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9 SECRETS TO OBTAINING PERSONAL WEALTH

Nine Secrets to Obtaining Personal Wealth

Most people want to be more physically fit than they are. Unfortunately, most people don't achieve this goal. For some, it's a matter of time. For others, it's a question of priorities. And for others, it's simply a lack of effort.

Still, millions of people do spend considerable time and energy trying to become more fit, and yet they still fail. They work out, they exercise diligently, but they don't see any fruits of their labors. The reason is that—although these people are working hard—they aren't exercising in the right way. And all the effort in the world applied incorrectly won't do much good.

As it happens, the same principle applies to obtaining personal wealth. Most people want to become financially well-off—some merely comfortable, others fantastically rich. And yet most people don't achieve this goal. The reason: while they work hard at trying to build wealth, they go about it in the wrong way. And as with becoming physically fit, attempts to become financially fit, if pursued incorrectly, are rarely reached.

In order to create the personal wealth you want, you must go about building that wealth in the right way. This principle, first put forward in Robert Kiyosaki's book *Rich Dad, Poor Dad*, has been proven millions of times over by people throughout the world. And you can prove it yourself as well.

Here are nine of Robert's most powerful wealth-building secrets to guide you.

PART I. PREPARATION

Secret #1 – Think Like the Rich

One of the main reasons that most people go about wealth-creation in the wrong way is that they learn about money and finance at home. Most families, surveys reveal, struggle with money and debt. No disrespect for parents who work exceptionally hard and try to raise their families right, but how much can a poor or struggling parent teach their children about building wealth?

Most of the time, these dedicated parents only pass on what they learned when they themselves were young: "Stay in school, study hard, and get a good job." And so, their own children graduate with excellent grades and a focus on securing stable, long-term employment. But because these efforts take place in the context of a poor person's financial programming and mindset, these children usually wind up in the same unfortunate financial position as their parents.

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The truth is, the rich are rich not just because they have more money, but because they think differently than other people do. Consider some of these differences:

Most people think...	**Rich people think...**
The love of money is the root of all evil	The lack of money is the lack of all evil
Get a good education and a good job	Become financially literate
My company (or government) will take care of me	I'm responsible for my own financial well-being
Save your money	Put your money to work for you
Investing is risky	Being financially illiterate is risky
Debt is bad	Some debt is bad; income-producing debt is good
I can't afford it	What can I do to afford it
I'll never be rich	Of course, I can be rich
Money isn't everything	The opportunities money affords are everything

The first secret to becoming rich (or even financially comfortable), then, is to think like a rich person, not like those who struggle financially.

Secret #2 – Work to Learn, Not to Earn

If you ask a hundred people, "Why go to school?' the clear majority will answer: "So you can get a good job." And then, if you ask these same people, "What's a good job?" the majority will tell you: "A secure position with good pay and good benefits."

Education and work of course are important—and they're especially important if you want to be rich. It's just that they're not enough. There's a good reason why some people say that the word "job"—"J-O-B"—stands for "Just Over Broke." Because, unfortunately, that's where a great many people, even highly talented people with good educations and good jobs, find themselves.

What's missing, from both traditional education and work, is Robert's philosophy of "Learn to Earn" and "Work to Learn." Very few schools teach financial literacy, and so their graduates haven't "learned to earn." Usually, they've only learned to take tests. And so young people who want to become wealthy almost always need to find a way to become financially literate on their own, learning so they can earn.

As for work, most people take a job because of the money they'll earn in the short-term rather than for the skills they'll learn for the long-term. According to Robert Kiyosaki, there's a much better way. Early in adulthood, for instance, he took a sales job at Xerox—not because he wanted a career in copiers, but because Xerox offered one of the best sales-training programs in the nation. The new skill he learned—sales—turned out to be one of the most important factors in his financial success.

Secret #3 – Discipline Yourself

One of the main reasons why many people fail to achieve what they want in life—whether it's money, talent, great relationships, or whatever—is that they lack self-discipline. They start down the right path, but don't follow through. They become distracted and lose focus. Or they do what's easy rather than what's necessary.

