WHY “A” STUDENTS WORK FOR “C” STUDENTS

and “B” STUDENTS work for the government
If you purchase this book without a cover, or purchase a PDF, jpg, or tiff copy of this book, it is likely stolen property or a counterfeit. In that case, neither the authors, the publisher, nor any of their employees or agents has received any payment for the copy. Furthermore, counterfeiting is a known avenue of financial support for organized crime and terrorist groups. We urge you to please not purchase any such copy and to report any instance of someone selling such copies to Plata Publishing LLC.

This publication is designed to provide competent and reliable information regarding the subject matter covered. However, it is sold with the understanding that the author and publisher are not engaged in rendering legal, financial, or other professional advice. Laws and practices often vary from state to state and country to country and if legal or other expert assistance is required, the services of a professional should be sought. The author and publisher specifically disclaim any liability that is incurred from the use or application of the contents of this book.

Copyright © 2013 by Robert T. Kiyosaki. All rights reserved. Except as permitted under the U.S. Copyright Act of 1976, no part of this publication may be reproduced, distributed, or transmitted in any form or by any means or stored in a database or retrieval system, without the prior written permission of the publisher.

Published by Plata Publishing, LLC

CASHFLOW, Rich Dad, B-I Triangle, and CASHFLOW Quadrant are registered trademarks of CASHFLOW Technologies, Inc.

Plata Publishing, LLC
4330 N. Civic Center Plaza
Suite 100
Scottsdale, AZ 85251
(480) 998-6971

Visit our websites: PlataPublishing.com and RichDad.com
Printed in the United States of America
042013

First Edition: April 2013
ISBN: 978-1-61268-076-7

Cover photo credit: Christopher Barr
# Contents

**Introduction**  
Awaken Your Child’s Financial Genius ............................... 1

**Part One**  
Are Schools Preparing Your Child for the Real World? ............. 11

**Introduction to Part One** .......................................................... 13

**Chapter One**  
Lesson #1: An Educational Crisis .................................................. 15

**Chapter Two**  
Lesson #2: The Fairy Tale Is Over ................................................... 31

**Chapter Three**  
Lesson #3: Prepare Your Child for the Worst ................................. 47

**Chapter Four**  
Lesson #4: Windows of Learning .................................................... 75

**Chapter Five**  
Lesson #5: Why Valedictorians Fail ................................................ 107

**Chapter Six**  
Lesson #6: Why Rich People Go Broke ........................................... 117

**Chapter Seven**  
Lesson #7: Why Geniuses Are Generous .......................................... 149

**Chapter Eight**  
Lesson #8: The Entitlement Mentality .............................................. 171

**Part Two**  
Another Point of View ................................................................. 199

**Introduction to Part Two** ............................................................ 201

**Chapter Nine**  
Another Point of View on Intelligence .............................................. 209

**Chapter Ten**  
Another Point of View on Report Cards ........................................... 217

**Chapter Eleven**  
Another Point of View on Greed ..................................................... 235
Chapter Twelve
Another Point of View on Debt................................................................. 255

Chapter Thirteen
Another Point of View on Taxes .............................................................. 269

Chapter Fourteen
Another Point of View on Words ............................................................ 283

Chapter Fifteen
Another Point of View on God and Money............................................... 307

Part Three Give Your Child an Unfair Advantage ................................. 319
Introduction to Part Three ..................................................................... 321

Chapter Sixteen
The 10 Unfair Advantages of a Financial Education .............................. 327

Part Four Graduate School for Capitalists ............................................. 349
Introduction to Part Four ...................................................................... 351

Chapter Seventeen
Be the Fed ............................................................................................... 357

Chapter Eighteen
How I Print My Own Money .................................................................. 363

Final Thoughts ....................................................................................... 379

Epilogue ................................................................................................. 391

Meet the Lannon Family ....................................................................... 393

Meet the McElroy Family ...................................................................... 395

Bonus Sections ...................................................................................... 401
Rich Dad Poor Dad for Teens
Rich Dad’s Escape the Rat Race

Glossary ................................................................................................. 445

Resources ............................................................................................. 453
Part One

Are Schools Preparing Your Child for the Real World?

The “Real” World

“A” Students: Academics  “B” Students: Bureaucrats  “C” Students: Capitalists

Modern-Day Version of
The Adventures of Tom Sawyer

Mark Twain, 1876
I’m sure most parents are well aware of their child’s awareness related to money. As a baby, shiny coins catch their eye and as they get older, children they begin to get a sense of what things cost. Many of us probably recall our parents’ admonitions when we wanted a new toy or bike: “Do you think money grows on trees?”

They see money changing hands—at the grocery store, the movies, the gas station—and soon have an understanding of paychecks and expenses. They come to like the idea of having money of their own, whether it’s a few dollars from the tooth fairy, $5 dollar from Dad for some extra help with the yard work or a cash birthday gift from Grandma.

**Question:** At what age should you start teaching your child about money?

**Answer:** The moment they can tell the difference between a $1 bill and a $5 bill.

**Making the Case**

All children go through three important windows of learning. The three early windows of learning are:

- **First window:** Birth to age 12
- **Second window:** Age 12 to age 24
- **Third window:** Age 24 to age 36
The Three Windows of Learning

When teaching children, it is important to be aware of the three windows of learning and what a child is experiencing as he or she ages and moves through stages of development.

Window of Learning #1

Birth to Age 12: Quantum Learning

Most educational psychologists agree that learning window #1 is the period of quantum learning in a child. Anything they can see, taste, and feel is a new and exciting learning experience. They may not understand the word *hot*, but they soon know what hot feels like.

During this learning window, the child’s brain is like clay. Their brain is also whole at first. It is not until the age of four, that the brain begins to divide into a right hemisphere and a left hemisphere.

If a person is described as “right-brain dominant,” the person is more artistic, creative, and more free-flowing in their approach to life. If a person is described as “left-brain dominant,” the person is more bookish, less creative, and more linear. The left brain is where speech, reading, writing, and math skills and aptitudes are said to come from. Traditional schools believe left-brain-dominant students are smart.

