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SPEAKERS

Trisha Talbot, Param Baladandapani

- P** Param Baladandapani 00:00

I'm a firm believer of outsourcing a lot of things because as physicians, our time and I see physicians do this all the time, that \$10 to \$100 tasks are not what you should be doing, you should be focusing on that \$100 to \$1000 tasks, you know and so when you have a property manager, you're valuing your time, but you're also isolating yourself taking that step back, therefore, you're not the one being the bad guy or laying those rules, right. And so there's a lot of efficiency.
- P** Param Baladandapani 00:23

And that also gives you time, freedom and geographic freedom, which I think is super important. But having a great property management team in place. Now, if they already have an asset that they've acquired, that's something that they would have to put into place. But when I have when people come to me in terms of acquiring new properties, I always say the first thing is, you know, you work backwards, you find a great team. And then you you have that properties through them and make make sure that the the sub market you're looking in, and you know the numbers that you're running in terms of the rents that you emphasize the things to be often needs to be vetted by that team. And they usually are people come with great track records and they are the ones who are going to be helping you manage it and I think that team part is very critical.
- T** Trisha Talbot 01:03

This is the Providers Properties and performance Podcast. The podcast that brings together leaders in healthcare and investment real estate to consider the possibilities and future at the intersection of practicing medicine and healthcare real estate investment returns.
- T** Trisha Talbot 01:18

Welcome to the Providers Properties and Performance podcast. I am your host Trisha Talbot. As a healthcare real estate adviser to providers and investors the best solutions occur when the two collaborate together as partners in delivering better patient care. Providers can deliver care to their patients when and where they need it and investors realize the returns to build and manage facilities. We explore changes in medicine and wellness, the future of healthcare and using real estate as a strategic and financial tool.

T

Trisha Talbot 01:45

The episode today is with Dr. Param Baladandapani, a radiologist turned real estate investor and coach to other physician property owners at generationalwealthmd.com. One type of client that Dr. Bala helps are physicians strategically structuring physician owned real estate to maximize tax efficiencies and transfer income to lower tax structures and optimize their equity for maximum return. I hope you enjoy it.

T

Trisha Talbot 02:12

And we have an announcement that our Q2 report has been released at Providers Properties and Performance. We often talk about the importance of having the latest market data when making investment decisions. Each quarter DOCPROPERTIES publishes a market report that gives you exactly what you need to identify opportunities for the greatest return and investment. Our Q2 report breaks down the submarkets, sales activity, asking rents, cap rates and more. We'll go through it in depth in an upcoming episode but you can download your free copy at docproperties.com forward/AZ-medical-office-market/ and that web address will be in the show notes as well. Thank you.

T

Trisha Talbot 03:03

Param, welcome to the Providers Properties and Performance podcast.

P

Param Baladandapani 03:06

I'm excited to be here, Trisha.

T

Trisha Talbot 03:08

So you have to tell us about your background, how you worked really hard to become a radiologist and then now you're a full time real estate investor. So what made you decide to give up your medical career?

P

Param Baladandapani 03:19

So interesting story, I had the dream job, 12 weeks vacation, great lifestyle, and I was almost 10 years out of fellowship training, and there was a merger at work. And suddenly, the terms

weren't what I wanted. And I was supposed to take call and had young kids, it just didn't make sense. So I went through this career transition, which was rough. It wasn't something I was anticipating. I realized that I had no control, I lacked autonomy and I started looking at how much passive income I had. Until then I had a couple of rental properties, but I wasn't really focused on real estate. I just picked them up along the way and then I had my stock portfolio. Comparing the two, I realized that with a third of my money in the rental properties that I had, which were just simple buy and hold long term rentals, nothing fancy over there, I was making with a third of my money in that I was making twice as much in terms of passive income as I was making in my stock portfolio because of the 4% safe withdrawal rate, you can only withdraw 4% of that once you factor in inflation and market volatility and how you need to allocate your assets over there.

