

## Interview with Robert T. Kiyosaki

*(This article originally appeared in Profit Magazine after a 1999 interview with the best-selling author)*

If you want to quit the 9-to-5 rat race and attain so much wealth you'll never have to work again for the rest of your life, start by changing the way you manage your money. This is just some of the advice given by Robert Kiyosaki, a self-made millionaire, best-selling author, and entrepreneur.

“The biggest mistake that people make is they learn to work for money but never learn to make money work for them,” he says. The first step to achieving wealth, according to Kiyosaki, is to have a plan. “Most people have only one plan and that plan is how to make money. They don't have a definite plan about what to do with their money after they make it. Believe me,” he laughs. “if you don't have a plan for your money, everyone else does, including the government.” He says you should be more concerned with what to do with your money than how you are going to make it.

Most of the advice from Kiyosaki is contained in his best-selling book *Rich Dad, Poor Dad*, co-authored with Sharon Lechter. When Kiyosaki was growing up, he received advice on how to manage money from his two dads, one rich and one poor. His rich dad was actually a wealthy businessman and the father of his best friend. This dad never finished the eighth grade but became one of the richest men in Hawaii. Kiyosaki's poor dad, in truth his real father, was extremely intelligent and successful in his career as an educator but died leaving unpaid bills. The book describes the conflicting advice Kiyosaki received from his two dads. The dads had opposing viewpoints on the meaning of success and the most effective way to manage money.

Kiyosaki's poor dad, for example, wanted him to get a good education, a secure job, and a big house. Although these are important goals, there are higher priorities, according to Kiyosaki. “My rich dad taught me to invest first, then get a job and a house. I learned early on to put money aside, which is a priority, where other people's priority is to get a job and a big house.” Kiyosaki learned from his rich dad how to manage a stock portfolio, buy and sell real estate, and manage money. His rich dad even played Monopoly with Kiyosaki to help him understand the importance of owning income-producing real estate.

When Kiyosaki talks about income-producing real estate, he is not talking about home ownership. In fact, one of the mistakes that people make is labeling their home as an asset. “If you understand financial literacy, you will know your home mortgage shows up as a liability even though you think it is an asset. According to Kiyosaki, a home is a liability because it takes money out of your pocket for the mortgage, insurance, and property taxes. “If you want to believe your house is an asset, you can delude yourself even though it is costing you a fortune every month. To be rich, you must know the difference between an asset and a liability.”

Kiyosaki is not saying you shouldn't own a house, only that you understand your house is not producing income. He says the mortgage is a liability because it takes money out of your pocket, money that could be used to buy assets that produce income. He points out that many people work their whole life paying for a home they never own. Besides, says Kiyosaki, there is no guarantee a house will go up in value.

To Kiyosaki, an asset is anything that puts money into your pocket. “Once a dollar goes into your pocket, you never let it go out.” He says the best thing about money is that it works on your behalf 24 hours a day. It becomes your employee. Kiyosaki says the secret to getting wealthy is to concentrate on buying income-generating assets. That is why it is so important to keep your liabilities and expenses down while acquiring more assets.

The poor and middle class, he says, do the opposite. “Too many kids are programmed to be worker-consumers,” he says. The poor and middle class tend to buy big houses, jewelry, and boats first because they want to look rich, but they are actually getting deeper in debt. The rich, on the other hand, buy luxuries last. “The rich know how to be on the receiving end.”

It is true, Kiyosaki says, that the rich do get richer, primarily because they know how to make their money do all the work. The poor and middle-class, on the other hand, constantly struggle to increase their wages, which also increases their taxes. One of the biggest mistakes, he claims, is to be totally dependent on your employer for all your income. This is why so many people have to play it safe. When an excellent financial opportunity comes along, many people are so loaded with debt and taxes that they can’t take advantage of it. Speaking of taxes, Kiyosaki says that many people are unaware that one of the highest taxes they pay is Social Security. Income taxes are high enough, but Social Security really takes a bite out of your paycheck.

To get out of the 9-to-5 rat race, Kiyosaki says you have to stop the endless cycle of struggling to make more money so you can buy a larger home or other luxuries, which increases your spending and taxes, forcing you to work even harder. He calls it high-risk living caused by a weak financial education. To get ahead, he suggests you concentrate your efforts on buying income-producing assets like investment properties, stocks, bonds, mutual funds, businesses, or royalties. You can keep your day job as long as you never stop buying assets. In other words, follow the most basic rule of financial planning -- pay yourself first.

He adds: “It’s not how much money you make, but how much you keep.” To put even more money in your pocket, Kiyosaki suggests you form your own corporation. His point: Individuals get taxed on what they earn, while corporations get taxed on what is left after they spend. It’s what Kiyosaki calls one of the biggest legal tax loopholes for the rich.

Kiyosaki says there is no limit to how much money you can make if you use your greatest asset, your mind. This will allow you to see money-making opportunities that others miss. Kiyosaki believes it is possible to make money even if you don’t have a lot of money. “The more education and experience you have, the less money it takes.” When Kiyosaki talks about getting an education, he means financial literacy, or the ability to read numbers. He is especially talking about accounting, which he calls one of the most boring subjects in the world.