Art, music, and dance schools tend to attract right-brain-dominant students.

If a child is left-handed, the tendencies the right-brain or left-brain dominance may be reversed.

A number of researchers believe that great geniuses are dominant on both sides. One researcher studied individuals like Winston Churchill who, as a young boy, often reported flashes in the brain that stunned him. A few minutes later, he was able to articulate his flash of genius. In overly simple terms, the flash of genius took place in his right brain, the creative side. Since speech comes from the left brain, the flash of genius had to travel from the right hemisphere to the left hemisphere, which allowed him to talk about his new ideas. Today, we might say, “A light went on in our head.” As you might expect, not all researchers agree with this school of thought.
One reason why games, such as *Monopoly*, are great teaching tools is because games engage both the left and right hemispheres of the brain. Games have the power to engage the whole person, not just the brain’s left hemisphere. This is true for children as well as for adults. In other words, learning is as much a physical and emotional process as it is a mental one.

Regardless of which side of this debate you land one, it seems to hold true that during this first window of learning, from birth to age 12, a child is a learning machine. Parents do not need to encourage them to learn. They learn actively, progressing from crawling to walking, talking, eating, and learning to ride a bicycle. The little learning machine often wears parents out.

Then the child goes to school.

This first window of learning is when the child learns language and accents. For example, the speech of a child born in Alabama may develop with a Southern accent, while a child born in New York may develop a distinctive New York accent. Later in life a child may learn another language, but the accent developed early in life often transfers to the new language.

Children raised in Europe have a distinct advantage because they spend their early, first window of learning years in a multiple-language culture. Later in life, this experience allows them to learn new languages and change languages with ease. In contrast, a child raised in a single-language environment often struggles to learn a second language later in life.

During the first window of learning, the child acquires preferences for cultures, foods, and music. A delicacy for one child is disgusting to another. A child growing up in the city will see the world differently than a child growing up on a remote farm. A child growing up in the ghetto will see the world differently than a child growing up in suburbia. Similarly, a poor child will develop differently than a child born to wealth. And an abused child will often face challenges later in life that a child raised with love may never understand.

Between birth and age 12, the child’s brain is relatively smooth. As learning takes place, neural pathways are formed in the brain. In
simple terms, neural pathways are like roads inside the brain. Just as a person moving to a new town needs to find their way around town—and learn the path from their home to the supermarket, to work, and to church—a child’s brain is forming neural pathways when it learns to crawl, walk, talk, and ride a bike.

The reason age 12 is an important age marker is because after 12, the brain begins to erase, or wash away, parts of the brain that have not yet formed neural pathways. In other words: “Use it or lose it.”

Once neural pathways are formed and the unused parts of the brain are erased, it becomes more difficult to learn new things. Connecting the dots in learning new things is not as easy after age 12. Rather than simply connecting the dots, bridges now have to be built over the ridges and valleys in the evolving, aging brain.

So there is some truth to the saying, “You can’t teach an old dog new tricks.” The older you get, the more learning slows, and the harder it becomes harder to build new neural pathways.

These age periods are called “windows” because that is what they are—a window, an opening, brief period of time during which to learn something. For example, there is a window to learn how to walk. If the child is deprived of learning to walk during the first window, there is a possibility the child may be crippled for life because the skeletal, muscular, and motor skills never developed. The same is true for learning to talk and socialize with other people. If a child fails to learn to read and write during the first window of learning, they may be challenged, even handicapped, for life. They can learn these skills later in life, it’s just harder. If the window is missed, the window closes.

I recall a story of a child who was locked in a closet by her parents. The child missed the first window of learning and most of the second window before she was found. Although she is free today, she remains severely handicapped mentally, physically, emotionally, and socially. She never developed the normal neural pathways that most children develop while growing up.
Window of Learning #2

Ages 12 to 24: Rebellious Learning

As a child enters their teens, they learn by rebelling. For example, if you tell a teenage boy, “Don't drink,” chances are he will drink or at least be more inclined to experiment with alcohol. If they borrow your car and you say, “Don't speed,” chances are they will speed. And if you say, “Don’t have sex,” the more curious they become about sex, especially with the peer pressure kids face today.

The second window of learning is called the window of rebellious learning because that is how a child learns during this period of life. They want to learn what they want to do or what to learn. They want to make up their own minds, rather than be told what to learn. They begin to exercise their power to think and choose for themselves.

Most intergenerational conflict come from this window of learning. For example, in music, teenage and growth rebellion generates new forms of music. In the ‘50s, it was Chuck Berry and Elvis. Rock and roll shocked adults who were listening to jazz. In the ‘60s, The Beatles and the Rolling Stones exploded rock and roll through the new medium known as television. In the 1970s, John Travolta was the king of disco. In the 1980s, Nirvana introduced “grunge” music led by Kurt Cobain. Today’s rap and hip-hop really started to take off in the ‘90s. And of course, Michael Jackson blurred the lines between black and white, music, dance, theater, music videos, and elaborate choreography.

The Challenge of Window #2

The real challenge of rebellious learning is that the child is not yet aware of the word consequences. For example, if you say, “Don't speed,” they do not yet understand the consequences of speeding, the possible results of their actions, consequences such as traffic tickets, car accidents, and, even worse, death. As a parent, you are well aware of the risks and consequences, but the child is not.

The lives of many teens veer off track during this rebellious period. They can develop drug habits, drop out of school, father or give birth to children, or begin their careers in crime, primarily because they do not understand the ramifications of their actions.
It goes without saying that this second window of learning is a very important window. The child’s relationship to his or her parents during this time is crucial. During this period of development, much like the first window of learning, a parent is the child’s most important teacher.

This is not to say that a parent is a bad parent (or the child is a bad child) if the child gets into trouble during this time. This second window of learning has an important function: It’s a time when a child instinctively rebels and experiments, because this is how he or she learns during this period of life.

