



Episode 20 | Personal Guarantees to Partner Choices: Insights from An Ophthalmology Practice Founder with Desmond McGuire, MD

David Mandell:

Welcome. I'm David Mandell, host of the podcast and I'm excited about today's episode with a very accomplished physician and someone I like a lot. I think you'll learn some good tips today. So let me give you Desmond McGuire's bio. I call him Desi, so you'll hear that as we get into it.

Desmond McGuire received his Doctorate of Medicine from the New York State American program at the Sackler School of Medicine in Tel Aviv, Israel, where he was recognized as Outstanding Medical Student.

He completed his medical internship at St. Luke's Roosevelt Hospital and Columbia University College of Physicians and Surgeons in New York and was made intern up here. Desmond McGuire completed his residency at St. Vincent's Hospital and Medical Center in New York City where he was selected chief resident. In 2003 he completed a fellowship in, hopefully I'll get this right, vitreoretinal medicine and surgery at the University of California, San Diego, Shiley Eye Center.

He was named teacher of the year. Dr. McGuire was board certified and is currently serving as Chief of Ophthalmology at Orange County Global Medical Center in Santa Ana, California. He has published numerous articles in several ophthalmological journals and has lectured at those meetings. Recently Alcon Laboratories rewarded Dr. McGuire for his contributions in the development of their newest and most sophisticated vitreoretinal surgical system which is now used worldwide.

And he is, as we'll hear about, not only partner, but the founder of Retina Associates of Orange County. And as I record this with him, I can see him and a beautiful sunny Southern California with palm trees in the background. Not bad for a New Yorker, so Desi, welcome to the program.

Desmond McGuire:

Thank you, Dave.

David Mandell:

So let's start at the beginning. Where did you grow up, what made you become a physician and how did you gravitate into ophthalmology?

Desmond McGuire:

Sure. I grew up in Rockland County, New York. A small little suburb outside of Manhattan, about 30 minutes north. And my interest in medicine started very early. I had a younger brother who was born with a lot of medical problems and was in and out of hospitals, basically the first 10 years of his life. So I was constantly going to hospitals and staying there on a daily basis with my parents until I was able to go to school. And so I was able to see the respect my parents had for physicians. I was very, very grateful for the care they were giving my younger brother and it made a tremendous impact on me.



So I was interested in medicine at a very early age and it wasn't until I was in college that, I'm sorry, it wasn't until I was in high school that I had to bring my grandmother on a weekly basis to an ophthalmologist. She had a lot of eye problems and so for about a year, I was her driver. And the reason why I was her driver was this particular ophthalmologist was located a half a mile from my high school. And my grandmother lived about four miles from my high school, so it just made sense. My parents were working. They're like, "You're going to take grandma to her visits."

And I was getting out early. I was a senior. And so I would take her to all her visits and I was just so enamored by the field of ophthalmology. I loved all the equipment. This particular doctor was definitely way ahead of his peers. He built a big surgical center, he had a huge building, he had a gigantic office. And I just loved it. I just loved everything about it.

And because I got to know the doctor and the staff intimately, when I finished college, he actually gave me a job for a little while working as a scribe for him. And so I got to work with him and the patients and it wasn't until he said, "Hey, Desi, do you want to come downstairs and watch me operate?" I said, "Absolutely."

And once he invited me to watch him do some surgery I was completely hooked. I thought watching cataract surgery was fascinating. I was right next to him, really close, all the equipment and I loved every minute of it. So I was just completely hooked in the field of ophthalmology after seeing that.

David Mandell:

That's a great story. First of all, it's a family story, which I really like, given your brother and your grandmother. And what a great opportunity for you to find what you wanted to do in high school and kind of get a connection to that and to see in the real world about what it's like to be an ophthalmologist, even in high school. That was really a great opportunity for you.

So now let's fast forward a little bit. You're in medical school in Israel and back in New York in one of the world's financial centers for much of your training. It sounds like almost all of it until you headed out to California. What was your interest or exposure to finance? Were you one of those people who was reading the Wall Street Journal while you were in med school or the opposite, didn't even know what a bond was?

