then went into the world of nursing, where I became an ICU nurse and still help people change their life in a meaningful way. And that was great. But then I realized that there had to be more to life. And I realized that real estate was something that was able to open a lot of doors, not only for ourselves but for others along the way. So that's when we decided that you know what, let's start up a company, and help educate others along the way, and create a passive income and see how if they could help us help them to build and grow their wealth at the same time.

So that was where things started. And really with us, our biggest thing with our why, it was with family and time. And so, we figured with what little time we had left and wanting to work until retirement at age 65 or 67, we had to think of a way that works, and can help us to generate income. So that way, we didn't have to constantly work hard in life, and actually make money work harder for us than us having to work harder for money. And so, we realized, again, that real estate was always there in the back of our minds. So, let's go ahead and take the action and just deep dive into that, and see where that would lead us to. And we realized that this was a path that would create that generational wealth that we could also pass along to our children and their children and generations to come.

05:50

AT: Yeah, I completely resonate with that, when we're trading time for money, it always feels like we're in the cog wheel just you can never get out of this never-ending cycle. And the same with physicians, I work in the ER and ICU, I get paid hourly and some RVUs, but if I don't work, I don't get paid. I don't get passive income. So, with having my son having a family, it's all about you wanting to spend time with the people you love. And be able to spend it whatever you want, however you want with the financial means to do those things with them.

That's the reason why I want to talk to you guys because a lot of people are very busy professionals working full time. And often they don't have time, or they don't even know how to get started and don't even know how to learn, what to learn. And they have a family as well, with kids, so they're not really sure like how to even balance. So, I think you guys are a perfect example of teamwork for that could create a real estate company, and also take down apartment units and balanced family at the same time. So that's why I wanted to dive deep today. And for the audience, we always start with our why, which is the main purpose if you don't have a strong enough why that you're not as likely to be motivated to go through what you have to go through it. Because it's not easy. There are always going to be challenges, but there are always lessons along the way.

So, I guess my question to you guys is so you guys have your why for financial freedom and time freedom for your family. And so, do you have like a tipping point or moment where you're like, okay, we're going to dive into real estate? And did you ever set any concrete goals at that time, like an end vision? Or maybe end vision right now, what is your end vision of where you guys want to go?

07:41

JN: Well, I think I'll start by talking a little bit about how I got into where we're at right now. And I think, I'm talking to a physician, we're talking to probably an audience of a lot of physicians. And since I was a child, that was my dream – was to be a physician. And for one reason or another, I didn't get into medical school but I did get into dental school. And when I got into dental school, I got into it without even knowing what it was all about. I thought, oh, you're called the doctor and you can earn good money doing it, and you're helping, you're treating patients and all that. And as soon as even in my first year of dental school, I realized that it wasn't for me.

But fortunately, I got into a specialty that was the best blend of medicine and dentistry, which was oral medicine. And, from doing that, I kind of stumbled upon that, almost accidentally, and from that, it's kind of pivoted into a very successful, academic career and doing things that I wouldn't have imagined that I would have achieved. Being a residency program director and training and mentoring residents and working in a hospital and helping patients with chronic conditions, doing research, and just achieving all of these career goals. And as I achieved all of those, and I had great mentors, I still have great mentors along the way, in doing all of these things, and I'm mentoring residents, and they kind of keep me on my toes, and keep me young and fresh. I still felt like, it just wasn't enough. And it's because we achieved this all at a huge price.

in my specialty, number one, it's not very lucrative. Usually, it kind of gears you towards an academic career. And there's not very many academic jobs. So, we had to uproot our family to a number of different places. First, we lived in your hometown in Houston for a couple of years, that was my first attending job. And then, back to Charlotte here, where we built my career. And even though I love what I'm doing, I still love what I'm doing, it's a W-2 job, you only have limited time we're a 12-hour drive away from all of our family in Canada. And every day, I just, we miss them dearly. And our parents are just not getting any, any younger. And so, that was the tipping point. just being able to, you have to work you only have limited days off? Yes, I get to do all of these cool things, but, it's not on my own terms. I'm making a good salary and everything like that, but it just wasn't enough. We had to do something. And so, when you asked, what was the tipping point, that was the tipping point.

Every single day I get homesick. I miss my family. I wish I could spend more time with them other than the two or three times a year that we get to see them.

And then the other thing was just about, we just can't stay on the path of going to work and doing this only for the next 20 to 25 years. And I see my colleagues that are in practice – I'm about roughly 20 years out – and they're just burnt out. And yet, they've got a lot of obligations, that kind of keep them stuck with what they're doing because, they got to put their kids through private school, and they got to pay for their lifestyle and all of those things. So, I don't just see it in myself, but I see it in my colleagues and so that was the tipping point that we just had to do something other than just kind of clock in and do everything for the next 20 to 25 years solely and just rely on that as our sole source of income.

10:57

AT: Yeah, it's the lack of freedom, lack of choices. Well, in a way you're choosing a different path. But if you're just in that job, there's a little bit of limitation in the choices that you have, lack of time freedom. And really, we've heard that a lot of people on their deathbed always wished they spent more time with family and friends and not working more, right? I also saw the same thing with my attendees. When I was in residency, one of them actually gave me, Dave Ramsey's CD, which turned me around and started me on this pathway. I think he gave it to us because he didn't want us to end up like him since he was trading time for money. So, I completely understand your viewpoint. And what about you, Winnie? Did you have a tipping point or anything like that?

11:43

WN: Oh, yeah. I realized that our dreams in life may not necessarily be your destiny. Hence, the name of our business, we came up with The Destiny Holders, because, I'm a mother of three young children. And we just found that we work so hard. And we think we know what we want in life, only to find when we achieve our goals, achieve our careers, it may not necessarily be fulfilling enough. And we figured that, if there was a way for us to achieve our freedom of time, geographic freedom, health, freedom, whatever it may be, that's fulfilling, rewarding for us. So, instead of having to work so hard for that, why not find a way where we can achieve it faster, but have meaning and fulfillment in our life. And so, our biggest thing was family.