P Param Baladandapani 04:25

And so that's when just you know, that was my pivotal moment, I realized that I really needed to build my passive income and be financially independent so that I had more control over you know, over my job, over the terms of the job, and so that I would never be in that position again, where I had all that anxiety with that career transition. I started educating myself and acquiring more long term and short term rentals, just boosting returns, then suddenly I realized the importance of having higher returns and you know how that will get me to financial freedom faster and I had a three year goal, I was like, in three years, I'm going to increase my portfolio to the point where all of my expenses, including discretionary travel, luxury spending, everything would be covered by my real estate portfolio.

P Param Baladandapani 05:11

And then I got to that in a year, once I started educating myself, and that was my aha moment, I was like, Okay, well, there's something here, something that all physicians need to do, especially if they're looking for, you know, that security that comes with the passive income, if they're looking for financial freedom, they're looking for autonomy, they need to know this. I still work a day in medicine. And right now, my kids are little, and this works perfect for me. But I feel like I have more control over how I practice medicine and I want that for other physicians.

T Trisha Talbot 05:39

So you know, you're not the first physician that's been on this podcast that talks a lot about that. So in your opinion, what's going on in medicine that's pushing physicians out after you guys spend so many years training? And honestly, you know, you're taking out huge student loans and not generating an income, and then you get out and you're disenfranchised? I guess.

P Param Baladandapani 06:02

Yeah, you know, it's not what you imagined going in, you know, you always feel like you have your patient's best interest at heart. And you know what standard of care is, you know, what best practices are, you feel like, you're going to have a voice, you don't always end up having

that, you know. If the systems are inefficient, sometimes you don't have control over that and you aren't able to change it. You know that there are better, you know, systems and processes out there but you aren't always heard, which leads to physician burnout.

P Param Baladandapani 06:28

I just want to mention my story. After that transition, the pandemic hit, and you know, kids were home, I was fortunate enough to be able to work from home. But the practice model shifted so much where it started becoming more RVU driven. I was watching the kids during the day and trying to work from home, I was reading X rays till midnight, my kids were sleeping in the office with me, you know, it isn't what I'd imagined medicine, practicing medicine would be.

P Param Baladandapani 06:52

I had very little control over the caseload I had, over, you know, optimizing the systems, or even picking what I thought was best practice with my patients. I feel a lot of that like that lack of autonomy, the burnout that physicians experience, all of that makes us relook how we want to practice medicine, you know, and actually being able to say, hey, right now, I only want to work three days a week, that's not an option many of us have, even if that's what works best for you. That's where I think financial freedom comes in.

T Trisha Talbot 07:23

Absolutely. So you have a consulting practice, and you help other physicians that have ownership in different types of real estate. But I want to want to focus on the ones that have ownership in like, physician ownership and surgery centers and medical office buildings. So they come to you after they're already invested in those type of assets, or do you get them to say, okay, the proceeds from these assets I help you with.

P Param Baladandapani 07:50

So just to give a little bit of backstory to that, I started out coaching positions, because I wanted them to build their own active portfolios, because I saw how significantly higher returns work. And so I coach people who basically have no knowledge about real estate to people who actually have portfolios that they want to scale. But a lot of the physicians that I see who come in, already have the either only practicing they own the real estate that's associated with it, or they have ownership interest in, say, a surgical central, Endoscopy Center. Some of them are gastroenterologists. And so if you look at their income, and some of them don't have it structured that way, which is where I'm like, Okay, you need to have it structured that way. If you have ownership interest in real estate your like, you know, you get your returns are more than what you're actually seeing, right?

P Param Baladandapani 08:35

So I help them understand the benefits of owning real estate, especially if you're a physician, and then I help them strategize with optimizing their taxes with it. So just to give you an

and then I help them strategize with optimizing their taxes with it. So just to give you an example, Trisha when you're owning real estate, as opposed to leasing it, right, you think it's just a difference in Okay, so this is my mortgage. My mortgage payment is equivalent to what I would be paying in rent, but that's not factoring in everything, right. So when you're actually paying yourself, you know, income, when you're paying the, you know, the LLC that holds your real estate income, you're transferring income from your active bucket, the money you're making as a practitioner, into that passive bucket that you're getting, and that's taxed very differently. So already, you're seeing tax advantages of moving money into that passive bucket.

