MORTGAGE advisor™

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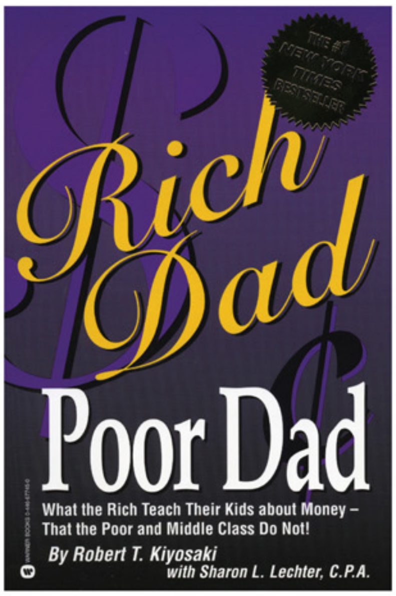


# Rich Dad's Secrets for Building Wealth

## Highlights from Robert Kiyosaki's bestselling book, "Rich Dad, Poor Dad"

Part one of a two-part series

*How is it that some people amass a fortune in their lifetimes, while others struggle to make a modest living? Why do some reach financial independence as others stretch from paycheck to paycheck? According to Robert Kiyosaki, author of the phenomenal bestseller Rich Dad, Poor Dad, the reason has nothing to do with intelligence or hard work. It has to do with understanding the way money works. Kiyosaki asserts that those who don't understand the way money works are tied to the "rat race," the cyclical trap of working for money, while those who do understand it live the freedom of the "fast track," where money works for them.*

Most of us don't understand the way money works. While schools may teach business principles and financial theories, we really learn the specifics of money at home. If our parents didn't understand they way money works, they couldn't teach it to us. Instead, they taught us to study hard, go to college and get a good job--probably, Kiyosaki asserts, the worst advice for anyone who wants to build wealth. With so few people understanding money, we've become a paycheck-to-paycheck society, whether that paycheck is four digits or six. Fortunately, there is an alternative. By breaking down the building blocks of acquiring wealth, Kiyosaki simplifies the formula for building wealth and securing your financial future.

### Changing the Status Quo

The book begins with a story from Kiyosaki's childhood. His father, to whom he refers as "Poor Dad," was a highly educated man who worked hard his whole life, was successful in his career, but never acquired wealth. The man he calls "Rich Dad," was the father of Kiyosaki's childhood friend, Mike. Rich Dad dropped out of school at 13, but became one of the richest men in Hawaii, leaving tens of millions of dollars to his family, charities and church, while Poor Dad left bills to be paid.

Kiyosaki was just nine years old when he placed himself under the tutelage of Rich Dad and, in the first lesson of his informal education, began working at one of Rich Dad's businesses for a mere 10 cents an hour. When Kiyosaki quickly became disgruntled with the meager wage, he confronted Rich Dad, who was pleased to see that Kiyosaki had the first ingredient for learning. If Kiyosaki had accepted the status quo, there would have been no room for change.

This story isn't simply an interesting anecdote. Kiyosaki's experience mirrors that of most Americans. They go to work, feel trapped in their jobs and complain they're underpaid. But unlike Kiyosaki, they do nothing to change the situation. If this describes you, you can expect to live the rest of your life doing exactly just that: tying yourself to a paycheck. "The poor and middle class work for money," Rich Dad asserted. "The rich have money work for them." If you are ready to change the status quo and have the desire to become rich, then you're ready to start with your lessons in learning how to create wealth.

### Lesson #1: The Rich Don't Work for Money

In Rich Dad's next strategy, Kiyosaki and his friend agreed to continue working without pay in exchange for Rich Dad's tutelage. After a few weeks, Rich Dad baited the boys with offers of higher wages, even though he had just explained that no one ever builds wealth by working for a wage. The kids resisted, but Rich Dad kept offering more until he reached five dollars an hour, more than most adults were making at the time, and the kids couldn't resist the temptation. Rich Dad was proving a point. There are two parts to every person: A weak and needy part that could be bought, and a strong and determined part that could not. The question is, which part will win out? Building wealth takes determination, focus and risk taking. It's not always the easiest route. It may seem easier to take a higher wage and continue to live the "safe" way. But according to Rich Dad, even at a high salary, working for a wage makes you a high paid slave.