The relationship between parent and child is often tested in dealing with consequences when a child gets in trouble. This is a critical time in the developing relationship between parent and child. For example:

- How do parents respond when their daughter wrecks the car? How do a parents respond if their son is arrested for drunk driving? This is when the parent-child relationship is tested. This is when the parent finds out how good a teacher they are… or are not.

- How does a parent respond when they find out their clean-cut, college-bound son is earning a few thousand dollars a month selling drugs? Does the parent have their son arrested, or do they do their best to cover up his criminal behavior?

- What does a parent do when they find out their child is cutting classes and has disciplinary problems in school? Blame the school for their child’s problems? Or resolve the problem responsibly with the school, the teacher, and the student?

- What does a parent do when their teenage daughter comes home, announces she is pregnant, and does not know who the father is?
Obviously, there is no one, easy answer to any of these situations. Every circumstance is different, just as every child is different. In a home with more than one child, the differences between them can be astounding. The lessons between parents and each child are unique and oftentimes challenging. This is a time when communication is critical as well as a willingness to see other points of view.

I believe the most precarious time in an individual’s life is during the second window of learning, ages 12 to 24. If a child can get through those years, they have a better chance of doing well in life.

So the question is: How well prepared are you, as a parent, to handle the second learning window, the years during which your child is learning by rebellion? If you have done a good job during the first learning window, you may have a better chance of guiding your child through the second. You’re in good company if you’ve used this sentiment in navigating those years: “Hopefully they’ll grow out of it.” Most kids do, but as we all know, some don’t. That’s when the role of a parent becomes even more critical.

Window of Learning #3
Ages 24 to 36: Professional Learning

This learning window is where the adult learns to “make their way in the world.” Obviously, this is another very, very crucial window of learning. This is where the parent observes how well they and the school system did as parents and teachers. As most adults know, the real world is not always fair, equal, or kind. The real world can be a very tough teacher.

During the third learning window, the individual begins to grow roots, professionally. For example, if they have gone to medical school, they begin to find out how good a doctor they are or are not. They find out if they chose the right profession. If they lack professional education, they may wander from job to job before finding themselves—if they ever do. Many young adults struggle to find the courage to follow their dreams. And, so often, that’s where a child’s genius—his or her special gifts and talents—are found.
During this learning window is traditionally when young people marry, start a family, and buy their first home. This is when the financial realities of the real world sink in. Life becomes more and more about money, and often the lack of it. How a young person addresses increasing financial pressures will depend upon what the child learned about money during the first and second learning windows.

Since 2007, millions of young people have been unable to find meaningful employment or have been underemployed during their third window. Failing to develop during the third window of learning can adversely affect the rest of their lives. That is why global youth unemployment is a greater problem than just young people “not finding a job.” A generation of unemployment among young adults is likely to present massive problems years into the future, problems your child may have to deal with.

A schoolteacher may teach your child for a semester or a year, but a parent is a teacher for life. The consistency and stability that a parent brings to a child’s life as that life-long teacher—throughout all the windows of learning—reiterates why parents are a child’s most important teachers.

My Story

Obviously, I did not know about the windows of learning when I was nine years old. I just knew something was missing in school. What was missing was the subject of money. That’s why I went in search of my rich dad. I instinctively knew I needed another teacher, a different teacher.

My search for a new teacher really began when I was seven and saw my mom sitting at the kitchen table crying. She was crying because bills were piling up and our family was out of money. I can still remember her showing me the family bank statement, filled with lines of red numbers.

In the 1950s, banks sent typed bank statements to customers. The statement came on gold-colored paper. At the beginning of the month, after my dad deposited his paycheck, the numbers were in black. As my parents wrote checks, the black numbers turned red, indicating that there
was not enough money in the bank account to cover the checks. Their checking account was overdrawn.

It deeply disturbed me to find my mom crying. At the age of seven, I could not understand why someone would cry about money. My first window for learning had opened.

I asked her what dad was doing about this problem. She defended him, saying, “He’s doing the best he can. He is working hard and going to school to get his Masters and Doctorate degrees so he can get a higher-paying job.”

At seven years old, I really had no idea what she was talking about. I just knew something was wrong, something very important.

Today as an adult, I cringe and bite my tongue when I hear someone say, “I’m going back to school for another degree,” as a solution to their financial problems.

I can still hear my rich dad saying, “If going to school made you rich, then schoolteachers would be millionaires.”

My First Window of Learning

As I’ve said, my rich dad would teach his son and me our lessons on money after playing games of Monopoly. Rather than tell us what to do and warning us not to make mistakes, he used the mistakes we made during the game as the basis for discussion and lessons to be learned.

According to the learning-windows theory, then my neural pathways relating to money began to connect while playing the game of Monopoly.

My grades in school were never good. No matter how hard I studied, I was just an average student. Both my dads were concerned about my grades. And rich dad’s son, Mike, was not much better in school than I was.

One day rich dad took us aside and said, “Your grades are important. But I will let you in on a secret to real life.”

“What is the secret?” we asked.
Leaning forward, rich dad whispered, “My banker has never asked me for my report card. My banker does not care if I was a good student or what school I went to.”

Curious, we asked rich dad, “What does your banker want to see?”

“My financial statement,” rich dad said, reaching into a file drawer of his desk. Showing us his financial statement, rich dad said, “Your financial statement is your report card when you leave school. The problem is, most kids leave school and never know what a financial statement is.”

When Kim and I created our board game CASHFLOW®, we built the game around a financial statement, like the one pictured below.
A financial game built around a financial statement is the evolution of the game of *Monopoly*. It’s a way to apply the money and investing lessons of the game to real life.

During my first window of learning rich dad burned the image of a simple financial statement into my brain. This simple diagram became part of the development of my neural pathways, pathways that would someday guide the direction of my life.

This is rich dad’s diagram of a financial statement, your report card once you leave school, the ‘report card’ your banker asks to see.