Because he knew how difficult it is to teach accounting and investing, he developed a financial board game called CASHFLOW to help people understand how to manage their money. He says the game will improve your financial intelligence and help you to think like the rich. The goal, he says, is to get you out of the rat race of getting a good job so you can pay all your bills. Kiyosaki says that CASHFLOW often reveals the way you are actually handling your finances and provides you insights into what you should do differently. He notes that while most people love the game, others become frustrated with it because it tends to reveal undesirable real-life money habits.

Kiyosaki has specific advice for people who want to achieve success. In his book *Rich Dad, Poor Dad*, he has two suggestions. First, he says that you should not get into large debt positions. Keep your expenses low and build up assets, then buy the nice house or car. Second, don’t dip into your investments or savings account when you are running low on money. The pressure will help you to find new ways to make money and pay your bills.

Kiyosaki knows what it's like to be poor. After starting his own business and becoming a millionaire by the age of 30, he lost everything he owned after his business partner siphoned off millions from the company. His biggest mistake: not paying attention to the numbers on the financial statements, a mistake he vowed never to repeat.

At the age of 37, Kiyosaki and his wife spent the next nine months homeless and dependent on the generosity of friends. Even though Kiyosaki had the intelligence and technical knowledge to be successful, he lost faith in himself. It was the first time in his life he was afraid to take risks. He finally understood why people with so much intelligence and knowledge failed to make it in the real world. The reason is simple: fear.

Kiyosaki believes it is fear that prevents many people from realizing their dreams and becoming wealthy. He says there is nothing wrong with being afraid to lose money. What is important is how you handle the fear. "Fear inspires winners," says Kiyosaki. The mistake people make is they play it too safe because they are so afraid to lose. Instead of playing to win, they play not to lose. The bottom line, he writes, is that instead of giving up, get inspired by failure or the fear of failure.

To help overcome his own fears, Kiyosaki went back to the basics: setting a goal, writing a business plan, and letting nothing get in the way of his goals. When he finally got enough nerve to start another business, it took four years before he made his second million. However, he was hesitant to call himself a success until he discovered he would never have to work again for the rest of his life, what he calls true financial freedom.

He considers his past mistakes as useful learning experiences. "I eventually made more money because I learned from my mistakes. However, it took a million-dollar sledge hammer for me to learn the lesson. When bad things happen to you, you can take it as a punishment or as a lesson. I took it as a lesson."

To further help people gain financial freedom, Kiyosaki wrote a second book, *CASHFLOW Quadrant*. He diagrams the different ways people make money. On one side are the employees and self-employed. On the other side are investors and business owners. The goal, of course, is to move from one quadrant to the other. Kiyosaki says there are a number of reasons that prevent people from becoming independently wealthy, or moving from the E quadrant (employee) to the B quadrant (business owner) and I quadrant (investor).

In the end, he says the answer lies within you. It also means getting a financial re-education and having the courage to think and act differently about the way you manage your money. Kiyosaki believes you should also teach your children everything you know about finances. He points out that even as a young boy, millionaire Donald Trump went door-to-door, collecting the rent for his father. And just as Kiyosaki learned from his rich father, teach your children how to manage a stock portfolio and buy real estate.

Kiyosaki believes the world is in for some huge changes as we move from the industrial to the information age. One of the biggest changes Kiyosaki sees in America is the shift from the defined benefit plan to the defined contribution plan, a shift primarily to the 401(k). "The 401(k) is both a blessing and a downfall," he contends. "In a defined benefit plan, the company contributes on your behalf and manages the investments for you, while a 401(k) plan is voluntary. What you are going to have in 15 years is a lot of baby boomers who have nothing. They haven't contributed because they didn't have the money to contribute. They need the cash today, not in 15 years. If you look at the ratios, some people are consuming as much as is coming in because they are counting on credit cards."

The combination of people not contributing to their 401(k) plan and millions of amateurs managing their own investments concerns Kiyosaki. He feels it won't take much for novice investors to panic. The most likely scenario, according to Kiyosaki, is that investors will succumb to the Y2K fears and start pulling all their money out of the market, causing an unstoppable chain reaction. "It's what George Soros calls reflective reaction.

When one guy starts to sell, everyone sells.

It is not the Y2K computer programming that is scary, it's the panic. You don't know where people are going to run. Remember, Y2K is an actual date. This is not the time to be buying the house of your dreams. It is not the time to accrue long-term liabilities. Many smart investors are staying to the side, at least until February." Kiyosaki comments that a number of investors have moved primarily to cash until the fear over Y2K subsides. "I've taken that elevator ride twice. It's horrifying. It affects your thinking." Kiyosaki points out, however, that whether the market goes up or down, his goal is to educate people how to benefit financially.

Kiyosaki is still very positive about the future, primarily because there will be so many opportunities to make money. He says that people often fail to see these opportunities. That is why Kiyosaki is always on the lookout for good deals, the type of deals that are hard to find in today's market. By using your financial intelligence, he believes you can always come up with new ways to make more money. He says you can take the lemons that life sometimes gives you and turn it into millions. "You never have to lose in investing as long as you understand the deals. Within the next year, if you want to become rich, this will be the time."