And with that being said, the last couple of years have been very difficult, especially with COVID and all. It was a hard time for everyone. And so, with our family being Canada, I found that it was difficult, because with restrictions, locked downs, and when your parents go through the uncertainty of changes in their health, and it's a scary moment, and you don't know which direction they may be going or headed towards, and the possible outcomes and you're not able to see your loved ones. It's very difficult. And so, we realized that point in time that we cannot just rely on one source of income and combined that, we need to find other ways to generate income where we could create that freedom, that flexibility, the time to travel to be with family. And so that really was our turning point for us was family, and to be able to be with them. And again, like Joel mentioned, it was the fact that our parents aren't getting any younger. And, their time is so precious. And we only have so much time ourselves, on this planet, essentially.

13:40

AT: And that the kids grow up so quickly. Before your eyes.

13:44

WN: Definitely.

13:46

AT: Yeah. Joel, you were going to say something?

13:48

JN: No, I think he's just three years, we tried to go back to Canada, like two or three times a year. And, when we moved back to Charlotte, with the kids, we, we felt it was so important that the kids spend time with their cousins and their grandparents. And we just had two and a half years where we couldn't do that. And so, I think that just illustrated the point, that we really had to find a way that we can free up more time and have more resources so that they can create those memories and have those – I grew up with my family all around, my cousins and my uncles and aunts – and they're not getting those same experiences that I had growing up that Winnie and I had growing up, and we want to try to give them that, at least in the summers, when we go up there, but when we're living

geographically somewhere else, and you only have limited time off, you can only do that so much. So that's the reason, that really is at our core, our big why as to why we're doing other things, doing these other things.

14:46

AT: And I can identify with that, because I, when I grew up in Taiwan, I was running around with my three cousins, my uncle and my aunts practically raised me, I had like six uncles, two aunts. So, it was like a really fantastic time, it's always about family getting together all the time. And, Winnie, to your point about during COVID times, a lot of my colleagues, I've heard, have their hours cut in the ER, and you have no choice, you're at the whim of a corporation, who is looking at income and expenses and have to allocate their resources. So having another form of passive income that is appreciating is so key. And I think a lot of people have started thinking about pivoting or have already pivoted because of the COVID at times. And so, I wanted to talk to you guys about, so you made that decision, you've got your strong why you want to dive into real estate, well, I guess, number one, what made you pick real estate? And number two, what was the first step you took in order to get to where you are so and I like you to kind of talk about your journey, how long it's taken you and what you guys have achieved so far.

15:57

JN: So, I'll take this. It's almost like three years ago, where Winnie has family members back in Canada, cousins and spouses of cousins that have been very successful in real estate. And at the same time, they've had day jobs. And so, Winnie has a cousin that's an electrician as a day job, and one that was a firefighter as a day job, and they were very successful in real estate while still maintaining their day jobs, and acquiring multimillion dollar portfolios in real estate, but still keeping their day jobs. And we thought that this is kind of the path that we wanted to follow, we're not necessarily going to give up our day job, I'm not going to stop being a dentist.

And so, I kind of got connected with a real estate conference, probably that you're all very familiar with, the Physician Real Estate Conference, and knew nothing about it, went there, kind of spoke to people that were at the conference and saw what results they were getting, by getting mentorship. And then one thing led to another, you talk to one person that's doing it that took that took a mentor,

and then we got mentorship in one aspect of real estate. And that's what got us started. That's what built us the confidence. They got us into a community of other people that were doing it. Probably, if we weren't in that community, if we didn't have that mentorship, then we wouldn't have pulled the trigger and made the big move in terms of buying our first properties.

And after doing that, we bought our first few properties in Florida, all through the pandemic. So, after a year of doing that, we wanted to scale and go into apartment syndication. So, then we kind of spoke to our mentors, who they would recommend to get mentored in that and so then we ended up getting connected, and then another mentorship group and another community where other people were doing it. And you build relationships, you see other folks that are doing it, you learn from them, you form partnerships, and they just kind of snowballs from there. You just got to – proximity is power – be with others that are doing it. Don't reinvent the wheel. See the people that have achieved success and kind of follow what they're doing. And just be with those folks and ride on their coattails and support them and partner up with them.

18:12

AT: Yeah, yeah, there's no need to waste your time, all you have to do is find a mentor, and copy what they're doing, essentially, right, somebody who's already succeeded. And the conferences, you're talking about, which conferences, is that passive income?

18:23

JN: Yeah, this was the Passive Income MD Conference in 2019. And, I think just going, I think at that point, I was just kind of fed up with just the daily grind. And knowing that this is all I had to look forward to for the next 25 years of my life. Because, I could see myself doing what I'm doing, I love what I'm doing, I wouldn't see myself doing it anywhere else except for where I'm at. So, at one point, I was kind of happy with it, but then the other side of it was like, okay, this is all I have to look forward to for the next 25 years. So, I literally just told Winnie I'm gonna go to this conference. I didn't know anybody there. I knew nothing about real estate. We just have to make a change. And all it was was just hopped on the plane went to LA. And we were at the conference and spoke to some folks and got some mentors from that. And that's what got us started in our journey.