And there's no right answer. We've got clientele in between and I can even say when I was in law school before I went to business school, I was more on the latter side myself. So tell me about you. What was your interest or exposure in financial issues?

Desmond McGuire:

Well, I didn't have much exposure, but most of my peers and most of my friends in college, not many of them chose a career in medicine. So the majority of them were all heading towards Wall Street and wanted finance. So that was my exposure. And as they got their first jobs and second jobs they would fill me in on what they were doing and things like that. So I had an idea of what was going on in the finance world and Wall Street and a little bit about investing.

But my parents came from modest backgrounds. My dad is a retired New York City cop and then he had a second career as a school teacher, so for my parents, everything was all about your pension and saving



for your 401K. And so I was very knowledgeable about that because of my parents. And what they just drove into my head was, you need to start as early as you can, because that's what is most important. You have to start saving early for the effect of the compounding interest to work.

So as soon as I got my first job, my internship out of medical school, I went right to the HR. And I'm like, "Okay, how can I get into this 401K or whatever plan you have? What kind of benefits do you have?" And that's how it started with me.

David Mandell:

Well, that's certainly great advice. It is true. Compound interest, Einstein, and the 8th wonder of the world and all that. And so they've steered you in the right direction, for sure. Obviously as you became an ophthalmologist, a specialist and fortunate enough to have an income that would allow you to do more than just save for retirement, but we will get to that talk about that. So let's shift to the practice for a second.

You've been on an interesting path. You ended up going to a practice and then purchasing it out from a physician who was either slowing down or retiring. Tell us how that came about and a little bit about how it worked and then also what you learned from it. And what other folks who might be doing a similar thing might take away from your experience.

Desmond McGuire:

Yes, so my first job out of fellowship, I joined a practice that was owned by three different physicians. And this particular practice was a practice that each of these physicians only went to that particular office one day a week. And it was a very unusual set-up, because each particular doctor had their own practice separate that was solely owned by them. So this was basically a shared location and it was busy enough where they needed help and it was the reason why they hired me.

But since it was shared, there was no one in particular, there was no one doctor that really was all in and invested on the health of this particular location. Why should they? They have their own practice that they were busy working on. So I think they just bought it as a strategic move to make sure that they were going to have friendly competition versus unfriendly competition in the area.

So fast forward, it's a year later. The practice is very successful, it's growing quicker now, because they have someone committed. A young doctor like myself who's putting a lot of energy into it. And after about a year it became apparent that this was going to be my main place to work and so it made sense for the doctors to make a decision whether they wanted to continue this relationship or to sell out.

And so the decision was made that I would buy the practice from them and that's how it started. So I purchased the practice at that location from these three different doctors.

David Mandell:

And after the transaction, were they still working there to see some patients and income or did you take it over and they went back to their own individual practices?

Desmond McGuire:



All right, so I took it over and they all three went back to their individual practices. I continued to work in one of the other doctors' practice for about another year and a half. Part-time, as I was getting busier and busier. And it was kind of a smooth transition. Everything was done on the up and up. Everyone was a gentleman. We all were very interested in being fair and decent to one another.

And so after I purchased that particular practice it literally was about a year to 18 months later that one of the other physicians said, "Hey, you know, I'd like to slow down a little bit. I'm not interested in doing surgery anymore. I see that everything is going really well with the way you're running things. Maybe somehow we can merge practices." And so we started discussions about possibly merging the two practices.

I did hire someone to help us figure out how to merge these practices and this particular consultant recommended, since there's such a great difference in age, he said, "Listen, Desi's just getting started. He's in his thirties. You're in your sixties. It really just makes sense for you to sell your practice to Desi and then Desi can find a new associate and then you can form a group."

And that's how Retina Associates began. So that particular doctor sold me his practice in a different location. I hired one of my good friends at the time, named Charlie Eifrig. We were in the same year of training and kept in close touch throughout the years. And the rest is history. Charlie came and joined the group. Now we had two locations and three doctors and it took off from there.

David Mandell:

That's great. It was certainly lucky there that everybody was, like you said, gentlemanly and no conflicts. So, it sounds like, as you did that transaction that having that business consultant was a key success factor. Would you agree with that and if so, how did you find them? How did that work out?