When it came to teaching us the language of money, rich dad used very simple definitions for the most common financial vocabulary words. For example, rather than the complex and confusing definitions for “asset” and “liability” found in the dictionary, he used simple definitions that anyone could understand.
For example, Webster’s Dictionary defines an asset this way:

**asset** noun \'a-set, set also -sət\  
  a: the property of a deceased person subject by law to the payment of his or her debts and legacies  
  b: the entire property of a person, association, corporation, or estate applicable or subject to the payment of debts

Rich dad defined the word asset in simple terms: “Something that puts money in my pocket.” His definition for liability was just as simple: “Something that takes money out of my pocket.”

The arrows on the diagram on the previous page illustrate the cash flow. It is the direction of cash flow—money coming in and money going out—that defines the difference between assets and liabilities.

To rich dad, the words cash flow were the two most important words in the world of money. If you could not see cash flowing, you could not tell if something was an asset or a liability.

That is why rich dad said, “My house is not an asset.” It was not an asset because, even though it was mortgage- and debt-free, he still had to pay real estate taxes, electricity, sewer, water, maintenance and insurance each month. Since his house, his personal residence, took money out of his pocket each month, his house was a liability.

His rental properties were a different story. They were assets—even though they had debt on them, because his tenants’ rent payments covered the mortgage, taxes, and repairs on the property, and still put money in rich dad’s pocket.

Every year he grew richer because every year he would buy more rental properties, his green houses, until he could start buying red hotels. Once he had several red hotels, he stopped buying little green houses.

Rich dad constantly repeated, “Assets put money in my pocket,” and then drew a line on the financial statement from the asset column into the income column. The words, the explanation, and the diagram locked the definition into my mind and developed a neural pathway in my brain. Rather than using words alone for a definition (left brain),
I also had a picture (right brain) that I associated with the physical experience of playing the game.

Most important of all, I had a great teacher, a man who was patient and knew what he was talking about, a man who loved us and let us know we were important to him. A man who wanted us to do well in the real world. Although he was a very busy man, we played Monopoly together for hours. He was preparing us for the real world, a real world that ran on money.

Rich dad did not say something once and expect us to get the lesson. He believed in repetition as a key component to long-term learning. No matter how many times he told us something important, we could count on the fact that he would say it again and again. If I heard, “Assets put money in your pocket,” followed by seeing his diagram with lines drawn from the asset column into the income column, once, I heard and saw it a thousand times. He also repeated, “Liabilities take money from your pocket,” every time we played Monopoly.

Today, I know my home, my personal residence, is a liability because it takes money from my pocket. I also know my apartment buildings, commercial buildings, oil wells, businesses, and the intellectual property of my books, games, and patents are all assets putting money in my pocket every month. It’s because of the cash flow from my assets that I don’t need a paycheck or a retirement plan.

As Einstein once said, “Simplicity is genius.” My rich dad was not an academic genius, but he was a financial genius. All he did was play Monopoly in real life.

Almost anyone, even high school dropouts, can play Monopoly in real life. It’s important that each person find the game they love to play. Steve Jobs loved his game—the game of making people feel smart, hip, and like geniuses…which is why Apple stores have genius bars rather than service desks. Colonel Sanders loved the fried chicken business and the franchise game. Walt Disney loved making people happy and built the fantasy of a magical kingdom known as Disneyland. Not one of these three men finished college, but they all found the game they loved. Through their game, their genius came out.
The same thing happens for many athletes. Their genius may not come out in a classroom, yet once they hit the basketball court, football field, or golf course, they are in their element.

For someone with a love for music, it could be playing a musical instrument or singing that brings out their genius. Mick Jagger attended a prestigious school to become an accountant, but found his genius as a Rolling Stone.

Early signs of a child’s special genius are often found in the dreams they have for their future. In the CASHFLOW game, before the first roll of the dice, each player chooses their dream.

During my first window of learning, I discovered the difference between capitalists and everyone else. I found the game I wanted to play. By the time I was 12, this picture was burned into my neural pathways.

Es and Ss focus on job security:

### INCOME STATEMENT

**Income**

*Job security*

**Expenses**
Bs and Is focus on property/production and asset acquisition:

As a 12-year-old, I did not know how I was going to acquire assets such as businesses and property, but my neural pathways were forming and they were focused on the asset column. When I went with rich dad to collect rent or evict tenants, my neural pathways grew firm and I became more convinced of my path in life. Although I did not realize it at the time, I was making plans to become a capitalist.

My Second Window of Learning

The years between 12 and 24 were an interesting time for me. I was in academic trouble in high school and flunked out of English twice at ages 15 and 17. I’m thankful that my dad was the superintendent of education. If not for him, I might have dropped out of high school at age 15.

When I got into academic trouble the first time, my dad did not panic or scold me. He just said, “Often in life you will run into people you do not like and who do not like you. Learn from the experience, grow from it, and move on.” My dad was talking about my English teacher, a horrible teacher who flunked nearly two thirds of his class.

My dad fired the teacher, explaining to the assembly of high school teachers, “A teacher’s job is to teach, not fail, students. If a student fails, the teacher has failed.”
When I failed English again at the age of 17, my dad smiled and said, “You’re on your own now.” This caused me to approach my teacher, retake some tests, and graduate with a D.

Also at the age of 15, my rich dad was allowing his son and me to sit in on his Saturday management meetings. Rich dad had his accountants, attorneys, architects, builders, bankers, sales managers, property managers, and human resource manager at these meetings to discuss the challenges facing his business.

The Best Team Wins

Many of rich dad’s advisors—like his attorneys, accountants, and bankers—were “A” students, individuals who were very smart academically. Others were great managers, “B” students, bureaucrats whose skill was the ability to deal with people, one of the toughest aspects of a business. Some of his managers had college degrees. Others came up through the ranks. Rich dad’s team included his attorneys, accountants, bankers, managers, and other leaders. He often said, “Business is a team sport. The person with the best team wins.”

