



RICH DAD'S

INCREASE YOUR
FINANCIAL

IQ

GET SMARTER
WITH YOUR MONEY

INTERNATIONAL BESTSELLING AUTHOR

ROBERT T. KIYOSAKI

Foreword by Donald J. Trump



INCREASE YOUR FINANCIAL IQ

*Get Smarter
with Your Money*

By Robert T. Kiyosaki

Special Thanks to Jake Johnson
for collaborative editorial work



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PLUS**

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Foreword

I first met Robert Kiyosaki in 2004. We wrote a bestselling book together in 2006. As we head into 2008, it's become even clearer to me that what Robert talks about and teaches is more important than ever. Financial education is crucial to this country at this point, and Robert's acumen in this area cannot be disputed.

Just look at what was discussed in our book, *Why We Want You To Be Rich*, and then take a look at what has happened since then. I'd say we knew what we were talking about. Robert is taking you one step further with *Rich Dad's Increase Your Financial IQ* and I have every reason to believe he will be as prescient as we were in 2006. I would advise you to pay attention to what he has to say.

Robert and I have shared concerns and we have traveled similar paths as teachers and businessmen. Both of us had rich dads who helped to shape our lives, our spirits, and our many successes. We are both entrepreneurs and real estate investors, and we are successful because we had financial education. We know its importance and are serious when it comes to financial literacy. Robert has said, "It's financial education that enables people to process financial information and turn it into knowledge . . . and most people don't have the financial education they need to take charge of their lives." I couldn't agree more.

One thing I noticed immediately about Robert is that he is not complacent. He's very successful already—because he loves what he's doing. That's another thing we have in common. That's fortunate for you, because he has a lot of very good advice to give. As I said in *Why We Want You To Be Rich*, what's the point of having great knowledge and keeping it to yourself? Robert answers that question with every book he writes, and you're lucky he's sharing it with you.

One of the first steps to getting richer by getting smarter with your money is to take advantage of opportunities when they present themselves. Right now you are holding a great opportunity. My advice to you is to read *Rich Dad's Increase Your Financial IQ* and to pay attention. You will be on the right path to financial freedom, and on the right path to big success. By the way, don't forget to Think Big. We'll see you in the winner's circle.

Donald J. Trump

Author's Note

Money Is Not Evil

One of the greatest failures of the educational system is the failure to provide financial education to students. Educators seem to think that money has some sort of quasi-religious or cultlike taint to it, believing that *the love of money is the root of all evil*.

As most of us know, it is not the love of money that is evil—it is the lack of money that causes evil. It is working at a job we hate that is evil. Working hard yet not earning enough to provide for our families is evil. For some, being deeply in debt is evil. Fighting with people you love over money is evil. Being greedy is evil. And committing criminal or immoral acts to get money is evil. Money by itself is not evil. Money is just money.

Your House Is Not an Asset

The lack of financial education also causes people to do stupid things or be misled by stupid people. For example, in 1997, when I first published *Rich Dad Poor Dad* and stated that “Your house is not an asset . . . your house is a liability,” howls of protest went up. My book and I were severely criticized.

Many self-proclaimed financial experts attacked me in the media. Ten years later, in 2007, as the credit markets crumbled and millions of people were in financial free fall—many losing their homes, some declaring bankruptcy, others owing more on their house than it was worth as real estate dropped in value—these individuals painfully found out that their homes *are indeed liabilities*, not assets.

Two Men, One Message

In 2006, my friend Donald Trump and I wrote a book entitled *Why We Want You To Be Rich*. We wrote about why the middle class was falling behind and what we thought the causes of the decline were. We said that many of the causes were in the global, government, and financial markets. This book was also attacked by the financial media. But by 2007, most of what we said had come true.

Obsolete Advice

Today, many financial experts continue to recommend, “Work hard, save money, get out of debt, live below your means, and invest in a well-diversified portfolio of mutual funds.” The problem with this advice is that it is *bad advice*—simply because it is *obsolete advice*. The rules of money have changed. They changed in 1971. Today there is a new capitalism. Saving money, getting out of debt, and diversifying worked in the era of old capitalism. Those who follow the “work hard and save money” mantra of *old capitalism* will struggle financially in the era of *new capitalism*.

Information vs. Education

It is this author's opinion that the lack of financial education in our school systems is a cruel and evil shame. In today's world, financial education is absolutely essential for survival, regardless of whether we are rich or poor, smart or not smart.

As most of us know, we now live in the Information Age. The problem with the Information Age is *information overload*. Today, there is too much

information. The equation below explains why financial education is so important.

$$\text{Information} + \text{Education} = \text{Knowledge}$$

Without financial education, people cannot process information into useful knowledge. Without financial knowledge, people struggle financially. Without financial knowledge, people do things such as buy a house and think their home is an asset. Or save money, not realizing that since 1971, their money is no longer money but a currency. Or do not know the difference between good debt and bad debt. Or why the rich earn more yet pay less in taxes. Or why the richest investor in the world, Warren Buffett, does not diversify.