Desmond McGuire:

Yes, you're totally right. It was. I think I chose the perfect person to help me with this transition and I found that person through an investment advisor that I had. This particular investment advisor was already the person who helped me set up my 401(k), helped me purchase life insurance when I first got started. Helped me find a banking relationship with a small bank.

And so I was telling him, listen, I have this opportunity to purchase this practice, but I don't know how to do it. I'm going to need to create one particular umbrella group. I need to hire a younger guy. I really need some help. So he said that he was working with a man who specializes in practice transitions. And he was mainly working with a lot of dental groups, believe it or not.

And so he gave that person a call and it turned out that that particular individual was the exact same age as the doctor who was looking to sell his practice. So when they met, they really were able to sort of click, because they were very like-minded, same age, same sort of plans on thinking about retirement and how they want to exit their professional careers. And I think it was really the perfect person to have these discussions with the senior doctor that was looking to sell the practice.



David Mandell:

Excellent. I think that's really important. I want people to take that away. I mean, there is an ongoing theme in a lot of these podcasts from successful physicians that they had key advisors along the way. They're not going to try to do it all themselves because there's no way you can be an expert in what you do and all the other areas, especially some of these things that are multidisciplinary like this kind of transaction would be. There'd be a financial element, there'd be a legal element, there'd be a tax element, all of those things need to be looked at. We try to do that for our clients at OJM and I know you've been able to come through our process on that. Let's appreciate that.

So you've got your practice and you mentioned in your answer that you brought in Charlie who we know at OJM and, you know, one of your best friends. And I know the end of the story is a good one, because you guys are still best buddies and partners, but did you have any concerns about it? Were there any periods where it got stressful because there are people, a lot of listeners out there, I'm sure some of the younger docs who would love to do that. That's the dream is to have a successful practice and get to work with who you trained with and do it together. So tell us how that's worked and if there are any pieces of advice along the way that you picked up.

Desmond McGuire:

It's worked out tremendously well. Charlie and I, I think what's key is we really respect each other and we are good friends. And we're also very open minded about when one another has a new idea or feels we might be going in the wrong direction and we really listen to each other's thoughts. And I can't say enough of having just a wonderful partner like him. It's just been great.

The only time during the whole thing that it was a little bit stressful, is just when Charlie was coming into the practice. Obviously, he had to hire a lawyer to look at the documents that we were presenting for him to join and then I had to have a lawyer as well. And so there's always a push-pull in any kind of negotiation and that was the only, a little bit of a stressful point where his lawyer was obviously trying to get the best situation for him and my lawyer was trying to get the best situation for me.

And then you just have to think about what's fair and what you want to do and at the end of the day if you've got two individuals that are just really wanting and motivated to work together, it will work out fine. But that's the only time it was ever a little stressful for me personally, because it's one of my best friends and I just want to do what's right for my best friend.

David Mandell:

Yeah, that makes sense. And I know there's a lawyer joke in there. Something about lawyers can break up even the best of friendships or something like that. But I'll refrain from making the full joke. But yeah, I mean, I think that's right. When they come in, there's a little bit of adverse interest, especially in an established practice where you're already there. You have to prepare for this and just know it's going to part of it. We'll get through it. We'll make a deal. And then we can move on. Right?

Desmond McGuire:

Yeah.



David Mandell:

And I think that's really the key and you guys are a testament that it can work, so that's great. Now fast forwarding from there, I know over time, and this is before, obviously, we've known each other for the last couple of years. You've been involved with a number of ventures. And as any entrepreneur, you're going to have some that are successful and you're going to have some that are not so successful. You get up to bat, you're not going to hit 1.000. That's just the way it is. So what did you learn from these experiences in terms of advice you would give someone else? What to look for and what to avoid?

Desmond McGuire:

Sure. I have to admit... I would have to say with absolute certainty that some of the worst decisions I've ever made were going into some large business ventures with a group of doctors. And the least, I'm not saying that can happen to everybody, but the worst decisions that I've ever made in business were always when I got involved with a group of physicians. And I think the reason why a couple of them failed was number one, I was obviously on the younger side compared to a lot of the other physicians in these business ventures.