Rich dad often said, “You have to be smart in the E and S quadrants. In the B and I quadrants, I don’t have to be the smartest person. All I have to do is surround myself with “A” students.”

My Own Advisors

Today, I have my own team of advisors. They are experts in very specific areas of business and investing. They have written books that share their expertise and experience and those books have become the Rich Dad Advisor series.
**Thinking Is Hard Work**

Henry Ford, another man who did not finish school, had a great team of advisors. There is a story about Henry Ford that goes something like this:

A group of academics met in his office, in an attempt to prove him “stupid.” Once the meeting got started, the academics began asking him questions. With each question, Henry Ford would simply pick up one of the many telephones on his desk and say, “Ask him,” or “Ask her.”

Frustrated, the lead academic blurted out, “That is what we are talking about. You don’t know anything. Every time we ask you a question, you just tell us to ask someone else.”

That was the moment Ford was waiting for. He paused for a moment, then said, “I hire the smart people your schools produce. They give me answers, like you train them to do. My job is to think.”

He then spoke words he is famous for today:

> “Thinking is the hardest work there is…which is probably the reason why so few people engage in it.”

The meeting was over.

**The Power of Languages**

I was not good at learning languages. Not only did I flunk English twice, but I also failed French, Spanish, and Japanese. Yet in my rich dad’s meetings, I noticed that different professions spoke different languages. For example, attorneys spoke the language of law, accountants spoke the language of accounting, bankers spoke the language of banking, and gardeners spoke the language of landscaping. I realized that if I wanted to be a capitalist, I had to learn the different professional languages within the English language. I knew I could make more money than most “A” students if I studied the languages of money.
While still in high school, during my second window of learning, I made a mental note to pay close attention to the words different professionals used. In other words, I knew I would have an unfair advantage if I learned to speak and understand different words and languages of the different professions, even if we all spoke English.

During my second window of learning, between 12 and 24, I routinely observed rich dad—a man without much education who left school at the age of 13—leading very smart, talented, and experienced people.

When I asked him how a person without much formal education could lead such a diverse group of people, he replied, “Respect. We are all smart at something. We all have special skills and talents the others do not. They know I need them, and they need me. So mutual respect goes a long way.” Respect is more important than money. If a person feels their genius is respected, they work ten times harder. If they do not feel respected, then they want more money and want to work less.”

An important lesson I learned during my second window of learning was the importance of diversity. Having two dads allowed me to see that my poor dad operated in a mono-professional culture. Almost everyone around him was a teacher with at least one college degree. Those with PhDs tended to look down on those with Masters or Bachelors degrees.

Later in my life, this lesson would become more relevant as I recognized the truth in the saying, “Birds of a feather flock together.” Today I notice that police officers hang out with police officers, attorneys hang out with attorneys, and real estate agents hang out with other real estate agents.

At the age of 18, as I entered the U.S. Merchant Marine Academy in New York, I was aware that if I wanted to be a “C” student—a student of capitalism—I had to learn to be a leader and a generalist, not a specialist such as a doctor, lawyer, technician, or teacher. I knew I had to learn to work with people from all walks of life, people with diverse educational, ethnic, and economic backgrounds.

Today, one of my personal role models for business leadership is Donald Trump. Although he is rich and successful, he treats most people, rich or poor, with respect. My experience in working with Donald is that his communication, even when it’s tough, is always respectful.
One reason why both Donald and I acknowledge and support the network marketing industry is because success in this industry requires tremendous personal development and personal leadership skills. In other words, if you want to learn, there are people and organizations in that arena what are willing to guide you.

My key point is this: Too many students continue in school and become educated—and more specialized. Capitalists, “C” students, must be generalists, not specialists. Leadership skills and people skills are essential if you want to be a capitalist. If you are a genius who is an introvert, someone who enjoys texting over talking, your chances of becoming a capitalist are probably slim.

**My Third Window of Learning**

Returning from Vietnam in 1973 at the age of 25, I knew I had a few life decisions to make. I knew one thing for sure: I was definitely going to become a capitalist once my flying career was over.

Seeing my poor dad unemployed in the prime of his life at the age of 53—without any property or production options—my neural pathways to capitalism became highways. I knew I could go back to my old job with Standard Oil of California sailing as a tanker officer, or I could fly for the airlines as many of my fellow Marine pilots were doing. But that would be specialization—a narrow focus, where tanker officers spent time with tanker officers and pilots hung out with pilots.

The unfair advantage I had was my rich dad and his lessons on life’s choices.

**Different Classrooms**

Pointing to the CASHFLOW Quadrant pictured on the next page, rich dad would often say, “Each quadrant is a different classroom. Each classroom teaches different subjects, develops different skills, and requires different teachers.”
As I began my third window of learning as a young adult, I knew it was time for me to decide which quadrant, which classroom, was next for me. If I had chosen to return to sailing or flying, I would have chosen the E quadrant. At the age of 25, I was ready for my next educational experience into the B and I quadrants. I was going to become a student again. I did not know how long it would take me to graduate from the B and I quadrants, but at least I had my rich dad’s education—beginning with the game of *Monopoly* at the age of nine—preparing me for the process.

In 1973, at age 25, I knew it was time to make a life decision, my first real decision as an adult. My poor dad suggested I go back to Standard Oil as a ship’s officer or get a job flying for the airlines, as an employee in the E quadrant. When I told my dad my sailing and flying days were over, he suggested I go back to school, get my MBA, and possibly a PhD, as he had done.

I listened to my dad and enrolled in the MBA program at the University of Hawaii. It did not take long for the old memories of how much I hated school to come back to me. After learning to fly from real combat pilots, it was tough to learn from university professors who had little, if any, real-life business experience.

In my youth, during my first and second windows of learning, I had sat in on many of my rich dad’s staff and management meetings. Now, back in college, I realized that I had more real-world experience...
than my college professors, most of whom had never started or run a business.