Leaping Lemmings

Without financial knowledge, people look for someone to tell them what to do. And what most financial experts recommend is to work hard, save money, get out of debt, live below your means, and invest in a well-diversified portfolio of mutual funds. Like lemmings simply following their leader, they race for the cliff and leap into the ocean of financial uncertainty hoping they can swim to the other side.

This Book Is Not about Financial Advice

This book will not tell you what to do. This book is not about financial advice. This book is about your becoming financially smarter so you can process your own financial information and find your own path to financial nirvana.

In sum, this book is about becoming richer by becoming smarter. This book is about increasing your financial IQ.

Introduction

Does Money Make You Rich?

The answer is *No*. Money alone does not make you rich. We all know people who go to work every day, working for money, making more money, but fail to become richer. Ironically, many only grow deeper in debt with each dollar they earn. We have all heard stories of lottery winners, instant millionaires, who are instantly poor again. We have also heard stories of real estate going into foreclosure. Instead of making homeowners richer, more financially secure, real estate drives homeowners out of their homes and into the poorhouse. Many of us know of individuals who have lost money investing in the stock market. Maybe you are one of those individuals. Even investing in gold—the world's only real money—can cost the investor money.

Gold was my first real investment as a young adult. I began investing in gold before I began investing in real estate. In 1972, at the age of twenty-five, I began buying gold coins when gold was approximately \$70 an ounce. By 1980, gold was approaching \$800 an ounce. The frenzy was on. Greed overtook caution. Rumors were that gold was going to hit \$2,500 an ounce. Greedy investors began piling on, buying gold, even though they had never

done so before. But instead of selling some of my gold coins and making a small profit, I hung on, also hoping that gold would go higher. About a year later, as gold dropped below \$500 an ounce, I finally sold my last coin. From 1980, I watched as gold drifted lower and lower till it finally bottomed out at \$250 in 1999.

Although I did not make much money, gold taught me many priceless lessons about money. Once I realized that I could lose money investing in real money, gold, I realized that it was not gold, the asset, that was valuable. It was the *information* relative to the asset that ultimately made a person rich or poor. In other words, *it is not real estate, stocks, mutual funds, businesses, or money that makes a person rich. It is information, knowledge, wisdom, and know-how, a.k.a. financial intelligence, that makes one wealthy.*

Golf Lessons or Golf Clubs

A friend of mine is a golfing fanatic. He spends thousands of dollars a year on new clubs and every new golf gadget that comes to market. The problem is, he will not spend a dime on golf lessons. Hence his golf game remains the same, even though he has the latest and greatest in golf equipment. If he invested his money in golf lessons and used last year's clubs, he might be a much better golfer.

The same nutty phenomenon occurs in the game of money. Billions of people invest their hard-earned money in assets such as stocks and real estate, but invest almost nothing in information. Hence their financial scores remain about the same.

Not a Magic Formula

This book is not a get-rich-quick book or a book about some magic formula. This book is about increasing your financial intelligence, your financial IQ. It is about getting richer by getting smarter. It is about the *five basic financial intelligences* that are required to grow richer, regardless of what the economy, stocks, or real estate markets are doing.

The New Rules of Money

This book is also about the new rules of money, rules that changed in 1971. It is because of these changes in the rules that the old rules are obsolete. One of the reasons why so many people are struggling financially is because they continue to operate according to the old rules of money, old rules such as *work hard, save money, get out of debt, invest for the long term in a well-diversified portfolio of stocks, bonds, and mutual funds*. This book is about playing by the *new rules* of money, but to do so requires increasing your financial intelligence and your financial IQ.

After reading this book, you will be better able to determine if it is better for you to play by the *old rules* or the *new rules* of money.

Finding Your Financial Genius

Chapter nine of this book is about finding your financial genius by utilizing all three parts of your brain. As most of us know, the three parts of our brain are the left, right, and subconscious brain.

The reason most people do not become rich is because the subconscious brain is the most powerful of the three parts. For example, people may study real estate and know exactly what to do via their left and right brains, but the powerful subconscious part of their brains can take control, saying, “Oh, that’s too risky. What if you lose your money? What if you make a mistake?” In this example, the emotion of fear is causing the subconscious brain to work against the desires of the left and right brain. Simply said, to develop your financial genius it is important to first know how to get all three parts of your brain to work in harmony rather than against each other. This book will explain how you can do that.

In Short

Many people believe that it takes money to make money. This is not true. Always remember that if you can lose money investing in gold, you can lose

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money in anything. Ultimately, it is not gold, stocks, real estate, hard work, or money that makes you rich—*it is what you know* about gold, stocks, real estate, hard work, and money that makes you rich. Ultimately, it is your financial intelligence, your financial IQ, that makes you rich.

Please read on and become richer by becoming smarter.

Chapter 1

What Is Financial Intelligence?