And I kind of had this false sense of security that some of the older, wiser doctors were sort of looking out after a lot of the details. Or really running things with a passion that I thought they had, but then maybe they didn't really have a passion for leading the way of this particular venture. So if you're going to put money down and get involved with any kind of group investment, my recommendation is never be a passive investor and just sit back if you really want to get a return on that investment, because it can evaporate pretty fast and pretty quickly if you don't know exactly what's happening.

So I went in on a couple of different large ventures with groups of physicians. One was creation of an HMO where there was one or two people super passionate about things. All the doctors jumped on board and sometimes I feel like doctors just jump on board because they don't want to be left behind or they feel almost like peer pressure. Everyone else is doing it, I got to do it. And that was definitely the mentality looking back. I would never fall for something like that or I would never make a decision like I did in the past, but that's sort of how I was. I'm like well, everyone else is doing it and doctors I know and respect are getting involved and of course, as it grows, people just name drop and say, I got such and such a doctor. I have this guy, this guy. And so that HMO venture just sort of fizzled out and flopped and everyone lost all of their money and nothing was returned.

There was another venture I got involved in and one of the biggest mistakes I've made in that particular venture was a lot of the doctors had to sign a personal guarantee or something. And it's amazing how nowadays I would look back on it, like, how stupid. It just sounds, that doctor is so dumb. Why would he do something like that? But you'd be surprised how things are presented sometimes or are just done in such a slick fashion with such salesmanship that you're just not used to. You're used to looking at eyes all day long. You're shocked by a situation that just completely turns out to be completely false that you thought looked so good to begin with.

And so anyway, this particular situation also flopped. Lost all the money and having signed a personal guarantee, it was pretty hurtful financially for a little bit to get that off our backs. But I would



recommend, never sign a personal guarantee unless it's just your venture and that you control. But nothing that anyone else will control.

David Mandell:

Yeah, that's an excellent piece of advice. I want to dig in a little bit and comment on both of those. I appreciate you sharing that. I think on the first point, don't be a completely passive investor in some of these private investments where you got to keep an eye on what's going on, even if you're not the general partner or the managing member of the LLC. It's your dollars and you want to have at least a knowledge of what's going on, right. So even if you're not actively making decisions, I think that's wise, especially if the dollars are significant. I mean, obviously there's a difference between 25,000 and 250,000 or whatever many zeros you want to put on it is impactful.

So, but that's a point I want people to really take away. That's important. And the other thing you mentioned which I think is valuable is folks can be great physicians or great attorneys or great anything else. It doesn't mean that they necessarily are good investors when it comes to this deal. So you could have someone you really respect as a physician and you would refer them, a different specialty, et cetera, but it doesn't mean they know anything more about building a hotel. And just because they are involved, you're like, wow, they're some really smart people. Yes, but are they smart hotel people? That's really the key thing.

Desmond McGuire:

Exactly.

David Mandell:

That was the first thing I wanted to comment on and then your second point about the... What was the second venture that you mentioned?

Desmond McGuire:

Well, we had to sign a personal guarantee.

David Mandell:

Personal guarantee, that was it. So the personal guarantee. As an asset protection attorney, the way I look at a personal guarantee is you've lost a lawsuit. Because from a legal point of view, once you sign a personal guarantee, we can't move things around and protect against that guarantee because the guarantee is as if you have the liability already, it's just waiting. And the thing about with physicians with solid income and not only a solid income, but a very stable income profile, banks will do a lot of deals with physicians if they sign a personal guarantee, because they know well, whatever the deal is may not work out, real estate venture, etc., but we've got the doc and we know they're going to make a certain amount of money every year and we'll get the payback.

So you've got to think about it from the lender's point. Now it doesn't mean, never do a personal guarantee. I would never say that, because that's just too blanket. But you have to take it very seriously



and understand that, when you sign that guarantee, you also often have to attach a balance sheet to that. Or some kind of personal financial statement. And what that basically is saying is not only did I sign this personal guarantee, but these are the assets as is, as owned today. So any asset protection that comes later is really what they're saying, isn't going to be effective. It's as of what you've got today.

