RICH DAD® COACHING

7 RICH DAD STRATEGIES FOR MAXIMIZING YOUR CASH FLOW

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There are two ways you can live your life—by design or by default.

If you live your life by default, you simply drift along and passively accept what life hands you. Now that doesn't mean you necessarily like what life hands you, it just means that outside of complaining about it, you don't do anything about it. Days turn into weeks, weeks turn into months, months turn into years, and then you find yourself where you had no intention of arriving. What then makes things worse is the feeling of regret of not taking control of your circumstances sooner.

The alternative is to live your life by design.

Living your life by design means making plans and taking action so that they come to pass. It is leaving behind habits that don't align with your goals and replacing them with routines that reap rewards. And when it comes to maximizing your cash flow, it is following the strategies that the rich use.

Now regardless of whether you've been living by default or design, the past is the past. You have a chance to make a choice today as to which will govern your life. In "7 Rich Dad Strategies to Maximizing Your Cash Flow," you'll learn the key strategies that will help you design the financial future you want and have the biggest impact on your bottom line.

Beware of Entitlement

Let's start out with a brutal truth:

"The world doesn't owe you anything."

While this may sound harsh, accepting it is key in maximizing your cash flow.

People often assume at best and expect at worst that the government or their employer will take care of them or fix their financial problems. As a result, they complain about taxes, gripe to their spouse when they don't receive a raise or a bonus, and rely on Social Security to fund their retirement. In other words, they spend their time focusing on what other people aren't doing for them instead of considering what they could be doing to maximize their cash flow.

Now, this isn't meant to be a political or ethical discussion on whether entitlement programs are a hand-up or a handout. What it really is about is the mindset of the individual.

By being wary of the trap of entitlement, two things happen.

First, when you accept that no one is going to take care of you financially, you become a little more motivated to do something. You begin to take a closer look at your financial statements. You take note of how much you pay in taxes. You take responsibility.

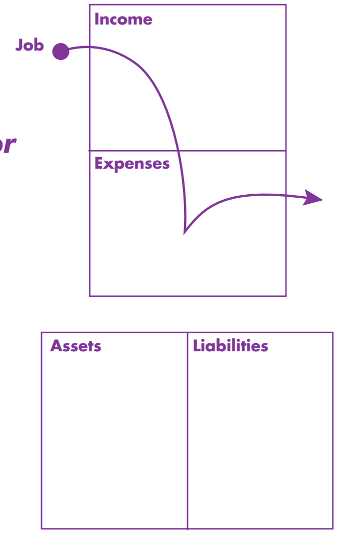
Second, you know that while money can be lost, taken, or withheld from you, the skills and education gained from being financially responsible will always remain. Many of today's wealthiest entrepreneurs and investors have lost staggering amounts of money over the years. However, their losses have taught them well. While their bank balance may have gone down, their intelligence has gone up. However, if they had waited for the world to take care of them, they wouldn't have had either the experience or the wealth.

The sooner you accept that your finances are your problem, the sooner you'll be prepared to make them better.

Know Which Way Your Cash Flows

As mentioned earlier, once you avoid the trap of entitlement, you start to pay attention to your own financial situation. You're more aware of what you do with your money and where it goes. You see what comes in and what goes out. Robert Kiyosaki calls this your Cash Flow Pattern and based on exactly how your cash flows determines whether you will be part of the poor, middle-class, or rich.

The Cash Flow Pattern of the Poor



As you can see from the image above, the Cash Flow Pattern of the Poor is fairly simple. Income flows in and is used to pay expenses. People who find each paycheck going to pay rent or a mortgage, buy food, pay utility bills, and make car payments with nothing left over fall here. It is the quintessential example of living paycheck to paycheck. Keep in mind that no amount of money is defined here, just that all income goes to paying expenses. In that regard, a person that makes $35,000 a year is no different than one who makes $150,000 a year. It is the pattern that makes the difference, not the amount.

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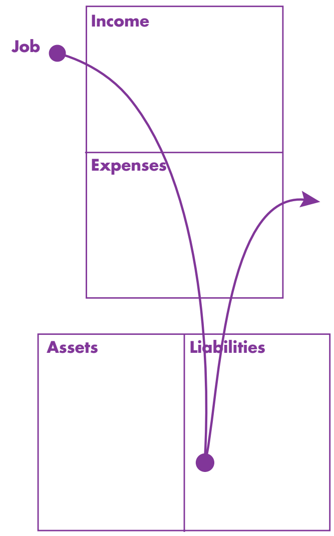
The Cash Flow Pattern of the Middle Class

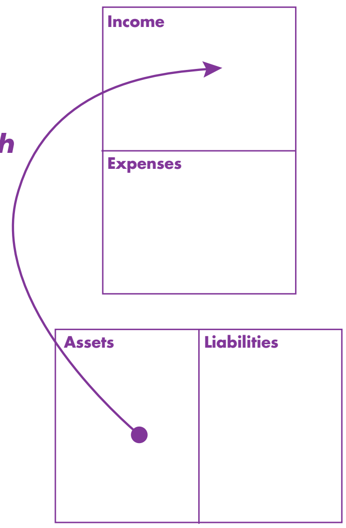


Next, the Cash Flow Pattern of the Middle-class closely mirrors that of the Poor, but with one main difference. The Middle-class have something leftover once they pay their expenses. Unfortunately, they use what they have left to buy liabilities. A liability is anything that takes money out of your pocket. The maintenance, loan, registration, and taxes on your new car? It all takes money out of your pocket and is therefore a liability. The larger house you just bought? The one that your banker tells you is your greatest asset? The repairs, property taxes, HOA fees, etc. really mean that it is a liability.