When I was five years old, I was rushed to the hospital for emergency surgery. As I understand it, I had a serious infection in my ears, a complication from chicken pox. Although it was a frightening experience, I have a cherished memory of my dad, my younger brother, and my two sisters standing on the lawn outside the hospital window waving to me as I lay in bed recovering. My mom was not there. She was at home, bedridden, struggling with a weak heart.

Within a year, my younger brother was taken to the hospital after falling from a ledge in the garage and landing on his head. My younger sister was next. She needed an operation on her knee. And the youngest, my sister Beth, a newborn baby, had a severe skin disorder that continually baffled the doctors.

It was a tough year for my dad, and he was the only one out of six not to succumb to a medical challenge. The good news is that we all recovered and lived healthy lives. The bad news was the medical bills that kept coming.

My father may not have become ill that year, but he did contract a crippling malady—overwhelming medical debt.

At the time, my dad was a graduate student at the University of Hawaii. He was brilliant in school, receiving his bachelor's degree in just two years, and had dreams of one day becoming a college professor. Now with a family of six, a mortgage, and high medical bills to pay, he let go of his dream and took a job as an assistant superintendent of schools in the little town of Hilo, on the Big Island of Hawaii. Just so he could afford to move our family from one island to another he had to get a loan from his own father. It was a tough time for him and for our family.

Although he did achieve tremendous professional success and was finally awarded his doctorate degree, I suspect not realizing his dream of becoming a college professor haunted my father until his dying days. He often said, "When you kids are out of the house, I'm going back to school and doing what I love—teaching."

Instead of teach, however, he eventually became the superintendent of education for the state of Hawaii, an administrative post, and then ran for lieutenant governor and lost. At the age of fifty, he was suddenly unemployed. Soon after the election, my mom suddenly died at the age of forty-eight due to her weak heart. My father never recovered from that loss.

Once again, money problems piled up. Without a job, he decided to withdraw his retirement savings, and invested in a national ice-cream franchise. He lost all his money.

As he grew older my father felt he was left behind by his peers; his life's career was over. Without his job as the head of education, his identity was gone. He grew angrier at his rich classmates who had gone into business, rather than education as he did. Lashing out, he often said, "I dedicated my life to educating the children of Hawaii, and what do I get? Nothing. My fat-cat classmates get richer, and what do I get? Nothing."

I will never know why he did not go back to the university to teach. I believe it was because he was trying very hard to become rich quickly and to make up for lost time. He wound up chasing flakey deals and hanging out with fast-talking con men. None of his get-rich-quick ventures succeeded.

If not for a few odd jobs and Social Security, he might have had to move in with one of the kids. A few months before he died of cancer at the age of

seventy-two, my father pulled me close to his bedside and apologized for not having much to leave his children. Holding his hand, I put my head on his hand and we cried together.

Not Enough Money

My poor dad had money problems all his life. No matter how much money he made, his problem was *not enough money*. His inability to solve that problem caused him great pain up till he died. Tragically, he felt inadequate, both professionally and as a father.

Being from the world of academics, he did his best to push his financial problems aside and dedicate his life to a higher cause than money. He did his best to assert that money did not matter, even when it did. He was a great man, a great husband and father, and a brilliant educator; yet it was this thing called money that often called the shots, silently hounded him, and, sadly, towards the end, was the measure he used to evaluate his life. As smart as he was, he never solved his money problems.

Too Much Money

My rich dad, who began to teach me about money at the age of nine, also had money problems. He solved his money problems differently than my poor dad. He acknowledged that money did matter, and because he realized that, he strove to increase his financial intelligence at every chance. To him that meant tackling his money problems head-on and learning from the process. My rich dad was not nearly as academically smart as my poor dad, but because he solved his money problems differently, and increased his financial intelligence, my rich dad's money problem was *too much money*.

Having two dads, one rich and one poor, I learned that rich or poor, we all have money problems.

The money problems of the poor are:

1. Not having enough money.
2. Using credit to supplement money shortages.
3. The rising cost of living.

4. Paying more in taxes the more they make.
5. Fear of emergencies.
6. Bad financial advice.
7. Not enough retirement money.

The money problems of the rich are:

1. Having too much money.
2. Needing to keep it safe and invested.
3. Not knowing whether people like them, or their money.
4. Needing smarter financial advisors.
5. Raising spoiled kids.
6. Estate and inheritance planning.
7. Excessive government taxes.

My poor dad had money problems all his life. No matter how much money he made, his problem was *not enough money*. My rich dad also had money problems. His problem was *too much money*. Which money problem do you want?

Poor Solutions to Money Problems

Learning at an early age that we all have money problems, no matter how rich or how poor we are, was a very important lesson for me. Many people believe that if they had a lot of money, their money problems would be over. Little do they know that having lots of money just causes even more money problems.