Indeed, the lack of self-discipline is the single most important differentiator between the poor and middle-class on one hand, and the rich on the other.

The fact is that everything that's important in life—and especially becoming wealthy—requires hard work. A lot of hard work. Most people aren't rich because, at least in part, they don't discipline themselves to do the hard work that's needed.

Discipline is another word for "management"—a concept that most people are familiar with. But management means more than just watching over something. It also means enforcing the rules you've established. For example, if you're managing a budget, you have to do more than record where the money goes. You also need to make sure that money is spent on only those things you've planned to spend it on.

In the same way, in seeking to become rich, adopting a rich-person's mindset and learning what you need to know are essential but not enough. You also need the discipline to adhere to this mindset and to practice what you've learned—even if it's hard. And this fact is inescapable: no matter how motivated or talented you may be, it will be hard.

PART II. PRACTICE

Secret #4 – Make Your Money Work for You

One of Robert's most important contributions to financial literacy was his creation of the CASHFLOW® Quadrant:

On the left side of the quadrant, people "work for money." For employees, this connection is obvious: they put in their hours, and get paid a wage or salary. But the same dynamic holds even for small-business owners: with long hours and ever-present anxiety, they're working for money as well. The only difference is that it's their customers, and not a boss or supervisor, who dictates their day.

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Right-side investors and big-business owners, on the other hand, "make their money work for them." Investors put money into a project or a business and earn returns on an ongoing basis. Big-business owners use other people's money (e.g., banks' and investors') and other people's time (e.g., their employees') in order to create excess value that adds to their own personal wealth, as well as that of their shareholders.

The key distinction between the left side and the right side of the CASHFLOW® Quadrant is that people on the left side of the Quadrant "trade time for money" and can't earn any more money than their time allows. But those on the right side "trade money for money," and so can earn as much as their resources and financial intelligence makes possible.

In short, they make their money work for them.

Secret #5 – Make Your Business Work for You

Ray Kroc, the founder of McDonald's, once asked a roomful of people what business he was in. The answer was universal: selling hamburgers. No, he replied, his business was real estate. Strategically selecting the most profitable locations for his restaurants—not the quality or price of his hamburgers—was what turned McDonald's into the international fast-food giant that it is.

In another context, Kroc was asked how he could run such a successful business when most of his employees were low-skilled 18-year-olds. The key to his company's success, his said, wasn't his employees, but the management and production systems he'd put in place that enabled these relatively low-skilled workers to deliver fast but tasty food with every order.

It's these two factors—strategy and systems—that distinguish S Quadrant businesses from B Quadrant businesses. Careful and informed strategy allows disciplined business owners to discover and exploit market advantages that most business owners simply can't see. And well-structured business systems enable companies to make the most efficient use possible of other people's time, allowing owners to expand their enterprises' operations far beyond what their own time would allow.

Secret #6 – Invest in Assets

If there's one lesson that readers of *Rich Dad, Poor Dad* learn well, it's this: buy assets. But what's an asset? According to Robert, an asset is something that generates positive cash flow—that is, something that "puts money in your pocket."

By this definition, the things that most people consider to be assets really aren't assets at all. For instance, a home—the only large "asset" that most families own—takes money out of people's pockets, through maintenance costs and the like, rather than putting money in. The same holds true for other popular consumer "assets," like cars, boats, and jewelry.

Most stocks—especially mutual funds—aren't assets either. The returns on the vast majority of stocks are too uncertain to serve as real assets (even though they sometimes do generate income through dividends). And mutual funds, whose inflation-adjusted returns are commonly negative, actually lose money more often than they produce it. But still, most people hand their money over to a financial planner who recommends "buy-and-hold" and "investing for the long-term" – strategies that don't generate cash flow.

In Robert's view, the value of an asset should be judged primarily by the amount and consistency of the cash flow it generates. Rental properties are an example of a usually solid asset. Not only is the owner able to write off the property's expenses and depreciation against taxes, but the owner also receives ongoing monthly payments that are usually far greater than the cost of maintenance.