So that should give people pause to say I'm really willing to put all of my personal assets up on the strength of this deal? And that's pretty risky, so it doesn't mean I can say never do it. And physicians, if you read some of my earlier books, you'll know that I have family members who had issues with this and if I see docs who get into the most trouble, it's not typically lawsuits. It's often personal guarantees. As matter of fact, it's real estate deals which can look great. I mean, we're sitting here in late May 2021, I can't even imagine how much your house has gone up in value in Orange County, but yeah, there's another side to it.

There's 08, 09 and if your timing is bad, now you're under water, the personal guarantee kicks in and now all of a sudden this thing got a lot more ugly than ever anticipated. So I just want listeners to hear that, because it's from a legal point of view, that personal guarantee is pretty significant.

Desmond McGuire:

Yeah, definitely. That's... it was a huge learning experience for me. And anyone who's successful, life wasn't always perfect along the way, right. Where you learn is during the down periods and all the mistakes you make along the way. And if you can learn from them then it should usually put you on the right trajectory. But it happens.

David Mandell:

Yeah, and obviously you're very fortunate, as are a lot of our listeners, to have a steady income. It's not the thing you do every day. Right? The thing you do every day is you're not taking personal guarantees on performing surgeries, right? So trying to think of the right analogy, but it doesn't really help. But the point is that you were able to do something since to recover and obviously you've done well. So let's focus on that, but wisdom, my definition of wisdom is learning from other people's mistakes. So any of the listeners can take this advice away. I mean, that's why we're doing this. Why we're sitting here on a Saturday morning, right?

Desmond McGuire:

Absolutely, sure.

David Mandell:

So let's talk about your practice. It's obviously very successful. You have other docs and what are some of the things you've done well that you think looking back in terms of the practice. Obviously Charlie being part of it is one. But what are some other things you've done well in terms of how you run your practice?

Desmond McGuire:



Well, I think the main thing that we've done very well is we've chosen really wisely the doctors that have come and joined the group. We've had many, many resumes sent to us over the years. Many people call us looking for work and what we have done is we've really chosen people very, very carefully. They have to be known to someone that's close to us. Or a colleague that knows these people intimately. Because anyone can look great on paper. And we got some other colleagues that have hired on physicians where the resume was just unbelievable, impeccable on paper, but yet something was missing when they joined the practice and eventually it wouldn't work out and you'd have to start all over again.

Well, that's really costly. If you hire physicians and then they leave and then you have to start hiring again, it's a huge blow to the practice, actually. A practice will definitely take a lot of steps backwards when that happens. So we were really careful to just try to choose the right doctor and I think we've chosen great. The doctors that we work with, again, we respect them tremendously. We're always open to their ideas and they help the practice, because everyone has a different background and different way of thinking and that is what actually strengthens a practice. It's not just one person in charge or two. If you can get feedback from all these talented individuals, chances are if everyone's open, you're going to create great decisions together and that's what makes a good practice.

David Mandell:

I really appreciate that answer. I think it applies to any business. I mean, at OJM, we've had very little turnover. Most of my partners have been here, all of them, over ten years. You know, fit is key. That is really important. But there's a lot of talent out there that's just not a fit for my business or your practice. It's not really necessarily good or bad, but the ability to not have that turnover is really crucial. And so I think that lesson that you're describing is great for physicians and if there's any non-physicians listening, I think that's a good take away.

So we're getting about to time here, so I've got two more questions. On the personal finance front, we worked together a little bit on the practice and personally, but what's one thing looking back over the last 15 years or so that you think you've done well and what's one thing that you probably would want a do-over on. Maybe you said I really should have paused on that or I could have got through them better.

Desmond McGuire:

I think to answer that, the one thing that I've done well or my wife and I have done well is we started very early on. Right away when we started our practices we set up retirement plans, insurance products. We try to fill all the buckets. The pre-tax buckets, the post-tax buckets and then investments. And we also were pretty conservative with our spending and our lifestyle. We didn't purchase a house that was way more than what we can afford or anything like that. So again, I realized that starting early would be the most important thing to try to get that compounding interest and try to create wealth early on. We knew that would be important.