One can also quickly see that if you continue to buy liabilities with consumer debt, your monthly expenses will increase to pay off the bad debt. If your expenses then grow to where they consume all your monthly income, then you will slip from a middle-class cash flow pattern to the one of a poor person.

So, what's the solution?

The Cash Flow Pattern of the Rich



The solution is having the Cash Flow Pattern of the Rich. As you can see from the image above, the rich have developed the habit of using their income to buy true

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assets (investments that put money in their pocket) and those assets in turn provide more income.

Just like the Cash Flow Pattern of the Poor, no amount of income is listed here either. Why is this important? It means that regardless of how much money you make, you can begin buying cash-flowing assets and begin building the Cash Flow Pattern of the Rich.

Decide Your Investing Approach

When it comes to your overall investing style, you can choose to be an active or a passive participant.

Being a passive investor is just like it sounds. This is characterized by people who hand their money over to financial planners with little thought about what they want to accomplish. They put blind trust in the advice they are given. Passive investing "works" for people who are satisfied with average returns and think they "don't have the time" to explore their options. Often, people who choose to be passive when it comes to their investments lull themselves into thinking they are being responsible financially, but they're adopting an "ignorance is bliss" approach.

Adopting an active investing approach, on the other hand, is characterized by taking the lead in building your investment portfolio. You perform due diligence on investments. You constantly educate yourself. You build a team of advisors. This last one is important, because while a passive approach is letting someone do it for you, being active doesn't mean you do everything yourself. You can still use the expertise and skills of professionals, but you assume responsibility for steering the ship.

Become a Problem Solver

If you want to maximize your cash flow, you need to become a problem solver.

Robert Kiyosaki often shares how the poor and middle-class are prone to use phrases like:

- "I can't afford that."
- "That will never work."
- "You can't do that here."

If you look at each of those phrases or any like it, you see a common theme. They all admit defeat before the battle even begins.

The reason the rich are the way they are is because rather than making declarative statements that possess no hope, they ask questions that shift their minds into problem solving mode. They ask questions like:

- "How can I afford that?"
- "What haven't I tried yet?"
- "Who do I know that has done this before?"

As a result, they can turn situations that seem like obstacles and dead ends into opportunities.

Invest in Relationships

One of the most underutilized strategies for building a wealthy future is also one of the most powerful and it revolves around two key principles:

- You are the average of the people with whom you spend the most time.
- Investing is a team sport.

For some reason, too many people think becoming rich is a solo venture. As a result, they find themselves at a significant disadvantage. They are only able to rely on their knowledge and experience. In addition, they only have access to a finite amount of resources most notably time and capital. Then if they can achieve some level of success, it is difficult to sustain it for the same reasons.

If you want to become wealthy, you need to build relationships and more importantly, build the RIGHT relationships. This doesn't mean seeing how big you can grow your contact list or how many connections you can make on Facebook or LinkedIn. It means building reciprocal relationships with individuals that are doing or have done what you wish to do in your life.

Investing in relationships provides encouragement and support. It challenges you to become better in a way that is exciting and motivating. And most of all, it forces you to think bigger. You see more opportunity which kicks your problem-solving skills into overdrive.

Now, keep in mind the words used in this section: building, invest, and reciprocal. Relationships worth having are not disposable. You can't look at other people in terms of what they can do for you. That is only one side of the equation. You must look at what you can do for them. This is where most people stop. They mistakenly think that they have nothing to offer people who they think are more successful than they are. This is a false belief and one if held on to will keep you right where you are. Take time to identify what you bring to the table and give it freely. You'll be amazed on what you receive in return.

Balance Book Smarts with Street Smarts

"You know more than you give yourself credit for."

Let that statement sink in for a moment.

While you don't know everything, you do know enough to get started. If that seems scary to you, then you probably aren't balancing book smarts with street smarts.

Too often people, afraid of making a mistake, try to learn all they can about a subject before they put into practice what they've learned. Unfortunately, they don't recognize that you can't know everything and what they are actually doing is postponing their real education.

Book smarts come from classes, seminars, and obviously, books. Street smarts come from the doing or the implementation of what you've learned. This is one of the benefits of having a coach. A coach can help explain concepts (book smarts) and then guide you through and offer support as you put what you've learned into practice (street smarts).

Keep Emotions in Check

Typically, when emotions run high, intelligence runs low and if you let your emotions make your decisions, you can find yourself locked into a bad deal.

When it comes to investing, two of the most prevalent emotions at play are greed and fear. If you let either one drive your decision making, you won't be making an educated decision. So how do you keep emotions in check? Simple, let the numbers guide your decision making.

Many beginning real estate investors have fallen in love with a particular property or mistakenly jumped on the first one they find. Because they let emotions make their decisions, they look past the financials. They think in terms of "best-case" instead of "most-likely" to justify themselves. Then when reality hits, their love of the property quickly turns to hate.

When you evaluate an investment, study the financials instead of admiring the granite countertops and beautiful view. Crunch the numbers and determine a "worst-case," "best-case," and "most-likely" scenario. If you can live with all three, then you've found an investment worthy of your time and money. If the "worst-case" keeps you up at night, then you've just avoided a costly mistake.

The Bottom Line

Too many people think becoming rich is about making radical changes. The truth is that it is much, much simpler. It lies in doing the right things consistently over time. But just like a seed never planted never bears any fruit, you'll never maximize your cash flow without following the 7 Rich Dad Strategies described above.

So now, the challenge is up to you. Will you maximize your cash flow?

Take Control of your Financial Destiny and Increase Your Cash Flow by Working with a Certified Rich Dad Coach.

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.

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