19:11

AT: Awesome. Yeah. For those who are listening, if you are not aware, Dr. Peter Kim, he has created Passive Income conferences and ultimately a website if you Google him, there's a whole website that lists all the resources where you can pivot to achieve passive income. And that's very similar to how I started down real estate it was simultaneous in a way where he hosts like a free online conference. I think it was during the year of COVID, March 2020, I believe. So, I got connected I learned about real estate, but also other ways of pivoting like if some people started at (inaudible) clinics, and people are doing short term rentals, etc. And then I was connected to our coaches, Dr. Vikram Raya, which is our common coach, and this is how we met each other. And so, he's a functional cardiologist who also does real estate syndications. So, he's somebody, I employed him as a coach as a mentor because that's who I want to be in five to ten years. And he's already achieved that. So, I can really resonate with what you're saying. And I learned my real estate through Semi-Retired MD Group, they had the classes through Leti and Kenji. And that's how I kind of got started as well, you just have to get yourself educated, it's what it sounds like, right? So, what would you say is number one step for people who are in residency, or people are in their professional lives? Are there different steps for different stages?

20:35

JN: You mentioned how one of your attendings gave you a book, the Dave Ramsey book, and ever since I kind of got connected with the whole physician, community, I started doing that with my residents. I actually started an educational series on financial literacy and building wealth and also trying to design and choose a career that's meaningful for you. But the reason why I bring that up is I want to give my residents the education that I didn't get as a resident. And so, education, obviously is the first step. Also, I want to be that mentor or get mentors. And you don't necessarily have to pay for – I know we're at a stage where we can get a coach and I think there's a cost involved with it – but you can read books or get mentors virtually by going on YouTube and listening to podcasts. But that's the number one step is get educated and get mentors.

Then number two is, is actually taking action because education is one thing, but taking action and execution is the other thing in terms of being able to move from point A to point B. And so I think that's where actually having a live mentor that holds you accountable, or a community of people that are

doing it that you see what they're doing, and the actions that they're taking. And almost, there's kind of that you want to be the dumbest person in the room. You want to be the person that's least accomplished in the room. And so that ignites that fire for you to, sometimes it's intimidating, but it also ignites that fire for you to take action.

So, it's really education, and then being around people that can hold you accountable and to start taking action. And then also having people that are supportive along the way. I know, Winnie can speak to this, I think if we didn't have all of that, if we didn't have the mentorship, in that case, just like with you, it was Leti and Kenji that we started with. She didn't have that confidence to jump in and take action, unless we were in that community, and had that mentorship for that very first time.

22:37

AT: Yeah, I think that's a good segue, Winnie, do you have anything to add to some of the steps that you thought would be important for people to take what has really mattered to you for you to like, dive right in to become a real estate professional, we can kind of talk, if you could explain, also to the audience, what that's all about as well.

22:53

WN: Yes, definitely. So, the key thing was, first of all, is to get educated. And that gave me the steps and the knowledge, in order to be able to know what I was looking for, to be able to find a property that would cash flow, but at the same time, yes, to be educated with the right mentors, and be surrounded by a like-minded community. So that way, we could support each other and hold each other accountable. And the key thing is to take action. You could learn as much as you can, learn whether through education, seminars, podcasts, whatever it may be, but if you don't take the action, then it's not going to result in anything. So, you could say that a year from now, if you did all this education, all this research, but you didn't take any action you would have wished you had otherwise. And so that's one thing that we learned. Well, what really important to us is that, if you truly write down your goals, make sure it's measurable, have a timeframe. And, tell your friends, your family, and have them hold you accountable to stick to it so that you can actually take the steps you need to achieve your goals. And if you do that, you'll be surprised when you look back a year from now at how much you would have achieved. Versus if you didn't do that. And you would have not achieved nothing. So, I

think that's really important. Take that and have your support system and just share it with others. And you will, you'll be amazed how far you'll come along.

24:25

AT: Would you be able to share with us specific actions that you guys took as an example, I think it'll be really good, definitely, get educated. And when we say educated, it's learning cash on cash, how do you pick the market, was city, how do you know how to even do the cash on cash calculator to show what's the percentage that you should be cash flowing, etc. How property management works, their fees, insurance, taxes, etc? How do you sell a property like exit? Or you don't sell etc.? Right? So those are all the education piece – and there's way more than that, of course, taxes, etc. Then what would be the next action? Can you run through your timeline, some of the actions, concrete actions you guys have taken?

25:05

JN: So maybe, perhaps we can use the example. So, 2019, around this time, we went to the conference and enrolled in the course. And then, it's like January of 2020. And the next, we started, as we were learning it, we were already the other piece of it, other than the things that you talked about, being able to identify a market, identify a neighborhood, choose a, be able to look at a property and be able to plug it in and determine whether it's going to cash flow and whether it's worth pursuing. The other piece of it is just assembling a team. Now, we chose a market that was actually remote from where we're at – Tampa, Florida. And the reason why was just because even though Charlotte, North Carolina, where we live is a great market, it just didn't have what we were looking for, nothing that fit our criteria at the time. And so, we decided to go look at another market, and how do you do that? How can you invest remotely? Well, it's assembling a team. And so, having that property manager, and vetting them, having an investor agent work with you, having a lender that you can work with. So, we assembled that team, and then, Winnie can kind of tell the story about what we did in terms of buying our first properties and putting in our first offers and I know Winnie was the one that was kind of aggressive and in talking to the agents and putting the offer on our first property. Sight unseen, four states away.

26:33

AT: Yeah, let's hear it.

26:36

WN: Yeah. So, I would say, Redfin was our best friend then, we were on Redfin constantly. So, any new listings that came up, I was there, every night, first thing in the morning, I would look up new listings. It's surprising how you find out that realtors can actually miss something inappropriate. So instead of like a multifamily home, it can be listed as a single-family home by mistake. And, therefore, you won't have as many offers if somebody was looking for a multifamily home. So, that was quite interesting to find.