P

Param Baladandapani 09:19

When you're doing that, you're also able to do income shifting, you may have a child or a parent who is in a lower income tax bracket, who's able to assist you and therefore you're able to transfer money out to them. And you're getting your there's tax efficiency in that income shifting. And so you're seeing some tax benefits over there. So you're moving the money around and that's helpful. And then you also have a market appreciation, right? And that's something people don't factor in, they're just looking at the lease payment versus the mortgage payment but when you actually own real estate, you have market appreciation. And if you're leveraged in that real estate, you're getting 12 to 16% return annually from that appreciating over time. You have debt paid on that's happening on one end where you're paying and making those monthly mortgage payments. But that goes towards the principal portion, your equity in that real estate is increasing over time. And then you get the tax advantages where the income that you're making from it, you really not taxed on because of depreciation.

P

Param Baladandapani 10:13

So and then again, hedging against inflation. So this is true for all real estate. But I feel like when physicians look at the equation, they're not factoring in all of these different ways they're actually getting returns from real estate, which is why I think it's very powerful for physicians to own real estate, especially if they're, you know, if it's associated with their practice. So when you're thinking about an AU factor, all of that, and all those multiple ways that you're getting returns, but the interesting part is, if you're a physician who's also trying to acquire additional real estate, then it gets really cool, because now you have this bucket where you're getting passive income, right. And, you know, mostly because of depreciation, you aren't paying income taxes on it. But you're now able to strategize where if you're acquiring additional income, you can now take losses that you can get by accelerating or doing bonus depreciation on those properties.

P

Param Baladandapani 11:01

And those losses can further reduce the passive income that you're getting, you know, that you're getting in this bucket. So you have ways to maybe get a short term rental or a long term rental and do bonus depreciation, where are those huge losses, everybody else just gets to keep them in the passive bucket and not really use them in that year, or they need to, you know, have this become a real estate professional to move that into the active bucket, and

then use it to shelter their clinical income, these physicians who already have passive income from real estate, they were able to strategize all their other acquisitions around reducing income taxes over there.

P Param Baladandapani 11:33

And so there's just so much more they can do with it and ways to play around it. I have someone who gets one of my current coaching clients gets \$200,000 of passive income from a surgical center that they have ownership in. And so now, instead of paying taxes on that, they can acquire other real estate and they don't really have to be super active, and it can sit in that passive bucket, but all their losses from bonus depreciation can be used to shelter that \$200,000 of passive income. So just just make strategizing around real estate easy. It makes it much simpler for them, because now they don't have to be super active and get all those tax benefits. And it just opens up so many more options, which I think is really important for physicians in these high income tax brackets.

T Trisha Talbot 12:17

Absolutely, I have absolutely nothing to add. That's fabulous, the way you described all of that. I mean, I think that's the biggest key is that physician owned real estate really can be this incredible financial tool and it's not just the difference of the monthly mortgage payment versus a lease payment.

T Trisha Talbot 12:34

And that it can actually help reduce their tax liability, which is significant if you're taking all that income just as W2. And you know, the reason why healthcare real estate is so healthy is because it's actually real estate that's being used, that you can't replicate it, you can't have surgeries, you can't do physical exams someplace else, or virtually. It has to be done in person. And so these are buildings that are being used, and, you know, different municipalities throughout the country shut down for elective surgeries, but that was just a few weeks, and then they came back. So, you know, it is an essential business, as long as there's humans walking the earth are going to need healthcare.

P Param Baladandapani 13:17

Yeah, absolutely.