If I were to do a do-over, I probably would say that we were a little bit too conservative, because both of us came from sort of modest backgrounds where our parents taught us to be pretty conservative fiscally. And I didn't really understand the term, leverage, until maybe a little later in life. And our parents bought homes in the seventies and the interest rates for your mortgage was double digits,



right? I mean, anywhere between 10 and possibly 20%, depending on when people were buying houses. So everyone was like, you've got to pay off your house. This is what you've got to do.

And it wasn't until a little bit later in life I realized I've been a little too conservative. Interest rates for your mortgages and homes and real estate is in the four and five percent, maybe it's better to just sort of not pay off your home. Not pay off your real estate and use that money for investing. And so that's probably where if I were to do it all over again, I wouldn't be as conservative with trying to pay down debt, especially for homes and real estate.

David Mandell:

Two great answers. I mean, I really appreciate those. The first one in terms of starting early and this gets back to where we were talking about family and a shout out to Cory. Desi's wife is also an ophthalmologist and has a practice of her own. And so that's what he was referencing there. And yeah, that's interesting you mentioned the sort of debt pay down.

We do get a fair amount of physicians who come to us, especially younger ones and their goal is no debt. And if that's emotionally going to keep them up at night, we're not going to fight that as planners, right. I mean, that's really what's important to them. We're going to try to put out the logical argument. Which is one, just what you made. Meaning if your interest rates, especially today, interest rate's two, three percent on a lot of mortgages, you're writing some of that off, your net cost might be two percent. Why would you pay that down when you could, even in a conservative portfolio, be trying to get five or six percent. Right?

Desmond McGuire:

Exactly.

David Mandell:

That's sort of the concept. And especially, my perspective is, you and I've talked about, asset protection. In states like California that don't have a terrific homestead exemption. You're actually creating more equity that is harder to protect. Home equity is tough. You can't put it in a LLC, it's not as easy to protect as other assets like a second home.

A different story, let's say for my brother who is a cardiologist down here in Florida. We have unlimited homestead exemptions, so he might say even though I know that my interest rate is low and I know economically it makes sense not to pay it down, I just want to have that value in my home because it can't be touched if a lawsuit happens. We understand that.

So there's different levels to look at it, but I tell people what I do and I'm not anxious to pay down my mortgage any quicker, because the OJM team has been outperforming my interest rate by three, four, five percent. I know I can, I'm just building it up and someday if I retire I can pay it off. This leads to the last question and you can refer back to any of your answers, but if you were talking to a bunch of fellows or if you had a time machine and you could talk to Desi at 30, what would you tell a young doc? One piece of advice. If it was one key thing, what would that be?



Desmond McGuire:

Also it's important to get really good counsel for your finances, for your legal matters, for your accounting, for your investments, all those aspects that are crucial.

And what's hard is trying to find the right person for each of those aspects. And you might have two that are strong, but you might have two that are very weak and so if you can find strength in all of those advisors it would be just fantastic.

For our group what has forced us to actually review is, let's say every four of five years you hire a new physician. That new physician is bringing on now their counsel and their experience and they're questioning, so how does this work again with the retirement and how does this work? And the doctor wants to exit and doesn't want to be a partner anymore. So it kind of forces us to sort of review. You have a fresh set of eyes now. A new doctor sort of making their comments and it's healthy. It's not a bad thing. It's a good thing, because there's always going to be change and you got to roll with it. And you want to stay on top of it. Laws change. You just have to stay on top of your stuff and your finances and everything hopefully will work out.

David Mandell:

What I hear is very important which is a commitment to review things periodically, even if it is somewhat mandated by bringing in a new doc – and one of the things you said earlier as you talked about bringing people on like Charlie -- critical thinking, but open minded. And those two things, when they come together, they're powerful. So appreciate it. And Desi, thank you so much for being on. This is great. Really valuable and I think there are some great tips for everybody to hear, so thanks for being on.

Desmond McGuire:

Thank you. And thank you for all your help over the years.

David Mandell:

Excellent. And so listeners, we appreciate you being on and we look forward to having you on our next episode.