And so, when we came across one, I just jumped right on it and called the broker up. And, I realized that this was something that we had to act on quick. And it was great that we actually had a lender on our team already, that was pretty much 24 hours accessible, I would say, and so if we ever when we needed that letter to submit to our agent by that time, they had it for us in like a few hours, I would say at most two hours. And so, we were able to put in our offer right away. So, it was a situation where we were very prepared, just ready to act quickly, do whatever it took to achieve our first step in getting our first rental income property there. And then we did the same thing, it was just people we connected with forming our team, just sharing with everybody what we're looking for, our criteria. And the next thing you knew, within a month, shortly after our first closing, we got another property. And this one was unique in that it was a single-family home with the second building behind it, which was actually a triplex with a vacant lot. And it was an off-market property. So again, we wouldn't have come across that if we didn't build the relationships through the teams that we formed, and just sharing with everyone what we're looking for. And so that came personally, surprisingly to us. So, within about, I would say a month apart, we got two properties, sight unseen (inaudible) we just got six units right off the bat. And so that laid the foundation at the beginning of our real estate journey, which was very exciting at that time for us.

28:46

JN: We also learned a lot of valuable lessons along the way.

28:48

AT: Always, always. And I want to know, like, maybe part of it could be how did you vet your team? What lessons did you learn? Because we can say, okay, assemble your team, but what exactly do you have to do to find the right investor agent to find the right lenders, property managers? Are you just Googling people, Yelping people? What are you doing?

29:10

WN: Yeah, well, a great question. I interviewed each and every person I spoke to on the phone, I looked them up on Google, I looked them up on the reviews, anybody that I knew who was awesome, best in the same market, referrals as well, because based on their experience, they had to, say, had certain interactions with them, how did they handle such interactions with tenants or circumstances. So, I think it's very important to vet them, and then not just take on one property management company, but to have a second backup as well, because you just never know if that management company that you find may not cover the area of the property that you end up acquiring. So, it's always good to have backups as well. So, it's really about just getting involved in the community and sharing, again, what you're looking for. And it's amazing because if you speak to a lender, you could ask them, oh, what insurance company do you recommend, or a contractor, what property management companies have you heard of, or know of in the area, and they they're the ones that are really hands-on, in the community, who are boots on the ground as well, and they know people, so it's always good just to constantly ask, and never be afraid, and just reach out to them in an interview though.

30:26

JN: And I think it's like a combination of being within a group, again, a pure group of people that are doing what you're doing in the market, that you're doing it and getting referrals from them. And also, you want to do it from a standpoint of abundance. You also want to help others because if you help others and give recommendations, that they're also going to, somehow, it's going to come back to you. So that's how we were able to find a lot of our individuals. And then I think Winnie was really good in forming relationships with some of the people that we worked with, I know she formed a really close relationship with our lender, they got to know each other personally. And, that lender has made some introductions to I think property managers and contractors and real estate brokers and she's kind of got an ear to the ground as to what's going on in the community, in terms of what properties

are coming on market. So, I think in the end, it's just really being in a community of fellow investors. And in this case, it was positioned investors that were investing in the same market and then just building relationships with all of the individuals that you're working with. And somehow it just kind of snowballs from there.

31:33

AT: Yeah, sounds like step one is getting educated, you can, we'll share jewels, educational resources, and also you can go to Semi-Retired MD, you can go to Passive Income, just get educated, or any blog, really, Real Estate CPA, any sort of blog or podcast that talks about real estate investing, though, really, you have to take action, and that's Googling, Yelping, asking your friends or acquaintances that you know do real estate and ask them for referrals on investor agents or property managers. Send that text. Shoot that email. Just one text, one email, and it will snowball into conversation after conversation. And then a few years later, you're like, tell me about the new property, you guys have acquired?

32:16

JN: Exactly. Well, I think after about a year of I know, there's a bunch of different steps to get there. But after a year, I think of doing our individual properties, Winnie was really was pushing for, "I think we should look into apartments syndications." And I think it just all started with us getting more educated, once again, in real estate, you want to learn more about real estate. And so, we were attending virtual meetings, it was still 2020, in the pandemic, and about apartments and larger properties, commercial-grade properties. And, I think Winnie was saying, "I think if I'm going to do real estate professional status in our small properties, let's scale."

And so, we actually spoke to Kenji and Leti and said, "Who would you want to learn from in order to scale and go into apartment syndications?" And so, we then ended up going with their recommendation, and then getting connected with that group. And they have educational platform meetings and mastermind groups that we were all connected with, and kind of learned how to underwrite larger properties, learned about how to, the team that you need to form, and the relationships that you need to build. And I think when we're taking down these larger properties, you

have to build relationships with partners, and with general partners, that would sponsor and syndicate and operate the deal.

And so it's a whole new skill set, it's a whole new education, it uses the same, the fundamentals that we learned in Semi-Retired MD in order to evaluate a property, but just instead of looking at four units, you're looking at 100 units or 200 units, and it's also how to navigate those relationships – relationships with brokers, relationships with property management companies – how do you underwrite, how do you put in an offer an LOI, in order to buy one of these larger properties? Letter of Intent is an LOI. It's a little bit different than the smaller properties.

So, again, we got further education, we got kind of more, got into mastermind groups and we formed partnerships. And from there we've general-partnered and co-sponsored our first couple of deals this year, on the encouragement and the nudging of our mutual coach, Dr. Raya, Vikram. Just to, I think, after a year of just analyzing and underwriting and trying to take down our own deals, our coach kind of nudged us, who's obviously successful in doing this into you need to take action and partner with somebody else in their deals. So, the latest one that we closed on was, again, it's kind of partnered with our coach, a property in Atlanta, 103-unit property in the outskirts of Atlanta, which is part of a portfolio of three properties, one in San Antonio, and one in Houston. And so, again, it's a team sport, we were given the opportunity to partner in on this deal. And, we're just very blessed. And, at the same time, we're also able to help colleagues along the way who are investing and partnering alongside with us to get amazing returns that they can't get in the stock market.