When I asked my college professors questions, I often received textbook theory rather than real-life answers and lessons. By my third month in the MBA program, I was once again flunking out. I really wanted to learn, but that environment—the MBA classroom—wasn’t the right one for me.

**A Business Is Not a Democracy**

It was during one exceedingly boring class that I remembered a very intense meeting my rich dad once had with his advisory team. As tempers flared and his team disagreed, my rich dad finally laid down the law and said, “A business is not a democracy. I pay your salaries. Either you do what I ask, or look for a new job.”

I believe I was about 16 years old at the time, and the exchange disturbed me. I had never seen grown men and women argue so intensely or emotionally. I also remember many of his staff backing down once rich dad threatened to fire them if they failed to do their jobs. He said, “All I ask of you is to do your jobs. I do not want your excuses. If you cannot do your job, look for a new job.”

Once the meeting was over, rich dad took his son and me aside to make sure we were okay. It was then that I heard him say for the first time, “This is why “A” students work for “C” students. The “A” students may have been smart in school, but they do not have the guts to start, own, and run their own business. They went to school to become specialists, only knowing the law or accounting or sales and marketing. They know how to work for a paycheck, but they do not know how to build a business and make money. They have brains, but lack guts. They are terrified of risk. If you don’t pay them, they don’t work. If they do extra work, they want overtime or time off. They want me to do things their way, but they are not willing to pay for their mistakes if they fail.” He added, “I have to pay for my mistakes as well as theirs. If the company fails, I am left with the mess, the debt, and the financial losses. They simply look for a new job. That is the primary difference between “A” students and “C” students.”
He then told me, “People like your dad are “A” students, people who do well in school but never leave school. So they become “B” students, bureaucrats. They are people with responsibility who are terrified of risk. Most bureaucrats work for the government or other bureaucratic organizations, hiding in big corporations or organizations where office politics, laziness, and incompetence are tolerated. Most “A” and “B” students cannot survive in the B and I quadrants where managing risk and living or dying by the results of your decisions are everything.”

Rich dad also criticized my poor dad for being the head of the teachers union. Although he did not say much to me on that subject, he did not hide his feelings toward union members. One day, a group of his employees got together to unionize his hotel and restaurant operations. He backed them down saying, “I’ll shut down the business and all of you will lose your jobs if you unionize. I can start a new business and I don’t need the money, but you need your jobs. I’ve been fair to you and your families. All I ask is for you to be fair to me and my family.” When the vote was taken, the union lost.

As I sat in my MBA program classes, as an adult and a combat veteran entering my third window of learning and bored to tears, I better understood my rich dad’s lessons. I realized my rich dad focused his life on his asset column by acquiring property and production. He was a true capitalist.

My poor dad and rich dad’s employees, many of whom were “A” and “B” students, focused on job security and a steady paycheck. They had college degrees and jobs, but owned nothing. They had no property or production. It’s not surprising that they needed security, benefits, and a pension plan.

Sitting in the MBA program, listening to my instructors drone on from textbooks and theory rather than real-life business experience, I realized I was learning from teachers I did not respect. That’s not to say they weren’t good people. Most teachers are like my poor dad—very good people dedicated to their profession. The problem with my MBA instructors was that they were “A” students who lived in the E and S quadrants. I wanted to learn from teachers who lived in the B and I quadrants.
I dropped out of the MBA program after three months, the only time I ever dropped out of school. Not surprisingly, poor dad was disappointed; my rich dad wasn’t.

I didn’t miss a beat in continuing my real-world education. I had signed up for a three-day real estate investment course on my rich dad’s suggestion. I recall challenging his suggestion and saying, “But I’m not interested in real estate.” I also reminded him that I didn’t have much money. Rich dad just smiled and said, “That’s why you need to take a course in real estate investing. Real estate is not about property. Real estate is about debt and using OPM, Other People’s Money, to get rich.”

It finally dawned on me that my rich dad was, once again, steering me to the education I was seeking, education for life in the B and I quadrants. The simple diagrams below illustrate this point.

Education is a process. If you want to become a doctor, you go to medical school. If you want to become a lawyer, you go to law school. If you want to be come a capitalist in the B and I quadrants, you need to choose your teachers, your classrooms, and your educational process carefully.
In 1974, while still flying for the Marine Corps, I began applying to IBM and Xerox because they had the best sales and management training programs. Just before completing my contract with the Marine Corps, I was accepted into the Xerox Corporation’s training program and was flown to their training headquarters in Leesburg, Virginia. Xerox was another step in connecting the dots, the educational process, to develop my neural pathways for the B and I quadrants.

At Xerox, I struggled to overcome my shyness, knocking on doors and learning to handle objections and rejection in order to sell Xerox copiers. Finally, after two years, selling started to come more naturally, an integral part of who I was becoming…a capitalist in the B and I quadrants.

**Starting Early Is a Headstart**

If not for my rich dad’s teaching, which began in my first and second learning windows, I might have followed in my poor dad’s footsteps—earning an MBA, climbing the corporate ladder, and competing with “A” and “B” students, rather than hiring them as employees who would work for me.

Rather than working to acquire property and production, assets as my rich dad called them, I might still be working for a paycheck, paying higher and higher taxes, and praying that I wouldn’t outlive the money in my retirement account.

I want to repeat an important point: I am very pro-education—just not the education taught in traditional schools. If you want your child to be an employee in the E quadrant, or a doctor or lawyer in the S quadrant, traditional education is fine. If you want your child to have every opportunity for success open to them, then they must have every opportunity for education. And in many cases that means a departure from the traditional, into less conventional, real-world learning environments and classrooms.

The important lesson I’ve learned is: Each quadrant is a different classroom…requiring different teachers.
**Question:** What if I cannot get a job with a company like Xerox or IBM? How do I get my own sales training and experience?

**Answer:** Sales training and experience is vital for anyone wanting to be an entrepreneur, especially in the B and I quadrants. There are many ways to get sales training.