One of my favorite commercials is for a financial services company and starts with the rapper MC Hammer dancing with beautiful women, a Bentley and a Ferrari, and a grossly oversized mansion behind him. In the background, high-end specialty goods are being moved into the mansion. MC Hammer's one-hit wonder, "U Can't Touch This," is playing as all this is happening. Then the screen goes black and displays the words "15 minutes later." The next scene is MC Hammer sitting on a curb in front of the same

ridiculous mansion, his head in his hands, next to a sign that reads “FORECLOSED.” The announcer says, “Life comes at you fast. We’re here to help.”

The world is full of MC Hammers. We all have heard of lottery winners who win millions and then are deeply in debt a few years later. Or the young professional athlete who lives in a mansion while he is playing and then lives under a bridge once his playing days are over. Or the young rock star who is a multimillionaire in his twenties and looking for a job in his thirties. (Or the rapper who is peddling financial services that he was probably *already* using when he lost his money.)

Money alone does not solve your money problems. That is why giving poor people money does not solve their money problems. In many cases, it only prolongs the problem and creates more poor people. Take for instance the idea of welfare. From the time of the Great Depression until 1996, the government guaranteed money to the nation’s poor regardless of personal circumstance. All you had to do was qualify for the poverty requirements to receive a government check—perpetually. If you showed initiative, got a job, and earned more than the poverty requirement, the government cut off your benefits. Of course, the poor then had other costs associated with working that they didn’t have before, such as uniforms, child care, transportation, etc. In many cases they ended up with less money than before they had a job, and less time. The system benefited those who were lazy and punished those who showed initiative. The system created more poor people.

Hard work doesn’t solve money problems. The world is filled with hardworking people who have no money to show for it, hardworking people who earn money, yet grow deeper in debt, needing to work even harder for even more money.

Education does not solve money problems. The world is filled with highly educated poor people. They’re called socialists.

A job does not solve money problems. For many people, the letters J.O.B. stand for *just over broke*. There are millions who earn just enough to survive but cannot afford to live. Many people with jobs cannot afford their own home, adequate health care, education, or even set aside enough money for retirement.

What Solves Money Problems?

Financial intelligence solves money problems. In simple terms, financial intelligence is that part of our total intelligence we use to solve financial problems. Some examples of very common money problems are:

1. "I don't earn enough money."
2. "I'm deeply in debt."
3. "I can't afford to buy a home."
4. "My car is broken. How do I find the money to fix it?"
5. "I have \$10,000. What should I invest in?"
6. "My child wants to go to college, but we don't have the money."
7. "I don't have enough money for retirement."
8. "I don't like my job, but I can't afford to quit."
9. "I'm retired, and I'm running out of money."
10. "I can't afford the surgery."

Financial intelligence solves these and other money problems. Unfortunately, if our financial intelligence is not developed enough to solve our problems, the problems persist. They don't go away. Many times they get worse, causing even more money problems. For example, there are millions of people who do not have enough money set aside for retirement. If they fail to solve that problem, the problem will get worse, as they grow older and require more money for medical care. Like it or not, money does affect lifestyle and quality of life—as well as afford conveniences and hassle-free choices. The freedom of choice that money offers can mean the difference between hitchhiking or taking the bus . . . or traveling by private jet.

Solving Money Problems Makes You Smarter

When I was a young boy, rich dad said to me, "Money problems make you smarter . . . if you solve the problem." He also said, "If you solve your money problem, your financial intelligence grows. When your financial intelligence grows, you become richer. If you *do not* solve your money problem, you become poorer. If you do not solve your money problem, that problem often

grows into more problems.” If you want to increase your financial intelligence, you need to be a problem-solver. If you don’t solve your money problems you will never be rich. In fact, you will become poorer the longer the problem persists.

Rich dad used the example of having a toothache to illustrate what he meant by a problem leading to other problems. He said, “Having a money problem is like having a toothache. If you do not handle the toothache, the toothache makes you feel bad. If you feel bad, you may not do well at work because you are irritable. Not fixing the toothache can lead to further medical complications because it is easy for germs to breed and spread from your mouth. One day you lose your job because you have been missing work due to your chronic illness. Without a job, you cannot pay your rent. If you fail to solve the problem of rent money, you are on the street, homeless, in poor health, eating out of garbage cans, *and* you still have the toothache.”

While an extreme example, that story stayed with me. I realized at a young age the importance of solving problems, and the domino effect caused from not solving a problem.

Many people do not solve their financial problems when they are small and at the toothache stage. Instead of solving the problem they make it worse by ignoring it or not solving the root of the problem. For example, when short of money, many people use their credit cards to cover the shortfall. Soon they have credit card bills piling up and creditors hounding them for payment. To solve the problem, they take out a home equity loan to pay off their credit cards. The problem is they keep using the credit cards. Now they have a home equity mortgage to pay off and *more* credit cards.