35:24

AT: And with that achievement, I want to ask, what has that given you? Or what will it give you, something tangible, if that makes sense, you keep going through the real estate, if you could talk a little bit about real estate professional status, and I want people to understand, okay, so we get the multiple properties, syndications. So, what does that mean for me in terms of time and financial freedom, anything tangible you can share?

35:52

JN: So, let's talk about the real estate professional status when we had our first property. So, we were able to, you have an engineer come and look at your properties and they do what they call a Cost Segregation analysis and then anything that's below certain depreciation schedule, you can evaluate, they evaluate all of the items that are perishable in a property that need to be replaced eventually. So, then anything that's perishable, anything that can be depreciated below a certain timeline, you can actually take it all in the first year. And now this is last year, 2022 is the last year that you can take 100% of depreciation all in the first year. And so, what does that mean? Well, you have this paper loss, this negative number that actually is not really negative in reality, but you can actually offset it against your active income. If the spouse, Winnie in this case, fulfills the requirements of being a real estate professional, and they were able to offset that against my active income, working as an attending at the academic medical center. And that really resulted in, perhaps the largest tax refund that we ever got, that was way more than anything that Winnie would have earned in our previous career.

So, when you talk about what the tangible benefits of being a real estate professional, that's what it is, when you're a direct owner. Now, if we're on the syndication side, certainly you can meet your real estate professional status, if you are a general partner, the general partners are the ones that are acquiring and operating the assets, the apartments. And so if you fulfill the hourly requirement to meet real estate professional status, well, we talked about how you can do a cost segregation on a small property that you own solely, well, the same thing can be done for a commercial-grade, 100-unit, 200-unit property.

So, for instance, the last property that we closed on the one that earlier this year in Houston, we were able to, originally it was kind of written such that for every dollar that the general partner team invested in, you can actually get \$1 in tax break. Now, if you're on the active side, you can use that against active income, and if you're a passive investor, you can use that against passive income. So now the beauty of that was, we were able to get a private equity partner in that deal. And because they didn't take all of the bonus depreciation for that, all of the rest went to the general partners and the remaining limited partners, all of the passive investors. So, in the end, what happened was that for every dollar that you put in as an investor, you actually get \$2 of bonus depreciation against that, so it's just the way that it's structured. This was a way that we can do it in a syndication deal. So now us being on the general partner side, if you're able to put 100,000, if you were to invest \$100,000, you'll actually

get 200,000 in bonus depreciation that you can offset against your active income. So that's a \$200,000, for example, tax credit, or taxable income.

38:52

AT: That's amazing. Yeah, for those who are not aware of real estate professional status, essentially, it's a very, very rough summary, but you have to do 750 hours, more than 50% of your other job. So, if you're working clinically, for 20 hours a week, then you have to do 21 hours a week as a real estate professional, and they have to be material participation. And what that means is property managing management type operations, not investor hours, so actually conducting maintenance or fixed, plumbing or coordinating, like, rent collecting rents, etc. And it is a lot of hours, it does get audited quite a bit, though, as a concrete example, say, Joel, what you're talking about is, if, since Winnie is a real estate professional, and we do this cost segregation study on one property that you buy in the year. And so usually cost segregation can give you a deduction of about 25% of your purchase price, from what I understand. So, let's say it's a 400,000 property, you do the cost segregation study, that when you purchase it, you can kind of expect to get 100,000 worth of depreciation or deduction year one, this year. So, because this year is the last year you can get 100%, next year is 80%.

So, what you're saying is that, because you're a real estate professional, that 100,000 deductions can be applied to your academic income. So what that means is, depending on what tax bracket you're in, you, say, you're in the 28% tax bracket, you will get \$28,000 back in your tax return, is that correct?

40:35

JN: That's correct. Yeah. If it's 100,000 Yeah.

40:38

AT: And imagine if, I want to give you guys an example, I had the fourplex in Vegas. So, I did the cost segregation study on that it's 150,000 deductions, I have not taken it yet. So, if one year I do decide to go for a real estate professional status, then that deduction can be taken. Or also another way to do it. I know a lot of people are busy, full-time professionals. There is another way to do it through short-term rental, but that's for another episode, that you can shelter just the same way doing short-term rentals and participate in 100 hours. So yeah, I think this is huge. And this is why real estate

is so amazing for wealth building because you get, number one, the appreciation and equity of the property. Number two, is less subjected to like, ups and downs of stocks and crypto. It's a little harder to sell your house or buy a house, right away. So, I think the ups and downs are a little bit less extreme and drastic. And number three, it usually always appreciates every year. Number four, you have these, I guess, paper losses that you can create to generate even more wealth on your tax return, is that correct?

41:47

JN: That's correct. They're not real losses, it's just you get what you call a K-1, if you're a passive investor, or your cost segregation study will kind of quantify that to get to generate those paper losses.

42:01

AT: Okay, awesome. Thank you. And I want to touch on, since, Winnie, you are a real estate professional right now. I know you guys have three kids, how do you actually balance family life and tell me about kind of your day-to-day, actually, before that, just so everybody knows, only one person in the marriage has to qualify for real estate professional status and the deductions that you can apply to both people's income. So, this is why Winnie can be a real estate professional and all the deductions can apply to Joel's. Anyway, so would you tell us exactly how you are able to balance family life with some of your day-to-day tasks?

42:40

WN: A great question, Ann. It's challenging, no doubt, with three young kids, especially during the time when we had COVID. And my two oldest were here at home with me virtually, and trying to manage too in the real estate, started up our business, there is no easy answer to this, and you only learn through trial and error. But what I found was that the more hours you put in doesn't necessarily and doesn't actually equate to a more productive quality of results. I found that what would work best is to really provide, like, organize your schedule. You really need to organize your schedule on an hourly basis and be consistent and stick to it, you do need to make time for yourself. Because if you don't, everything else around you, it's just going to be affected.