As I mentioned earlier in this chapter, Donald Trump and I both suggest that individuals look at network marketing companies for the training these companies offer. Many network marketing companies provide excellent personal development, fear management, rejection management, and sales training—especially for people who are afraid of selling or are new to sales.

The best thing about network marketing companies is that they will not fire you if you do not perform, as Xerox would have fired me if I had failed to sell its products and services. It did not matter how long I worked for Xerox. Every salesperson knew that they were only one or two months away from being fired, if they failed to sell.

**Question:** What if I don’t have enough money?

**Answer:** That is why I recommend taking real estate investment courses. If you truly understand the skill sets in the B and I quadrants, you’ll see that you’re not supposed to use your own money. Your job is to learn to raise capital using OPM, Other People’s Money (in this case: your bank’s), not using your money.

Simply said, capitalists know how to use debt to make them rich. It is known as OPM, Other People’s Money.

Becoming a capitalist is hard work and relatively few make it. That is why investing in your education—yours and your child’s—
is crucial, especially today. People who are not actively studying and learning, regardless of which quadrant they live and work in, are falling behind rapidly.

When you read the stories of entrepreneurs—great capitalists such as Steve Jobs, Bill Gates, and Mark Zuckerberg—they began their path to capitalism and educational process in the first and second windows of their lives. So did The Beatles and many professional athletes.

This is not to say your child must know their professional calling in their first and second windows of learning. What I am saying is, regardless of their profession of choice, all children will be dealing with money. Why not begin their financial education early so they can better choose which quadrant is the best quadrant, the best classroom, for them?

My rich dad prepared his son and me for the real world of money. Most schools do not. This is why a parent’s love, patience, and guidance are essential through all three learning windows, and why lessons about money need to be a part of what a child learns, from an early age, at home.

**Old Dogs, Old Tricks**

Today, as an older dog, I notice how slowly I learn and adapt to new technology. I often need to ask for help when using my computer or cell phone. My old neural pathways get in the way of creating new ones.

I have a friend, a doctor in his early seventies, who lost a lot of money in the 2007 market crash. He never managed his own money because he turned his life savings over to a personal money manager. The money manager made some bad decisions, and now my doctor friend will not be able to retire for years, if ever.

One concept he does not seem to grasp is the concept of cash flow. When I explain to him that cash flows into my bank account every month, he draws a blank. Even when I explain the concept of cash flow using the game of *Monopoly*—for example, one green house that pays $10 every month—his mind has difficulty with the concept of money always coming in, without the continual investment of his time.
All he knows is the concept of capital gains, the profit margin between what you pay for something—a share of stock, for example—and what you sell it for. That is how he was taught to invest when he was in college. He was doing well until the stock market fell from approximately 14,000 to 7,000. Now he is afraid to get back into the stock market, not sure if prices will go up and afraid that they’ll go down. The same thing happened to his house. It fell in value from approximately $4 million in 2007 to $1.5 million today.

When I explain to him that I have thousands of rental apartment tenants sending me checks every month, a blank look crosses his face. He does not get it. He has neural pathways that only understand capital gains, but no neural pathways to comprehend cash flow, even though he played Monopoly® as a kid. He understands that one green house will pay him $10 a month, but in his mind Monopoly is just a game for kids.

**Good News**

Remember: Windows of learning open, and they close. And with age, in most cases, comes wisdom.

How well we use these “windows of wisdom” depends upon the quality of our wisdom. This means, if we have had a lot of experiences, good or bad in our earlier years—and have learned from them—then our new lessons combined with wisdom can be very powerful. I’m sure you’ve heard people say things like, “I’m glad I went through that. It was a bad experience at the time, but it made me a better person today.”
Bad Experiences

The bad news is this: If all we have from your youth are bad experiences, and if we’ve failed to learn from them, we hold them as regret, anger, or resentment and any new learning will be tainted by the emotions surrounding those past experiences.

We all know people who live lives of regret. They often say, “I wish I had...” or, “I never got a break” or, “If only I had known” or, “It’s too late for me.” Knowledge of this can play a powerful role in taking action to move beyond regret and anger in our lives. Why harbor negativity that can keep you from moving forward and living the life you deserve?

I’m sure that holding on to the limiting and power-zapping energy of bad experiences is not the example parents want to set for their kids, and a parent’s desire to give their child every advantage in life can be a powerful motivator. Parents lead and teach by example and the choices they make in life send messages to their children. When kids see their parents learning new things, being open to other points of view, and admitting (and learning from) their mistakes the message to their children is clear: Learning is a life long process.

These are the kinds of role models kids need…and if this role model is a parent who embodies the real-life lesson of learning from life’s challenges and bad experiences then the child truly does have, in his or her parents, that special teacher who has ‘walked the talk’ related to the power of change and choices.

Action Step for Parents

Introduce new ideas, words, concepts, and experiences to your child on a regular basis and, ideally, in the course of everyday life.

This can take place at home, at the bank, at the movies, in the shopping mall, on vacation—even at church. Use the Windows of Learning as a guide for age-appropriate topics and exercises for experiential learning.
Parents can create a game or exercise around a new concept or idea and offer positive reinforcement throughout the process. Look for ways to integrate new vocabulary words and ideas into your everyday conversations so that the new concepts and words become second nature to your child.

Window of Learning #1: Birth to age 12—Quantum Learning

Investing time for games, fun, discussion, and family bonding will pay off when the child enters the second window of learning. This first window is when the brain is whole and neural pathways are being connected. After age 12, learning is a bit more difficult. In order to learn something new, a new neural pathway needs to be built from scratch.

It really is harder to “teach an old dog new tricks”—which is why this window is an important one and a time to work with your child to learn new words and definitions and begin to explain basic concepts like debt, assets, liabilities, profit, inventing, and starting your own business. The Study Guide, Awaken Your Child’s Financial Genius, offers games, crossword puzzles and word-search games to reinforce these new words.