T Trisha Talbot 13:18

So let me ask you, when these physicians that aren't really aware of all of this, and sometimes they get themselves in, because they're not aware, you know, they sometimes get themselves to where the real estate isn't working for them? Do you help them sort of work out of that, like if they have a building where maybe they've leased to somebody else? And you know, they it's, it's somebody they know, so they just, you know, kind of said, Yeah, pay this, I'll pay that

sometimes they have a lease, sometimes they don't. Sometimes it's month to month. And how do you help a physician through that when they have an emotional connection with a tenant, and then most likely, they have an emotional connection to the actual piece of real estate, and it's hard for them to step out of that.

P Param Baladandapani 14:00

Yeah, you know, there's two things to that. The first thing is, and this is the way I practice, and everyone has a different way of doing it. I always recommend, especially for something that's a long term property, something that's not short term where you really need to be hands on in it, I always recommend having a great property management team in place and that takes away a lot of the hassles you have with really knowing the person and making all these allowances that you shouldn't be and having difficulty like, you know, laying the ground rules over there.

P Param Baladandapani 14:30

I'm a firm believer of outsourcing a lot of things because as physicians, our time and I see physicians do this all the time, the \$10 to \$100 tasks are not what you should be doing, you should be focusing on that \$100 to \$1000 tasks, you know, and so when you have a property manager, you're valuing your time, but you're also isolating yourself taking that step back, therefore, you're not the one being the bad guy or laying those rules, right.

P Param Baladandapani 14:53

And so there's a lot of efficiency and that also gives you time freedom and geographic freedom, which is which I think is super important, but having a great property management team in place. Now, if they already have an asset that they've acquired, that's something that they would have to put into place. But when people come to me in terms of acquiring new properties, I always say, the first thing is, you know, you work backwards, you find a great team and then you vet properties through them and make sure that the submarket you're looking in, and you know, the numbers that you're running in terms of the rents that you're anticipating, so the often needs to be vetted by that team. And they usually are people come with great track records, and they're the ones who are going to be helping you manage it. And I think that team part is very critical.

P Param Baladandapani 15:34

But if you have a property where the numbers aren't working, and this happens often, because it's a numbers game, and if, you know, if you're getting the education prior to actually purchasing the property, then you know how to pick the right submarket, you know to run your numbers accurately from day one and factor in everything, including vacancy and property management costs and maintenance into the equation. So you know what your actual costs holding costs are going to be and your what your profit is. But if you haven't done that, then the right thing to do is to look at how much equity you have in that property in terms of what

your returns are, to find the next best place where it makes sense for you to maybe move that money and run the numbers for that scenario and see how much more you equity can be doing for you, essentially.

P Param Baladandapani 16:14

And then you make a decision, right? So again, it always boils down to the numbers, and it boils down to what returns you're getting from a property. Sometimes that's the most you can get in that situation. Sometimes it's just operational efficiencies that you can work on. But sometimes you just need to shift strategies, and that's what they need to be looking at.

T Trisha Talbot 16:33

Yeah, yeah. Sometimes it's hard when they're emotionally attached to the tenants, though, and they're like, I see them every day, I can't have those conversations.

P Param Baladandapani 16:41

Yes, that's really, really hard. And there are pros and cons to it, right? When you have that emotional connection, you're obviously bringing in people who are also helping you with your practice, you have a referral base, you helping each other out, that's a symbiotic relationship, which helps you thrive most most often. But, but yeah, when when you have to make those tough decisions, then it can get a little tricky, which is why it's nice to have a third party in there who's able to go and, you know, make sure that those late fees, and those everything that's in the contract is actually executed.

T Trisha Talbot 17:15

Right, that rents being paid.

P Param Baladandapani 17:17

Exactly.

T Trisha Talbot 17:21

So you had talked about, you know, you have some systems in place for efficiency, what are some of those systems that you have?

P Param Baladandapani 17:29

So that's like a huge topic. But if I were to do like a broad overview, the first, the first key is going to be a property management team, right? So so that they, they're doing everything that

needs to be done in terms of routine maintenance, and accounting and making sure that everything's efficient in terms of utilities, and contracted services, everything is optimized. If they have a great track record of doing that, and they are they have a finger on the pulse in that submarket, then they're going to be doing a great job.

