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JIM: Today I'm so happy to have Robert Kiyosaki with us, author of the famous book, Rich Dad Poor Dad, and it’s a book that I read many, many years ago and as my kids got older it was required reading material in our house and I have so much respect for you, Robert, and you’ve been educating people all over the country. I just love that book. As a matter of fact, I buy it in bulk and hand it out to clients that have teenagers and clients that probably need to read the book too because they haven’t been making very smart choices with their finances. They're all in, as you described, the rat race where they make the paycheck and they're spending it and then they get a raise and then they spend a little more and they just keep spend, spend, spend, spend, spend and never any focus on investment or saving. You’ve spoken to hundreds of thousands – I'm sure it’s millions of people by this time – trying to educate people on good sound financial education. In your opinion, Robert, what's financial education?

00:57

ROBERT: Well financial education – you read Rich Dad Poor Dad – begins with who is your teacher? Who are your teachers? For example, parents are the child’s most important teacher. You have Rich Dad Poor Dad and my poor dad was a professional teacher, a PhD, head of education for the State of Hawaii but he was a poor dad because he offered poor financial education. My rich dad was my best friend’s father and he was a man without much formal education but he was an entrepreneur and he saw the world through a different perspective. The most important thing in financial education is who is your financial teacher? I think that’s where it begins because your brain is your greatest asset or it could also be your greatest liability but your teachers are crucial.

01:40

JIM: I think this goes without saying but why is that important and especially today? I mean I look at some of the things that are going on today and I've just got to shake my head. I'm involved in a mortgage banking business and he's telling me they're handing out free candy again.

01:56

ROBERT: Oh of course, thank God. Negative interest rates in Japan and Europe, wonderful. We’re crashing. That’s unfortunate. We’re already in a recession but they don’t tell you that. The other thing about financial education is for the average person bad news is bad news but for the financially educated bad news is good news. I made more money after 2007 when the markets crashed so right now I'm watching the stock markets crash. I get very excited because that’s when the bargains float to the surface so it’s really a good time for the financially educated but like I said it’s who you're getting financial education from determines how you look at the economic conditions of the day.

02:36

JIM: You just recently released a book, Second Chance. I haven’t had a chance to read it yet. I'm looking forward to an opportunity because I was so impressed with the Rich Dad Poor Dad stuff. Tell us about Second Chance. What motivated you to write this book? What are you sharing with people in it?

02:52

ROBERT: Well Second Chance is a very different book from Rich Dad Poor Dad. Second Chance is the reason I wrote Rich Dad Poor Dad but Rich Dad Poor Dad next year in 2017 will be 20 years old and the things I was saying back in 1996 and 1997 had not yet come true but now they have come true. For example, if you read Rich Dad Poor Dad, I said lesson number one is the rich don’t work for money. The reason they don’t work for money is today we all know the words quantitative easing as they print money. The second thing I said is your house is not an asset. Oh man I got howls of hate mail from that one. The third sacred cow I shot was that savers were losers and if you look at how they're now going to negative interest rates, people who are saving money are getting crushed. I've often spoken out against an investment for the long term in Rich Dad Poor Dad but now people know there's a thing called HFK or high-frequency trading where the average mom and pop is going 40 years in the stock market but these kids are now in milliseconds and microseconds on a trade so the whole premise of go to school and get a job, well that’s a myth. Everything has changed in the 20 years since I wrote Rich Dad Poor Dad so Second Chance basically brings everybody up-to-date in pictures. The reason I say pictures is most people don’t understand financial jargon so I have pictures of Dow from 1895 to 2015 and when you look at that chart of the Dow from 1895 to 2015, you can see how serious the problem is for us today and I hope that picture is worth 1000 words so maybe people will get motivated and start taking more proactive action rather than waiting for the next President to save them.