PART III. PRIORITIZE

Secret #7 – Use Other People's Money

Professional investors (and serial entrepreneurs) understand that there are four types of money:

- Your money
- The bank's money
- The tax collector's money
- The house's money

Like professional gamblers, professional investors and serial entrepreneurs want to be "playing the game" with house money as soon as possible. Their goal, in other words, is to play with "other people's money" (OPM).

Spelled out in more detail, the OPM investing and business-creation process works like this:

1. Invest money into an asset
2. Get your money back
3. Keep control of the asset
4. Move your reclaimed money into a new asset
5. Get your money back again
6. Repeat the process as often as possible

Robert refers to the speed with which this process takes place as the "velocity of money." Having a high velocity of money is one reason why the rich get richer while the average investor and small-business owner get nowhere.

Secret #8 – Take on Good Debt, Not Bad Debt

Most people think that all debt is bad simply because debt creates an ongoing obligation and continually expands because of the compound interest charges. For people with this limited financial understanding, the advice to "get out of debt" is therefore a great idea.

However, for people who spend the time and energy to learn how to use debt properly, knowing that there is "good debt" as well as "bad debt" is an even more helpful idea. In fact, learning to leverage "good debt" as a means of acquiring wealth is a very important life skill.

The difference between "good debt" and "bad debt" is straightforward: "good debt" makes you rich, while "bad debt" makes you poor. Or, as Robert learned early on, "good debt" is debt that someone else pays off for you and "bad debt" is debt that you have to pay off with your own sweat and blood.

Everyone knows what "bad debt" looks like because most people are drowning in it. But consider an example of "good debt." You buy a rental property that generates $1,500 in revenue (rental income) each month, while your mortgage payment and expenses total $1,200 a month. As a result, someone else's money (i.e., your tenant's) is paying off your mortgage. Even better, you're earning a positive cash flow of $300 a month that you wouldn't otherwise have along with keeping the asset once it is paid off.

And so the best way to determine if debt is good or bad is to ask yourself one question: will you take home positive cash flow at the end of each month?

Secret #9 – Pay Yourself First

It is hard to say which of these nine secrets is the most important, but the exhortation to "pay yourself first" is certainly the most difficult to master if it isn't already part of your makeup.

One of the unpleasant facts of life is that the world will try to push you around unless you resist. This happens not because other people are bullies, but because they have the discipline and determination to persist in pursing their goals, whereas most people don't. Instead, these other people meet the world with low self-esteem and low tolerance for financial pressure, and they get pushed around by others as a result.

We talked earlier about the importance of self-discipline, but the self-discipline of the rich starts with this simple rule: pay yourself first. It makes no sense to work hard, to start a business, or to invest your hard-earned money, and then give it all away to tax collectors and bill collectors. The first step in avoiding that dismal condition is the pay yourself first.

Of course, paying yourself first is easy when lots of money is rolling in. But what happens if bills are due and there's not enough money in the bank? Robert recommends people to still pay themselves first and let the creditors and the government scream for awhile. He doesn't advocate being irresponsible, of course, but instead encourages people to accustom themselves to the emotional high of paying themselves first.

In fact, Robert actually likes it on the rare occasions when bill and tax collectors get tough, because they inspire him to go out and create more money—fast. But the real secret to being able to pay yourself first lies in not creating the debt obligations in the first place. Some debts—even some "bad debts"—may be unavoidable, but by minimizing financial poisons like unnecessary consumer debt, you'll make it easier (and increasingly addictive over time) to pay yourself first. However, the main reason behind paying yourself first is to build a financial reserve (not to be confused with saving). Having a financial reserve not only makes it possible to invest in assets, but in yourself. By paying yourself first, you'll have the money for a down payment on a rental property, the startup capital for a new business, or the ability to further your financial education. It is the secret that allows you to do what the other secrets have prepared you for.

The Bottom Line

As the lives of the rich have demonstrated time and again, the ideas outlined here are the real secrets to becoming financially comfortable—even fabulously wealthy. But as written, they're just that: ideas. The only way these ideas can transform your life in the way we've described is if you put them into action.

Not tomorrow, but today. And not just once, but every day of your life.

As Robert urges: "Act now! And as you do, you'll realize the great wealth and happiness that you deserve!"

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