To solve this credit problem, they get new credit cards to pay off the old credit cards. Feeling depressed because of mounting money problems, they use the new credit cards to take a vacation. Soon they cannot pay their mortgage or their credit cards, and decide to declare bankruptcy. The trouble with declaring bankruptcy is that the root of the problem is still there, just like the toothache. The root of the problem is a lack of financial intelligence, and the problem caused by a lack of financial intelligence is an inability to solve simple financial problems. Rather than address the root of the problem—spending habits, in this case—many ignore the problem. If you don’t pull a weed

up by the root, and only cut off the top, it will come back quicker and bigger. The same is true for your financial problems.

While these examples may seem extreme, they are not uncommon. The point is that financial problems are a *problem*, but they are a *solution* as well. If people solve problems they get smarter. Their financial IQ goes up. Once smarter, they can now solve bigger problems. If they can solve bigger financial problems they get richer.

I like to use math as an example. Many people hate math. As you know, if you do not do your math homework (practicing solving math problems), you can't solve math problems. If you can't solve math problems, you can't pass the math test. If you can't pass the math test, you get an F for your math course. Getting an F in your math course means you can't graduate from high school. Now the only job you can get is at McDonald's earning minimum wage. This is an example of how one small problem can turn into one big problem.

On the other hand, if you diligently practice solving math problems, you become more and more intelligent, and able to solve more complex equations. After years of hard work, you are a math genius, and things that seemed hard before are now simple. We all have to start at $2 + 2$. Those who succeed don't stop there.

The Cause of Poverty

Poverty is simply having more *problems* than *solutions*. Poverty is caused by a person's being overwhelmed by problems he or she can't solve. Not all causes of poverty are financial problems. They can be problems like drug addiction, marrying the wrong person, living in a crime-ridden neighborhood, not having job skills, not having transportation to get to work, or not being able to afford health care.

Some of today's financial problems, such as excessive debt and low wages, are caused by circumstances beyond an individual's ability to solve, problems that have more to do with our government and a smoke-and-mirrors economy.

For example, one of the causes of low wages is high-paying manufacturing jobs moving overseas. Today there are plenty of jobs, but they are in the

service sector, not manufacturing. When I was a kid, General Motors was the nation's largest employer. Today Wal-Mart is the nation's biggest employer. We all know that Wal-Mart isn't known for its high-paying jobs—or its generous pensions.

Fifty years ago, it was possible for a person without much education to do well financially. Even if you had only a high school degree, a young person could get a relatively high-paying job manufacturing cars or steel. Today, it's manufacturing burgers.

Fifty years ago, the manufacturing companies provided health care and retirement benefits. Today, millions of workers are earning less, while at the same time needing more money to cover their own medical expenses and save enough for retirement. Every day these financial problems are not solved, they grow bigger. And they stem from a larger national problem that is beyond the power of the individual to change or solve. They stem from poor economic policies and cronyism.

The Rules of Money Have Changed

In 1971, President Nixon took us off the gold standard. This was a poor economic policy that changed the rules of money. It is one of the biggest financial changes in the history of the world, yet few people are aware of this change and its effect on the world economy today. One of the reasons so many people are struggling financially today is because of Nixon's actions.

In 1971, the U.S. dollar died because it was no longer money—it became a currency. There is a big difference between money and currency.

The word “currency” comes from the word “current,” like an electrical or an ocean current. The word means *movement*. In overly simple terms, a currency needs to keep moving. If it stops moving, it rapidly loses value. If the loss of value is too great, people stop accepting it. If people stop accepting it, the value of the currency plummets to zero. After 1971, the U.S. dollar began moving to zero.

Historically, all currencies eventually go to zero. Throughout history, governments have printed currencies. During the Revolutionary War, the U.S. government printed a currency known as the Continental. It was not long before this currency went to zero.

After World War I, the German government printed a currency in hopes of paying its bills. Inflation exploded and the German middle class had its savings wiped out. In 1933, frustrated and broke, the German people elected Adolf Hitler to power in the hopes he would solve their financial problems.

Also in 1933, Franklin Roosevelt created Social Security to solve the money problems of the American people. Although very popular, Social Security and Medicare are financial disasters about to erupt into massive financial problems. If the U.S. government prints more funny money, i.e. currency, to solve these two massive financial problems, the value of the U.S. dollar will die faster, and the financial problem will get bigger. This is not a future problem. It is happening now. According to a recent report by Bloomberg, the U.S. dollar has lost 13.2 percent of its purchasing power since George W. Bush took office in January 2001.

Nixon's change in the U.S. dollar is one of the reasons so many people are in debt, just as the U.S. government is in debt. When the rules of money changed in 1971, savers became losers, and debtors became winners. A new form of capitalism emerged. Today, when I hear people saying, "You need to save more money," or "Save for retirement," I wonder if the person realizes that the rules of money have changed.