04:35

JIM: I've just got to ask you one thing because I share that same philosophy with you about the house not being an investment and I want to make sure we spend a little bit of time on that point because I think a lot of people somewhat realize that but I still see people living way beyond their means with some of the homes that they're buying for themselves and fooling themselves into thinking the housing market is alright; we don’t have to worry but most people when they do the math they don’t figure out what the true cost of ownership is. I bought my first single-family home in 1994. I just sold it. We relocated here just a couple years ago and when I look at just my purchase price and my improvements price, I lost money and that isn’t even counting the upkeep and the property taxes and the mortgage interest and the homeowners insurance. It was not a good investment for me. How do you share that with people and help them to understand that a house is certainly not an investment?

05:32

ROBERT: Well I don’t use the word investment, as you know. I say your house is not an asset. It’s really a liability. In Rich Dad Poor Dad, I go into assets versus liabilities and very simply assets put money in your pocket and liabilities take money from your pocket. Unfortunately, the economy will allow you to count your house as an asset and count your car as an asset when really they're liabilities taking money from your pocket going out the expense column on a financial page. The average person just now has no idea what I just said. That’s the real tragedy. I'm not saying don’t buy a house. My wife and I own four houses or four liabilities but we also own 10,000 rental units and those are assets. Every month 10,000 people put money in my pocket and every month four houses take money from my pocket. That’s very simply how my rich dad taught me years ago assets versus liabilities. The problem is when people count liabilities as assets like they count their car as an asset or their house as an asset or their college education as an asset when they've really taken money from their pockets. I'm not saying don’t buy a car, don’t buy a house, don’t go to college but know the definition of the word. Assets put money in your pocket whether you work or not. Liabilities take money. That’s as simple as it is. I've spent my life acquiring assets and very few liabilities. That’s the breakdown.

06:52

JIM: I just found this interesting for myself because I like sports cars. Can you share with the audience your story about that first sports car and what you did to acquire it?

07:02

ROBERT: My wife is a great wife. She says I can have anything I want as long as assets pay for my liabilities. For example, I wanted this 1989 Porsche Speedster. It was $50,000 back at the time. I bought a ministorage and the ministorage is an asset that put off cash flow that paid for my Speedster and the Speedster was the best investment I ever made. It’s now worth $300,000 but I'm not going to sell it but I still have the ministorage. That ministorage every month is putting money in my pocket. I got richer buying a liability whereas most people buy liabilities but never counter or hedge it or balance it with an asset. That’s why they get in trouble.

07:43

JIM: A lot of people when you ask what their net worth is, they put down their 401(k)’s, their IRAs, and they never consider the liability of unpaid taxes on that.

07:53

ROBERT: These retirement plans are in serious trouble right now because the stock market is down so far and they're unfunded. A 401(k) is technically an unfunded liability until it starts supporting.

08:04

JIM: Alright well let's take a short break. When we come back, Robert, let's talk a little bit about some of the opportunities you see on the horizon and the way people have to maybe rewire themselves to take advantage of this. Please stay tuned.

[BREAK]

09:21

JIM: Welcome back as we continue to visit with Robert Kiyosaki, famously known for authoring the book, Rich Dad Poor Dad, and he's recently come out with a book, Second Chance. Robert, before the break, we were talking about a lot of the challenges that are out there and a lot of challenges that are self-made by people looking at things not as simply as you’ve looked at them and fooling themselves into believing they're making good choices but I think simply put the assets and liabilities. I know when I read that book it made it a lot easier for me as a financial advisor even talking to clients because you put it in real simple terms and I’d certainly recommend anybody that hasn’t read that book should take a look at it but I'm really looking forward to looking at your book, Second Chance. You talked about in the beginning there are a lot of concerns out there. There are a lot of challenges. The stock market is going down lately and rather than getting depressed, you're looking at this as a big opportunity. What opportunities do you see in the future and how do people have to rethink of things to put themselves in a position to take advantage of these opportunities?