So, I found that the best way to do it is just to wake up first thing in the morning, do your self-care, take care of yourself first. And that means first of all, hydrate yourself with water, exercise, and it doesn't mean that you have to go to the gym, you could easily just go on YouTube and pull up exercise videos. And just do a quick 10, 15-minute exercise at home. It's all it takes. Do some meditation, write down some positive notes or things that you would like to tackle on your list first that you've come up with the night before. And have that set time to do it. So, as you work on the most important but non-urgent things first thing in the morning. So, tackle that out of the way. And then by that time, hopefully, then your kids would have woken up, you spend some quality time with them, and then get back to work and set a specific time just to check your email, your text messages. Don't get distracted by that. Because all these little things take time away from what is essential for you to take the steps necessary to reach your goals in life.

So, I found that by doing that, you're actually, by the time morning is over, you've tackled quite a bit of your, your to-do list, and you feel good about it versus waking up later in the day, which I used to because that's just how my body functioned before. With that, I always felt like I was having to catch up throughout the rest of the day, there was never enough time. But what I've learned through all this now is that now I have more time with family. So, I'm able to still work on the business side of things be productive, but at the same time by two o'clock in the afternoon, it's time for family. Spending time with the kids, the quality time that you need with them. And so, minding that along the way, it was a huge turnaround for me in terms of being able to manage being a mom, a wife, and an entrepreneur or business person, and finding the balance that I needed and time for myself as well. So that was really important. And when all is said and done when you look back in the year and we've accomplished what we have set, our goals and objectives, you realize that this is not as hard as it seems. And it's very doable. So, if you just be consistent, be disciplined and keep on doing it and don't get sidetracked and if you do that's okay. But just get back on the treadmill or whatever it takes just to make – put yourself first – that's the most important thing I would say. And then everything else will follow.

46:15

AT: Yeah, yeah, I definitely resonate with that, especially before I had my baby. And now I have a baby. It's like a three-month-old. I'm like, oh my god, I have no more morning routines. What Winnie is

talking about, for those of you who don't know, it's the Eisenhower matrix, and you want to do things that move the needle. When you are doing a task first thing in the morning, is it going to move the needle towards your end goal of time freedom, financial freedom, and vitality freedom or not? If not, then it's not so urgent or not so important, right? You want to get those things done first thing in the morning before you actually do other things, check social media, check, even emails later on, and start being proactive instead of responsive.

So, for those of you guys who want to learn more about productivity, Eisenhower matrix, I did record a seven-day video masterclass, that's on my website, or you can join the Facebook group that's on there as well. I talked about the Eisenhower matrix quite a bit and morning routines, which means waking up completing top three priorities by noon so that you're free. It happened to me the same way, I felt like I have more time to spend with my husband and more time to spend with my friends and family.

Now that I have a baby and it's been a three-and-a-half-month journey to balance myself. I'm still learning how to underwrite deals, really. One thing that really helped was hiring my virtual assistant about a month and a half ago, which will be another episode. But this is what I'm learning too. And today, I think I shared with you guys before, finally, I went under contract, I did a 1031 exchange for my fourplex in Vegas to this current eightplex that's currently operating as Airbnb, we're going to go under 60 days due diligence, and we'll see how it goes. So, it's a balancing act. And like you said, don't beat yourself up if you ever get sidetracked and not meeting your goals during the day.

48:06

JN: And I think the other thing is that and this, this happened to me fairly recently is like, we're kind of pushing hard, and we're doing all of these non-urgent but important tasks, and you're not necessarily going to see results right away. And I think, even just a couple of months ago, I was just kind of getting impatient with that. And I think we were reminded, and this is why having good coaching is always helpful, be patient with your results, but impatient with your action. And just keep planting the seeds, and just keep doing the reps and doing everything, and the results, when they sprout, they will sprout exponentially. But there are, you know I think there's a lot of period of just doing these important, but

non-urgent tasks and not necessarily seeing results. But you just gotta have that faith and know what the end goal is. And you just got to keep putting your mind to it.

48:52

AT: Yeah, it's about taking the micro steps. And eventually, after a few years, you'll get there. And I want to touch a little bit on the mindset of scarcity. Because when it's very, very common, that I've heard that I don't have enough money, I don't have enough time, I don't know where to go to start educating myself or is having 100-unit apartment 200-unit apartment seems like so out of reach for me, or I don't want to manage it, I don't want the work. I don't want to be bothered. What would you say to that, in terms of that kind of mindset?

49:27

JN: Well, I think number one, I think you want to decide what resonates with you because again, talking about real estate and building wealth in real estate, there's so many ways of doing it. There's so many different asset classes, and you and I and us, we're focusing on multifamily. So, you can do active investing, you can do passive investing. So, one way of investing in a 200-unit apartment and getting seven to 10% annual returns and doubling your money in three to five years, is being a passive investor. So, I think there are just so many ways that you can participate and build your wealth in real estate that you don't necessarily if you don't want to, be the one that's buying your own properties and fixing it up. And, there's always the worry about answering two o'clock leaky toilet phone calls, there are other ways to do it. So then in terms of also, scarcity versus abundance and worrying about how do I begin, I need the money. There are ways to actually begin investing in real estate with little or no down.

So, I talked to some of my residents, we have the privilege of being doctors, and as a doctor, you have access to very favorable loans, like the doctor loan, some of them are like, no money down and what you do is you want to get started and you can house hack. You can live in a home, buy a duplex, live on one side, and rent out the other side using a residential loan, that's no money down on a doctor's loan. We have the privilege of getting that. So that's one way of doing it. If you don't have the privilege of getting those types of loans and you don't have the capital then, maybe you start as a wholesaler. So, I think there are just so many, it's not about resources, it's about resourcefulness. We hear where

there's a will there's a way and you can find a way to get started. Winnie, do you want to add anything to that?