P Param Baladandapani 17:55

The next thing is going to be accounting and making sure you're getting the tax benefits that you are because every time you're optimizing your taxes, your returns are getting boosted, right? And so you're able to, you know, you have a higher capacity to hold onto that property, even in terms of, you know, even in times of economic recession, so optimizing the returns in terms of taxes and accounting, that's super important. And then you also want to have systems in place for asset protection. And so you need a great attorney on your team, you want to make sure, well, especially if you're starting out and you're hoping to scale, then whatever you have right now has to be simple, but it also needs to be scalable.

P Param Baladandapani 18:32

And that's another area where I think there's a lot in terms of efficiency, so the accounting, asset protection, and then actually having that team that's actually doing the day to day work. All of those are important and that that team is going to make sure you're getting optimal rents, but also decreasing your expenses. And that difference is going to make sure your cash flowing appropriately.

T Trisha Talbot 18:54

Absolutely. Understanding your expenses is key. And unfortunately, not obviously, but I think some physician owned real estate, they just say you know, they pay their bills, but they don't actually have a grasp on the operating expenses, and where you know, there's places in there that they could maybe reduce their expenses.

P Param Baladandapani 19:18

And it can be overwhelming because medicine is one thing and real estate is a whole different ballgame. It's the same with money matters, right? We come out as physicians, we're making these high six figure income, seven figure incomes, but no one's really taught us about money.

P Param Baladandapani 19:32

And I talk to physicians all the time, I was at a 25 year reunion for my med school a couple of weeks ago and people were just learning about mutual funds and index funds and I was like, Oh my God. You know, in terms of how much knowledge we have in the medical space, there's like this huge discrepancy in terms of what we're taught about finances and it can be very overwhelming and some people just tend to ignore looking at the books, and I understand that overwhelm.

P

Param Baladandapani 19:58

But if you're the kind of person who's aren't very detail oriented and who's not great at accounting and knowing what's happening, then that's the kind of scenario where you find you don't have to learn how to do it, you need to find out who can do it for you, appropriately. And so it's quite always a question of who not how, if that's not your, your zone of genius, you don't need to be focusing on it. But you need to find someone who's the zone of genius is that aspect of it. So you're optimizing your returns, you know, exactly what's happening, and you're reducing inefficiencies.

T

Trisha Talbot 20:26

Absolutely. So we'll, we'll head to the Q&A here pretty soon. But since you did such a pivot, I think or, you know, I would consider it a huge pivot. But if you were speaking to your younger self, like finishing high school, what would you tell her?

P

Param Baladandapani 20:40

Wow, you know, at least towards the end of med school, I would have told myself to really learn about investing early on. And a big part of that would have been real estate investing. So you can learn it the hard way, I spent a decade doing things wrong before I figured out. And you find a mentor or a coach, and you're surrounding yourself with a community of people who are, you know, aggressive about learning and, and doing things right, then you can shift that decade into days, so I would definitely have educated myself.

P

Param Baladandapani 21:14

Which, in hindsight, even if I had had the opportunity, I probably would not have thought it was important enough, but knowing what I know, now, yes. I could have shaved 10 years off my financial independence journey if I had known what I know today, like, you know, 12 years ago, it just would have taken me two years to get to financial freedom, not 12 years.

P

Param Baladandapani 21:32

So educating yourself is super important. Finances are important. And even if you're someone who wants to continue working full time in medicine, I think physicians work best, they do what's in their best interest and their family's best interest, and the patient's best interest when they have the financial freedom to make choices that are, you know, that they believe in.

P

Param Baladandapani 21:52

And that autonomy, I think is super important. Even if you own your own practice, even if you, you know, are employee and you want to continue the workflow 65 You know, get to financial freedom, and then continue to practice. But that's I would just tell myself to really educate

freedom, and then continue to practice. But that's I would just tell myself to really educate myself and start investing, you know, earlier and investing, you know, significantly in real estate early on, that's what I would have done differently.