Under the old rules of capitalism, it was financially smart to save *money*. But in the new capitalism, it's financial insanity to save a *currency*. It makes no sense to park your currency. In the new capitalism, currency must keep moving. If a currency stops flowing, it becomes worth less and less. A currency, like an electrical current, must move from asset to asset as quickly as possible. A currency's purpose is to acquire assets, assets that are either appreciating in value or producing cash flow. A currency must move quickly to acquire real assets with real value because the currency itself is rapidly declining in value. Prices of real assets such as gold, oil, silver, housing, and stocks inflate in price because the value of the currency is declining. Their inherent value does not change, only the amount of currency it takes to acquire them.

Gresham's law states, "When bad money comes into circulation, good money goes into hiding." In 1971, the U.S. began flooding the world with funny money—bad money. In the new capitalism, it actually makes more sense to borrow today and pay back with cheaper dollars tomorrow. The

U.S. government does it. Why shouldn't we do it? The U.S. government is in debt. Why shouldn't we be in debt? When you cannot change a system, the only way to succeed is to manipulate it.

Because of the 1971 change in money, housing prices have soared as the purchasing power of the dollar has plunged. Stock markets rise because investors are seeking safe havens for their dollars. While economists call this *inflation*, it's really *devaluation*. It makes homeowners feel more secure because their home's value appears to go up. In reality, the purchasing power of the dollar goes down as the net worth of homeowners appears to go up. Higher home prices and lower wages, however, make it harder for young people to buy their first home. If young people do not recognize that the rules of money have changed they will be far worse off than their parents as the U.S. currency continues to devalue.

Another Change in the Rules of Money

Another change in the rules of money occurred in 1974. Prior to 1974, businesses took care of an employee's retirement. They guaranteed the retiree a paycheck for as long as the retiree lived. As you probably already know, that is not the case any longer.

Pension plans that pay an employee for life are called defined benefit, or DB, pension plans. Today, very few companies offer these plans. They are simply too expensive. After 1974, a new type of pension plan emerged, the defined contribution (DC) plan. Today such plans are known as 401(k)s, IRAs, Keoghs, etc. Simply put, a DC plan has no guarantee of a paycheck for life. You only get back what you and your employer contribute . . . if you and your employer contribute anything.

The newspaper *USA Today* found in a survey that the greatest fear in America today is not terrorism, but the fear of running out of money during retirement. One of the reasons for this pervasive fear can be traced back to the 1974 change in the rules of money. And the fear is valid. The U.S. education system doesn't equip its citizens with the financial knowledge required to successfully invest for retirement. If schools teach anything about money, they teach kids to balance their checkbooks, pick a few mutual funds, and pay bills on time—hardly enough financial education to handle the financial

problems we face. Beyond that, most people don't realize that the rules of money have changed and that if they are savers, they are losers. Underfunded retirement plans will be the next major U.S. economic crisis.

Government Safety Nets?

This lack of a secure financial future led to Social Security and Medicare, government safety nets created to solve financial problems for people who do not know how to solve their own problems. Both plans are bankrupt. Medicare is already operating in the red. Social Security will soon be operating in the red. In 2008, the first of 78 million baby boomers begin to retire, and most of them do not have enough retirement income to survive on. According to the U.S. government, the obligations for Social Security are approximately \$10 trillion, and the obligation for Medicare is \$64 trillion. If these numbers are accurate, that means the \$74 trillion owed to retirees by the U.S. government is more money than all the money available in all the world's stock markets. This is a big problem that needs financial intelligence to solve. Throwing more money at the problem will only make it worse. It may even collapse the entire system of funny money, sending the dollar closer to zero.

Why the Rich Get Richer

That the rules of money changed, that those changes make you poorer, and that they are out of your control may seem unfair. And it is. The key to becoming rich is to recognize that the system is unfair, learn the rules, and use them to your advantage. This takes financial intelligence, and financial intelligence can *only* be achieved by solving financial problems.

Rich dad said, "The rich get richer because they learn to solve financial problems. The rich see financial problems as opportunities to learn, to grow, to become smarter, and to become richer. The rich know that the higher their financial IQ, the bigger the problem they can handle, hence the more money they make. Instead of running, avoiding, or pretending money problems do not exist, the rich welcome financial problems because they know that problems are opportunities to become smarter. That is why they get richer."

How the Poor Handle Money Problems

When it came to describing the poor, rich dad said, “The poor see money problems only as problems. Many feel they are *victims of money*. Many feel they are the *only* ones with money problems. They think that if they had more money, their money problems would be over. Little do they know that their attitude towards money problems *is* the problem. Their attitude creates their money problems. Their inability to solve, or avoidance of them, only prolongs their money problems and makes them bigger. Instead of becoming richer, they become poorer. Instead of increasing their financial IQ, the only thing the poor increase is their financial problems.”

How the Middle Class Handle Money Problems

While the poor are the victims of money, the middle class are prisoners of money. In describing the middle class, rich dad said, “The middle class solve their money problems differently. Instead of solving the money problem, they think they can *outsmart their money problems*. The middle class will spend money to go to school, so they can get a secure job. Most are smart enough to earn money and put up a firewall, a buffer zone, between them and their money problems. They buy a house, commute to work, play it safe, climb the corporate ladder, and save for retirement by buying stocks, bonds, and mutual funds. They believe their academic or professional education is enough to insulate them from the cruel, harsh world of money.