51:20

WN: Yeah, I would say, reach out and get to know people in the real estate space and you will learn so much. And you will find people that you will connect with. And from there you build that relationship, and you might even find a mentor who will guide you. So, I would say that if this is something that you truly want to do, to be able to be financially free, for example, the house hack, if you have a duplex, have your tenant, pay for your mortgage, and you live pretty much mortgage-free in a place that you own while benefiting from the benefits of real estate and appreciation. I mean, there are so many advantages in real estate for individuals, as a whole, it could be active or passive.

And even if you're a passive investor, that's great too, because you can earn tax-free cash flow with the benefits of the bonus depreciation that was discussed earlier. So, I would say go out there, meet people in the space, get educated, find someone that you connect with, and maybe even a mentor, and just continue to learn, explore and find what's right for you based on your risk tolerance level, what criteria you're looking for what market and just start getting your feet wet in the area. And the next thing you know, you'll soon hopefully take action to get in your first rental property or your first real estate investment.

It's always good to diversify your portfolio. So, in this case, stocks and bonds may not be the only avenue to invest in your money in, especially nowadays with inflation the way it is and how expensive things are, with real estate it's always a stable solid asset. And with the national housing shortage, people are always looking for a place to live. And with that being said, if they're priced up enough they can go buy their first home, if they can't afford a down payment, they're going to want to find a place to rent. So, again, I think real estate is such a great avenue and space to get into. And so, I would highly recommend going out there, attend conferences, meet people and just connect with people. And hopefully you'll find someone that you can resonate with.

53:30

AT: Yeah, and I wanted to share with you the way I even got a 50k loan from my own retirement account. And so, for those of you who have retirement accounts with like universities or anything, you can actually ask them to see if there is a way to purchase your first primary home and borrow 50k. My max was a 50k with University of Texas, it just depends on your plan. And the interest was 4%. So, I have to pay myself back 4%, which is fine, I can totally do that. I just like took a loan from my own retirement account, which is fantastic. And there are ways to get money. You could take out a loan from friends and family, perhaps just tell them you'll pay them back.

And other ways like you know what you're talking about the physician's loan, I know there are other physicians who, with 0% down, live in their primary home for a year. That's what's qualified. That's what's required for you to qualify for that 0% down and after the year. They do it again. But 0% down, buy a second home, move out and rent that one out. I can do a duplex, triplex, quadplex. There are so many ways. And if you don't want to be an active investor, Winnie, do you mind walking someone through what type of returns, can they potentially get as a passive investor from the syndication? Like say they put in 100k? Then what happens?

54:45

WN: Yeah, a great question. And again, so this is really deal specific, it depends on the market, the type of asset class, whether it's, with that being said it could be A Class, B Class or C Class property. It really depends on how the general partners decide to do the breakdown. And usually it's 80/20, where you really, you could just offer one type of investment for limited partners and be a passive investor. So usually, if it's a 80/20 it means that 80% of the proceeds of the revenue and profits would go to the LP investors depending upon the math that you invest and 20% will go to its general partners. And with that, also, you would either again depend on what the general partners decide upon it could be monthly distributions, or quarterly distributions. And when a property either gets refinanced, generally looking at a three-year term or upon sale at a five-year term, whatever it may be, depending on market conditions, you will get the proceeds, they're at that point in time again, at baseline, 80/20 split. So, with that being said, it's just really dependent upon the deal itself again, and what the general partners come up with and you might even have options where you could have a 70/30 split or one that's just purely cash flow where you don't take advantage of the upside but you really are more risk averse and really want more the cash will come in consistently. So, then you would

therefore be higher on the capital stack, meaning that after the lenders are paid their mortgage and their debt first and the next class they receive the profits would be, say this A Class shares.

So, it really is still specific. And I would ask a lot of questions, make sure you're comfortable with the deal, make sure you fully understand it, because that's the most important thing is that you need to be educated and based on your risk tolerance level, decide upon if this is the right type of asset or deal that you want invest into.

56:52

JN: I think chiming in, in terms of what are expected returns, when we're trying to look at a deal, we're always trying to, we're underwriting it such that the limited partners, and whatever the split that it's in, whether it's 70/30, or 80/20, would usually the target is that they would double their money, within five years, it could range anywhere from three years, it could, can go all the way down to seven years. And when we double your money, that means, like 100% return, and so that 100% return is usually a combination of the cash flow that you get on an annual basis, plus the proceeds on sale of the property when we exit.

And so, for instance, if you had a deal that was underwritten to cashflow seven, let's just say 10%, I think, right now, it's a little bit hard to get 10% returns, but it's still doable, and then you hold it for five years. So, you earn 50% total, but then you go on sale, you participate in your share of the proceeds on sale, you get another 50%, which is your 100%. And then plus the return of your principal on it. So, some, they have lower cash on cash, and then they're banking on higher appreciation on sale. But generally, I think the targeted returns are, to what they give you an equity multiple of anywhere from, 1.5 to two, meaning it's 150 to 200% total based on the principle that you put in.

58:12

AT: So, as an example, so you could potentially be a passive investor in an apartment syndication deal, depending on how the deal structures, if we're talking about two times equity multiples, you're saying we could put 100k with the cash flow, and the amount that we get from exit in maybe five, let's say, five years, we can double our money from 100k to 200k,

58:35

JN: Correct. Combination of the cash flow plus the proceeds on sale.

58:38

AT: And, and we also have paper losses that could shelter some of that income.