T Trisha Talbot 22:16

All right, well, we'll head into the Q&A. So what was your first job?

P Param Baladandapani 22:20

Ah, I don't know if residency counts as a job. But that was that was that was it? That was my first first job I would say. yeah, yeah, very straightforward path in my case, nothing fancy.

T Trisha Talbot 22:33

What else could you imagine yourself doing for a living?

P Param Baladandapani 22:36

Actually, honestly, I'm blessed that I was guided, and I had the opportunity to become a physician. Anything else I would have done would have been in addition to being a physician. I don't even know maybe, or might have started my own. Well, that's what I'm doing right now with Generational Wealth MD, right. Online education is something I'm passionate about. I would have started early on, I guess, yeah.

P Param Baladandapani 23:01

But I think I'm in a perfect place. I'm a physician. I invest, which I think anyone who makes money should invest. So you, you're an investor, if you're an owner, and you know, that comes with the territory, but I'm educating people, and I think I'm doing Yeah, I would have done this earlier, if I had the opportunity to.

T Trisha Talbot 23:18

What or who are you reading or listening to right now for news, information or inspiration?

P Param Baladandapani 23:23

Ooh, so I have like 10 books that I have that I haven't been able to get to. I'm realizing that with two little kids and everything that I do, podcasts and courses are the best way I consume information. So most recently, I spend 30 minutes every day listening to something that supports my emotional health and mindset. I think that's super important. I tend to prioritize that over everything. But I have a recently, Trevor McGregor is my performance coach, and he

came up with content. So I've been bingeing all that content. But it's all about mindset and performance and optimizing the way we talk to ourselves. So that's what I've been listened to recently.

T Trisha Talbot 24:00

Nice, Well, so you probably even answered this, but I don't know is there anything else you do for healthy self care on a daily basis?

P Param Baladandapani 24:08

So I practice my emotional and physical health. So 30 minutes, I listened to a podcast or something that helps me show up the right way. I also have a trainer, and I train with him five days a week. And so I do that for my physical health. And for self care, I also make it a point to deliberately connect with my friends and family on a daily basis, because when I don't do that, I feel like it sucks the energy out of me. So I make sure that those are my priorities and actually write it down and I make sure I spend enough time on it every day. And I block that out first and then the rest of my time is for everything else.

T Trisha Talbot 24:49

So I'm gonna ask you two questions because you fall into both categories. But do you think a person is born with the desire to heal or do they learn it through their medical training?

P Param Baladandapani 25:00

So, in my opinion, we pick up, we're socially conditioned. So I don't know if it happens during medical training, but I think it happens in your formative years. So for me, just what I was exposed to, helped me realize that I wanted to become a physician.

P Param Baladandapani 25:17

And I think for most people, I feel like a lot of people aren't really exposed to what it is to be a physician. But I think if you are exposed to it, if you're influenced by someone, positively, then that steers you towards medicine. So I think that happens during your formative years, the first possibly, first 10 years of your life. I think that's what steers people towards it. But the interesting thing, Trisha, I feel is that medicine is so diverse, like each sub specialty in medicine is so different from the other. I feel like there's, you know, for most people there is a specialty in medicine that works for them perfectly, and they may just not be exposed to it. So, yeah, I think it's just what we're exposed to. And I think most people are conditioned to become healers.

T Trisha Talbot 26:00

And do you think leaders are born or trained?

P Param Baladandapani 26:03

I used to think they were born, but I'm beginning to shift that mindset. And I'm learning that a lot of things that we think are our personality are just because we haven't acquired different skill sets. I'm training myself. So with what I know now and with the path that I'm on, I would say leaders can be trained.

T Trisha Talbot 26:20

Absolutely. Well, thank you for this wonderful interview. I appreciate your time.

P Param Baladandapani 26:24

Thank you so much Trisha. This was fun.

T Trisha Talbot 26:29

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