“At the age of fifty,” said rich dad, “many middle-aged people discover that they are a prisoner in their own office. Many are valued employees. They have experience. They earn enough money, and have enough job security. Yet deep down they know they are trapped financially, and they lack the financial intelligence to escape from their office prison. They look forward to surviving fifteen more years when, at age sixty-five, they can retire and then begin to live, on a leaner budget, of course.”

Rich dad said, “The middle class think they outsmart their money problems by being smart academically and professionally. Most lack financial education, which is why most tend to value financial security rather than take on financial challenges. Instead of becoming entrepreneurs, they work for

entrepreneurs. Instead of investing, they turn their money over to financial experts to manage their money. Instead of increasing their financial IQ, they stay busy, hiding in their offices.”

How the Rich Handle Money Problems

When looking at financial intelligence, it becomes easy to see that there are *five core intelligences* an individual must develop to become rich. This book is about those five financial intelligences.

This book is also about integrity. When most people think of the word “integrity,” they think of it as an ethical concept. That is not what I mean when I use the word. Integrity is wholeness. According to *Webster’s*, it is “the quality or state of being complete or undivided.” A person who has mastered the five financial intelligences I write about in this book has achieved financial integrity.

When the rich have money problems, they use their financial integrity, developed through many years of facing and solving problems with the five financial intelligences, to solve those problems. If the rich don’t know the answer to their money problems, they don’t walk away and throw in the towel. They seek out experts who can help them solve their problems. In the process, they become financially more intelligent and are that much more equipped to solve the next problem when it comes around. The rich don’t quit. They learn. And by learning, they grow richer.

Solving Other People’s Financial Problems

Rich dad also said, “Many people work for rich people, solving rich people’s money problems.” For example, an accountant goes to work to count the rich person’s money. The salesperson sells the rich person’s products. The office manager manages the rich person’s business. The secretary answers the rich person’s phones and treats the rich person’s customers respectfully. The maintenance man keeps the rich person’s buildings and machines running smoothly. A lawyer protects the rich person from other lawyers and lawsuits. A CPA protects the rich person’s money from taxes. And the banker keeps the rich person’s money safe.

What rich dad was getting at was that most people work at solving other people's money problems. But who solves the worker's money problems? Most people go home and are faced with many problems, money being one of them. If a person fails to handle his or her money problems at home, the problem, like a toothache, leads to other problems.

Many of the poor and middle class work for the rich and then fail to solve their own money problems at home. Instead of looking at financial problems as opportunities to get smarter, they go home, sit in the lawn chair, have a drink, put a steak on the grill, and watch TV. The next morning, they return to work once again solving someone else's problems and making someone else richer.

Poor Dad's Solution

My poor dad tried to solve his money problems by going back to school. He liked school. He did well in school, and felt safe. He obtained higher degrees, and became a PhD. With advanced degrees, he looked for a higher-paying job. He tried to outsmart his money problems by becoming academically and professionally smarter, but failed to become financially smarter. He was a well-educated, hardworking man. Unfortunately, being well-educated and hardworking did not solve his money problems. His money problems only grew bigger as his income went up because he avoided financial problems. He tried to solve his financial problems with academic and professional solutions.

Rich Dad's Solution

My rich dad looked for financial challenges, which is why he started businesses and actively invested. Many people thought he did what he did only to make more money. In reality, he did what he did because he loved financial challenges. He looked for financial problems to solve, not just for the money, but to make him smarter and to increase his financial IQ. Rich dad often used the game of golf as a metaphor to explain his money philosophy. He would say, "Money is my score. My financial statement is my scorecard. Money and my financial statement tell me how smart I am and how well I am

playing the game.” Simply put, rich dad got richer because the game of money was his game . . . and he wanted to be the best he could be at his game. As he got older, he got better at his game. His financial IQ went up and the money poured in.

Playing the Game

In the following chapters, I will go into the five financial intelligences people need to develop if they want to increase their financial IQ and achieve financial integrity. While developing the five financial intelligences may not be easy and may take a lifetime to develop, the good news is that very few people know of the five financial intelligences, much less have the drive to develop their financial IQ and improve their score. Just by knowing these intelligences you are better equipped than 95 percent of society to solve your money problems.

Personally, my days are dedicated to increasing the five financial intelligences. For me, my financial education never stops. At the start, my process to increase my financial IQ was difficult and clumsy . . . just like my golf game. There was a lot of failure, a lot of money lost, a lot of frustration, and a lot of personal doubt.

At first, my classmates made more money than me. Today, I make much more money than most of my classmates. While I do enjoy the money, I work primarily for the challenge. I love learning. I work because I love the game of money, and I want to be the best I can be at my game. I could have retired a long time ago. I have more than enough money. But what would I do if I retired? Play golf? Golf is not my game. Golf is what I do for fun. Business, investing, and making money is my game. I love my game. I am passionate about the game. So if I retired, I would lose my passion, and what is life without passion?