10:22

ROBERT: Thanks for the promotion of Second Chance because, like I said, there are just pictures and graphs in there, charts, and a 10-year-old kid could look at the charts and go oh my God, they can see what's happening. That’s why I think one of those charts that is interesting is number one is the Dow from 1895 to 2015 and when you see that thing, it’ll suck your breath out of your lungs because since the year 2000, as everybody knows, we've had three major crashes 1000 times bigger than the 1929 crash. We've had two stock market crashes and this was between 2000 and 2010 and we've had a real estate crash. I wrote a book called Rich Dad’s Prophecy that said 2016 the biggest crash of all was coming and the reason I could make that prediction is the third crash or the fourth crash, which we’re in today. We’re in a recession today just because we have a currency crash and so when you look at Second Chance, you can just see it and at that point you can decide what you do. When you ask me what the opportunity is when there's a currency crash, which we have right now with Bank of Japan saying negative interest rates and the European Central Bank saying negative interest rates, it means savers have to pay money to keep money in the bank now. When you see that, you can know that the real challenge is money. As you know, when the stock markets crash, we enter what's called short squeezes and a short squeeze is no different than let's say you lose your job and you have that new Mercedes and that new Mercedes is really a liability and you’ve got to sell that Mercedes today. That’s called a short squeeze so you might have paid let's say $50,000 for that Mercedes but it’s eating you alive but you’ll say look give me $20,000 and take my Mercedes. All that person buying the Mercedes is doing is relieving you from the monthly payment. That’s a short squeeze and what's going to happen as these markets crash, there's going to be more and more short squeezes. That means people are selling their most liquid so-called assets or collectibles or things that people want. That’s why in 2007 when the real estate market crashed, I bought more real estate than ever before because people owed too much on their real estate so I went and just bought $300 million worth of real estate. There's always a good time. When something’s coming down, something’s going up and that’s how I see these crashes today so if you have cash, it may be a good time to look for bargains. That’s life. Consumers are the only guys that when let's say Macy’s has a sale, they all run and spend their money but when the stock market has a sale, they all run away from it.

12:59

JIM: It is amazing isn’t it and it’s the same thing with real estate, all this stuff.

13:04

ROBERT: This is the best time, as you know, but you’ve just got to wait until it bounces.

13:08

JIM: That’s right.

13:09

ROBERT: It’s going to bounce.

13:10

JIM: One last thing I’d ask you, Robert, is what other resources do you have available? I know you do your seminars. You do your coaching programs and all this so if people want to learn more from you, where do they go to find these resources?

13:24

ROBERT: Well we have richdad.com but let me leave you one more message as to what is financial education? Who was your teacher? The Rich Dad Company I'm borrowing as much money as I can but with zero interest rates or negative interest rates the potential banks are giving money away. They're just giving the rich money tax-free but the average person without financial education cannot take advantage of the banks giving away free money. That’s insanity. When they say get out of debt, what they're saying is get out of debt from bad debt, which is good advice but most people don’t know what good debt is and that’s when I buy apartment houses and stuff like that with debt. Debt can make you rich but only if you want to be rich. That’s kind of my advice on choose your teachers wisely.

14:10

JIM: Well, Robert, I really appreciate your words of wisdom. You not only talk the talk, you walk the walk. There are not many people out there that are willing to share the way that you have shared and I know you’ve built a great business with it. You're wife’s involved in the business. I would say you're living the American Dream.

14:26

ROBERT: I am, I am. It’s not easy but it’s worth living.

14:29

JIM: Thanks again. I appreciate you joining us and I look forward to maybe having you back again much sooner than I think we waited seven years to get you back here but I saw the Second Chance thing come out and I thought I've got to get him back on and see what he's talking about now because we do have a lot of turmoil out there.

14:45

ROBERT: Oh God, remember these are really good times but you’ve got to change the way you think of things.

14:49

JIM: Those are great words of wisdom. Thanks again. Have a great day. Thanks for taking the time with us.

14:53

ROBERT: Thank you. Thanks, man.

14:54

JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process and remember if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also if you feel that any of this information would be helpful to a friend or family member, just click the Forward to a Friend button.