At nine years of age, Kiyosaki and his friend were not unlike the majority of Americans. They want wealth and desire to be rich, but there is a part of them that is weak and fearful. That part keeps them from moving toward the greater gain. This isn't to say that you shouldn't make money in your profession. But if working harder or getting a raise is your solution to securing your financial future, you're missing one of the founding principles of wealth building: a job is a short-term solution to a long-term problem. Rich Dad explained that by allowing fear to govern their thinking, people get caught in the trap of working, earning money and hoping the fear will go away. When it doesn't, they start the cycle again, working harder, earning more money, and hoping the fear will disappear. Building wealth requires shifting your focus off your wages and opening your mind for opportunity. Seek out and recognize opportunities that will put you in the driver's seat. If you think wages are your solution, you'll miss the opportunities that are right in front of you. By working for free and losing focus on the number of hours they clocked, Kiyosaki and his friend were able to identify their first money-making business. They opened a comic book library using discarded comic books, and were able to make $9.50 per week, far more than they would have earned being paid a wage. The lesson here: don't let fear get you so caught up in your job that you close your mind to opportunities.

### Lesson #2: Get Real Financial Intelligence

Being rich and being wealthy are two different things. Wealth, according to Kiyosaki, is defined by the amount of time someone can survive if he or she stopped working. Individuals with income-producing assets that exceed their expenses are wealthy. They can stop working and still survive. Even if their expenses are $1,000 per month, and their income is $1,200 per month, they're wealthy. They may not always be rich, but they are wealthy. Under this tenet, the formula for building wealth is simple. First understand the difference between assets and liabilities, then buy assets.

This is the basic foundation of wealth building. Confusion often arises because many people don't understand true assets from liabilities. Some "assets" on a balance sheet are actually not assets at all. They're expensive items that cost money to maintain (like cars, houses or boats). They're liabilities that look like assets. A true asset is something that generates income. Anything else is a liability. This doesn't mean that people shouldn't buy houses. However, if you stop there, you are almost ensuring your place in the struggling middle class.

Most people work their whole lives paying for a home they never own, and although they receive tax deductions for mortgage interest, they pay all other expenses with after tax dollars. Property taxes also increase, oftentimes leaving the homeowner unable to cover the payments. But the most detrimental aspect of considering your home an untouchable asset is the loss from missed opportunities resulting from having your money tied up in a house. Keeping your money locked up in home equity could confine you to the cycle of working for money, instead of having your money work for you.

### Lesson #3: Mind Your Own Business

You probably have a profession, but if you're going to become wealthy, you must have a business as well. And that business is buying assets. Keep your job to fund your lifestyle and purchases, but instead of spending money on liabilities that look like assets or personal effects that have no real value, start buying and building your assets. Keep your expenses low, reduce your liabilities and work diligently to mind your business of building a solid base of assets.

Your main goal is to build and keep your asset column strong. Think of each asset dollar as an employee that works 24 hours a day, and can work for you for generations. Once money goes into your asset category, never let it come back out, no matter what excuses you have.

You may be wondering what type of assets to start acquiring. Before you jump in head first, educate yourself. Ask questions of those who have had success with the types of investments you're considering. Enlist the help of the best advisors. Read, research, take classes and learn. Kiyosaki doesn't endorse investments, but does list a few that he's inclined to aquire:

1. Businesses that do not require his presence. If businesses require working on premise, they become jobs, not assets.
2. Stocks
3. Bonds
4. Mutual funds
5. Income-generating real estate
6. Notes (IOUs)
7. Royalties from intellectual property, such as music, scripts, patents, etc.
8. Anything else that has value, produces income, appreciates and has a ready market

As you begin to build your assets, you may want to buy luxuries. Resist the temptation to put money into premature expenses. Rich people purchase luxuries last, while the poor and middle class buy luxuries first. If you want to get out of the rat race, you've got to keep the key pieces in place.

### Three Lessons from the Wealthy

By understanding that wealthy people put their money to work for them, gaining real financial intelligence and minding your own business, you'll begin to set the critical foundation for releasing yourself from the trap of working for money and stepping into the freedom of having your money work for you. It all starts with a focused desire to change the status quo. If you're unhappy with the cycle of working harder and getting less freedom, you're ready to start learning these lessons.

Once you accept that you've been misinformed about working and making money, you'll be closer to freeing yourself from the misconception that a higher paying job is the key to your financial freedom. As you gain true financial intelligence, you can begin to grasp the basic tenet of wealth building: that acquiring true assets is the way to financial freedom. Your next step is to remember that building wealth is your business, and to prioritize your actions as such.

These are the first three lessons of Kiyosaki's bestselling book. In next month's newsletter, we'll cover the final four lessons, along with Kiyosaki's strategies for overcoming obstacles and getting started in your program. ■


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To arrange a mortgage planning consultation on strategies discussed in this article, please give me a call.