58:42

JN: Yup, basically, the paper losses usually are structured. And, I think you brought up a point a little bit earlier, when you do a cost segregation, it's usually about 25% of the purchase price. Well, when you purchase a property, usually you're putting down 25% of that. So that's why it really works out almost one to one, almost everything that you put in, you're pretty much going to get that return. It just kind of works out that way. It doesn't always work out that way for all deals, some are less and some are more, just based on how it's structured. But, yeah, these are, these are gains that are tax-free, because you have those to offset those gains.

59:19

AT: And as a limited partner investor, you do nothing, right?

59:25

JN: You just send in or wire your funds on day one, and then you just watch the money come in to your bank account, what they call mailbox money.

59:34

AT: Yeah. So that's another way that if you educate yourself, you have to learn how to assess a deal to see if this deal is good for you. But if you want to be hands-off, apartment syndication, being a limited partner, or a passive investor is a great way to get started as well. And so, I want to see, what are some three takeaways you would give our audience and after that, if people want to learn more about you learn about your syndication, or try to get onto your newsletter, it's because you guys give great education, how will we find you?

01:00:04

JN: So, I'll answer your first question, three takeaways, maybe I'll do a couple, and then Winnie can add one, or add some more herself. So, number one, number one is get educated, just start reading. Number two, get around people that are doing it. And number three is just take action. And if there's anything you want to add to that, Winnie.

01:00:26

WN: I think those are really the top three I would say, definitely, surround yourself with like-minded individuals, have a mentor if you need guidance, one that has the experience and the knowledge more than yourself who can guide you to achieving your goals in life, because you want to have someone to hold you accountable, to make sure that you are taking the steps and the action necessary to get to your end goal in life.

01:00:54

JN: And then in terms of resources, you can always reach us, our website is the number five, D as in dog, H partners.com (5DHpartners.com). We have a blog. I have a free eBook that you can download on how you can – it's really targeted for dentists but it's also targeted for all other professionals – how you can replace your income partially by investing passively in real estate. And when you do that, you can also subscribe to our newsletter, I usually like to write a lot of articles about, educate colleagues about, financial freedom, the value of your time, and why we don't want to continue trading time for dollars. And then you can also reach me on LinkedIn, it's linkedin.com/in/joel-j-napenas/.

1:01:43

AT: And Winnie, do you have any contact you'd like to share?

1:01:46

WN: Yeah, I think the best way to reach me would actually be at our website, which Joel had mentioned, or you could contact me directly at my number, which we could post the phone numbers.

1:02:02

AT: Yeah, all the resources that we're listing, we'll, of course, put it in the show notes, any social media accounts, websites, how to sign up for our newsletters. And if you would pick one top resource for

them to go, of course, go on all your resources, but if another, one top resource for them to educate themselves on what website would you recommend or book or blog or podcast?

1:02:26

JN: I think I will start and I think it's a mind to me, it was mind-blowing. And it kind of changed the way I viewed things. And on podcasts, look for Naval Ravikant. And he goes through this, I think he converted the Twitter storm into a, it was like little four-minute, five-minute snippets. But it all adds up to like, I think two hours, and it's called *How to Be Rich, and How to be Happy*. And he kind of goes over a lot of these principles on how you can build wealth and be happy doing so and creating assets and acquiring assets so that you're not trading time for dollars.

1:02:59

AT: I haven't seen that. I'm gonna have to check it out. Thank you. And Winnie, do you have anything? That's your top resource?

1:03:03

WN: Yeah, I love the book, *The Perfect Week Formula* by Craig Ballantyne, I found that was very helpful for me in trying to, as a busy mom, trying to work on real estate to try and find a good schedule that worked for me and get me on the right path to where I am today.

1:03:20

AT: Sounds good. Yeah, I love that book as well. There's a *Perfect Week Formula* and the *Perfect Day Formula* from the same author, as well. So, we'll put that in the show notes. And I've recorded two prior episodes on real estate, go ahead and check it out. One of them was describing my journey, how I went from zero knowledge in real estate to a fourplex in Vegas remotely because I live in Houston, a year later. And the other one was my interview with the investor agent team that we talked about. How networking and team are so important. So, I work with the investor agent team, and the CEO of that team, and I interviewed him on how to get started. And it was a whole team that had like six or seven people on the same team, coordinating everything with you. And as a new investor, it was so helpful. They were my mentors for my first deal. And now we're undergoing what's called a 1031 exchange. So essentially, it's a way to sell your property, put your proceeds in the 1031 fund or exchanger, so that

your taxes on your proceeds or gains can be deferred and be used for the down payment of the next property. So, as I go through this process, we'll be putting out an episode on that. And you can always go to [ItsnotRocketScienceShow.com](https://itsnotrocketscienceshow.com) for all the show notes and the resources that we talked about. And please go on iTunes or Spotify and give us a review or feedback, or just look me up on social media, and send me a message. And I want to know what you guys think about the episode and suggest some topics that you want us to record.

And also, you can apply for peak performance coaching with me on the website and send it to me at tsungannd@gmail.com. So, I want to thank you guys so much for your time, your precious time, away from your kids, in order to add value to others to educate others. So, I want everybody to know that, really, in the end, everything that we need is already within us now. So just look inside, take micro steps, go look up one website, subscribe to one podcast, or go watch one video, or just send a text message to your friend that you know is in real estate like hey, can you refer me to an investor agent? And that's it after this one. Take one action after this podcast. So anyway, thank you guys so much. And you guys have a good night.

1:05:44

JN & WN: Thank you Ann, thanks for having us.

1:05:45

ANNOUNCER: That's it for today's episode. Head on over to iTunes and subscribe to the show. One lucky listener every single week that posts a review on iTunes will win a chance in the grand prize drawing to win a private VIP Day for a health and life makeover with Dr. Ann Tsung, herself. Then, be sure to head on over to itsnotrocketscienceshow.com and pick up your free gift from Dr. Tsung. Then, join us on the next episode.

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