Who Should Play the Game of Money?

Do I think everyone should play this game of money? *My answer is, like it or not, everyone is already playing the game of money.* Rich or poor, we are all involved in the game of money. The difference is some people play harder,

know the rules, and use them to their advantage more than others. Some people are more dedicated, more passionate, more committed to learning and to winning. When it comes to the game of money, most people are playing—if they know they are playing at all—not to lose rather than playing to win.

Since we are all involved in the game of money anyway, better questions may be:

- Are you a student of the game of money?
- Are you dedicated to winning the game?
- Are you passionate about learning?
- Are you willing to be the best you can be?
- Do you want to be as rich as you can be?

If you are, then read on. This book is for you. If you are not, there are easier books to read and easier games to play. For just as in the game of golf, there are many professional golfers but only a few *rich* professional golfers.

In Summary

In 1971 and 1974, the rules of money changed. These changes have caused massive financial problems worldwide, requiring greater financial intelligence to solve them. Unfortunately, our government and schools have not addressed these changes or the problems. So the financial problems today are monstrous. In my lifetime, America went from the richest country in the world to the biggest debtor nation in the world.

Many people hope the government will solve their financial problems. I do not know how the government can solve your problems when it cannot solve its own money problems. In my opinion, it is up to individuals to solve their own problems. The good news is that if you solve your own problems you get smarter and richer.

The lesson to be remembered from this chapter is that, rich or poor, we all have money problems. The only way to get rich and increase your financial intelligence is to actively solve your money problems.

The poor and middle class tend to avoid or pretend they do not have

money problems. The problem with this attitude is that their money problems persist, and their financial intelligence grows slowly, if at all.

The rich take on financial problems. They know that solving financial problems makes them smarter, and increases their financial IQ. The rich know that it is financial intelligence, not money, that ultimately makes you rich.

The problem with the poor and middle class is they don't have enough money. The rich have the problem of too much money. Both are real and legitimate problems. The question is, which problem do you want? If you want the problem of having too much money, read on.

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Robert T. Kiyosaki

Robert Kiyosaki, author of *Rich Dad Poor Dad* — *USA Today's* #1 Money Book for two years running and the international runaway best seller — is an investor, entrepreneur and educator whose perspectives on money and investing fly in the face of conventional wisdom. He has, virtually single-handedly, challenged and changed the way tens of millions, around the world, think about money.

In communicating his point of view on why 'old' advice — get a good job, work hard, save money, get out of debt, invest for the long term, and diversify — is 'bad' (both obsolete and flawed) advice, Robert has earned a reputation for straight talk, irreverence and courage.

Rich Dad Poor Dad ranks as the longest-running best seller on all four of the lists that report to *Publisher's Weekly* — *The New York Times*, *Business Week*, *The Wall Street Journal* and *USA Today* — and has held a top spot on the famed *New York Times* list for over five years.

Translated into 51 languages and available in 109 countries, the Rich Dad series has sold over 28 million copies worldwide and has dominated best sellers lists across Asia, Australia, South America, Mexico and Europe. In 2005, Robert was inducted into the Amazon.com Hall of Fame as one of that bookseller's Top 25 Authors. There are currently 13 books in the Rich Dad series.

Robert writes a monthly column — 'Why the Rich Are Getting Richer' — for *Yahoo! Finance* and a monthly column titled 'Rich Returns' for *Entrepreneur* magazine.

Prior to writing *Rich Dad Poor Dad*, Robert created the educational board game *CASHFLOW® 101* to teach individuals the financial and investment strategies that his rich dad spent years teaching him. It was those same strategies that allowed Robert to retire at age 47.

Today there are more than 3,300 CASHFLOW Clubs — game groups independent of The Rich Dad Company — in cities throughout the world.

Born and raised in Hawaii, Robert Kiyosaki is a fourth-generation Japanese-American. After graduating from college in New York, Robert joined the Marine Corps and served in Vietnam as an officer and helicopter gunship pilot. Following the war, Robert went to work in sales for the Xerox Corporation and, in 1977, started a company that brought the first nylon and Velcro 'surfer wallets' to market. He founded an international education company in 1985 that taught business and investing to tens of thousands of students throughout the world. In 1994 Robert sold his business and, through his investments, was able to retire at the age of 47. During his short-lived retirement he wrote *Rich Dad Poor Dad*. In Robert's words, "We go to school to learn to work hard for money. I write books and create products that teach people how to have money work hard for them."

Bestselling Books **by Robert T. Kiyosaki and Sharon L. Lechter**

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

Rich Dad's 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

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How to Get Rich Quickly and Stay Rich Forever

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Why the Biggest Stock Market Crash in History is Still Coming...
And How You Can Prepare Yourself and Profit From It!

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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"

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Why Slow Investors Lose and Fast Money Wins!

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