Window of Learning #2: Ages 12-24—Rebellious Learning

This is a stage at which to encourage exploration. So encourage your child to find answers to the questions that arise. Provide the tools to investigate the consequence of actions and be open to discussing the process with them.

This is a great time to introduce the concept of consequences. In this stage of rebellious learning, telling a child not to do something is likely to trigger the opposite response. Rather than say “Don’t…” do something, ask: “What do you think the consequences might be if you did that?”

Encourage your child to make their own decisions and if they falter or fail don’t rush in to rescue them. We learn from experiencing the real-life consequences of our actions and decisions and working though them. Look for ways to make the word “consequences” a part of your daily vocabulary.
One of the best ways to make a statement about the value of education and life-long learning is to learn and grow along side your child as they mature into adulthood.

**Window of Learning #3: Ages 24-36—Professional Learning**

As your adult child finds their path in life, it’s likely that both your role as parent and your relationship has evolved. If you have established a good relationship with your child and time invested in family financial education nights chances are that will be paying dividends. You may even see your son or your daughter mirroring activities and discussion you had with them when they were in the first and second windows of learning.

A strong foundation of financial education in the home will prepare kids for the choices that will present themselves as they grow up and, ideally, your daughter or son began seeing how they could make money work for them as they moved through the second window of learning.

This is a time when parents see their adult child exploring and finding their passion in life and it’s an opportunity for parents to support decisions and choices that will allow their son or daughter to create the life and lifestyle that celebrates their unique gifts and how they will share them with the world.

Many young adults leave school, even with a college degree, and still not know what they want to do when they grow up. Today a child has more choices, careers, and professions available to them. If they have a secure attitude towards learning, they may value learning over money.
About the Author
Robert Kiyosaki

Best known as the author of *Rich Dad Poor Dad*—the #1 personal finance book of all time—Robert Kiyosaki has challenged and changed the way tens of millions of people around the world think about money. He is an entrepreneur, educator, and investor who believes the world needs more entrepreneurs who will create jobs.

With perspectives on money and investing that often contradict conventional wisdom, Robert has earned an international reputation for straight talk, irreverence, and courage and has become a passionate and outspoken advocate for financial education.

Robert and Kim Kiyosaki are founders of The Rich Dad Company, a financial education company, and creators of the *CASHFLOW* games. In 2013, the company will leverage the global success of the Rich Dad games in the launch of a new and breakthrough offering in mobile and online gaming.

Robert has been heralded as a visionary who has a gift for simplifying complex concepts—ideas related to money, investing, finance, and economics—and has shared his personal journey to financial freedom in ways that resonate with audiences of all ages and backgrounds. His core principles and messages—like “your house is not an asset” and “invest for cash flow” and “savers are losers”—have ignited a firestorm of criticism and ridicule… only to have played out on the world economic stage over the past decade in ways that were both unsettling and prophetic.

His point of view is that “old” advice—go to college, get a good job, save money, get out of debt, invest for the long term, and diversify—has become obsolete advice in today’s fast-paced Information Age. His Rich Dad philosophies and messages challenge the status quo. His teachings encourage people to become financially educated and to take an active role in investing for their future.

The author of 19 books, including the international blockbuster *Rich Dad Poor Dad*, Robert has been a featured guest with media outlets in every corner of the world—from CNN, the BBC, Fox News, Al Jazeera, GBTV and PBS, to *Larry King Live, Oprah, Peoples Daily, Sydney Morning Herald, The Doctors, Straits Times, Bloomberg, NPR, USA TODAY*, and hundreds of others—and his books have topped international bestsellers lists for more than a decade. He continues to teach and inspire audiences around the world.

His most recent books include *Unfair Advantage: The Power of Financial Education and Midas Touch*, the second book he has co-authored with Donald Trump.

To learn more, visit RichDad.com
Best-selling Books
by Robert T. Kiyosaki

Rich Dad Poor Dad
What the Rich Teach Their Kids About Money – That the Poor and Middle Class Do Not

Rich Dad’s CASHFLOW Quadrant
Guide to Financial Freedom

Rich Dad’s Guide to Investing
What the Rich Invest in That the Poor and Middle Class Do Not

Rich Dad’s Rich Kid Smart Kid
Give Your Child a Financial Head Start

Rich Dad’s Retire Young Retire Rich
How to Get Rich and Stay Rich

Rich Dad’s Prophecy
Why the Biggest Stock Market Crash in History Is Still Coming... And How You Can Prepare Yourself and Profit from It!

Rich Dad’s Success Stories
Real-Life Success Stories from Real-Life People Who Followed the Rich Dad Lessons

Rich Dad’s Guide to Becoming Rich Without Cutting Up Your Credit Cards
Turn Bad Debt into Good Debt

Rich Dad’s Who Took My Money?
Why Slow Investors Lose and Fast Money Wins!

Rich Dad Poor Dad for Teens
The Secrets About Money – That You Don’t Learn In School!

Escape the Rat Race
Learn How Money Works and Become a Rich Kid

Rich Dad’s Before You Quit Your Job
Ten Real-Life Lessons Every Entrepreneur Should Know About Building a Multimillion-Dollar Business

Rich Dad’s Increase Your Financial IQ
Get Smarter with Your Money

Conspiracy of the Rich
The 8 New Rules of Money

Unfair Advantage
The Power of Financial Education
SPECIAL OFFER:

Increase your Cash Flow by Working with a certified Rich Dad Coach – ACT NOW and Receive 6 months of Coaching Absolutely Free!

Discover the power of working one-on-one with your own certified Rich Dad Coach to help you invest smarter, build and protect your wealth, and create the cash flow you need to live the life you desire. Remember, Robert’s Rich Dad was his first coach and helped him become successful by teaching him how to make his money work for him, who’s helping you? Get your free introduction to Rich Dad Coaching and learn how a Rich Dad Coach can help you do the same.

Call 1-800-240-0434 and mention extension 5297 to receive your FREE introduction to Rich Dad Coaching and to get 6-months of FREE Coaching with any new program.