INCREASE YOUR FINANCIAL IQ

Information + Education = Knowledge

1. *Worst Advice : Work Hard and Save Money*
2. *Billions of people invest their hard-earned money in assets such as stocks and real estate, but invest almost nothing in information.*

Chapter 1 : What is Financial Intelligence

1. *Hard work doesn't solve money problems*
2. *A job does not solve money problems*
3. *Financial intelligence solves money problems.*
4. *A currency needs to keep moving. A currency's purpose is to acquire assets, assets that are either appreciating in value or producing cash flow*
5. *The key to becoming rich is to recognize that the system is unfair, learn the rules, and use them to your advantage.*
6. *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.*
7. *The rich don't quit. They learn. And by learning, they grow richer.*

Chapter 2 : The Five Financial IQs

1. *Financial IQ*

   : Making more money.

   : Protecting your money.

   : Budgeting your money.

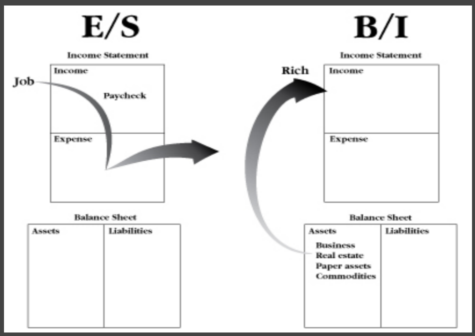
   : Leveraging your money.

   : Improving your financial information.
2. *A simple truth is that the world is out to take your money.*
3. *Financial IQ is measured in return on investment.*
4. *Having a well-diversified mutual fund portfolio and savings in the bank is a lot riskier than what I do.*
5. *Expanding technology is turning poor nations into financial powers, creating more rich people and more poor people, and greater financial problems and opportunities.*

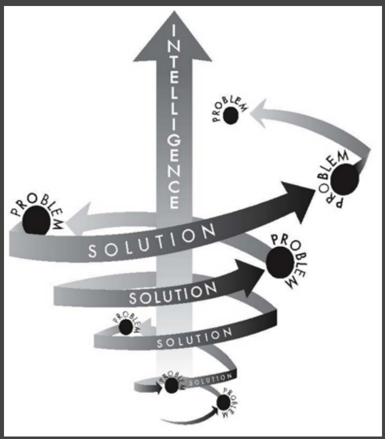
Chapter 3 : Making More Money

1. *Robert - needed sales skills.*
2. *Solving the problem was the path to wealth*
3. *Next -building a business.*
4. *Protecting your money*

5. *If you can't beat them, join them*
6. *End - passive income from our real estate*
7. *It's the process that makes you rich, not the money*
8. *Choose your goal, and then choose your process. Always remember that the process is more important than the goal.*
9. *Controlling the highs and lows of my emotions, and delaying short-term gratification, was essential in developing my financial intelligence*
10. *Many people fail to chase after their dreams because of fear. If they start, they quit when they fail, and then they blame others when they should be taking responsibility for their failure*
11. *You can quit when you win, but never quit because you're losing.*
12. *True intelligence is about learning to solve problems in order to qualify to solve bigger problems. True intelligence is about the joy of learning rather than the fear of failing*



13. *E's and S's focus on the income column of the financial statement, and B's and I's focus on the asset column.*
14. *Earned income is the hardest income to protect from financial predators.*
15. *The problem with working for money is you have to work harder, longer, or charge more to make more money*
16. *One of the reasons why the rich get richer is that every year they work to build or acquire more assets*
17. *Money - Real estate - 1,000 rental units paying her passive income,*
    - *business assets and commodities*
    - *invest heavily in oil, gold, and silver companies*
    - *educational entrepreneur - book - receive royalties*
    - *Entrepreneurship*
    - *Better to be the licensor than to be the licensee*
18. *Power to rebuild again because we focused more on learning rather than earning*



19. *In order to grow wealthy, you must come to terms with the fact that problems will never go away. Each time you find a solution to a problem, a new one will pop up. The key is to realize that the process of solving those problems makes you rich*
20. *The more problems you solve, the richer you will become.*

Chapter 4 : Protecting Your Money

1. *Person pays the least percentage in taxes*

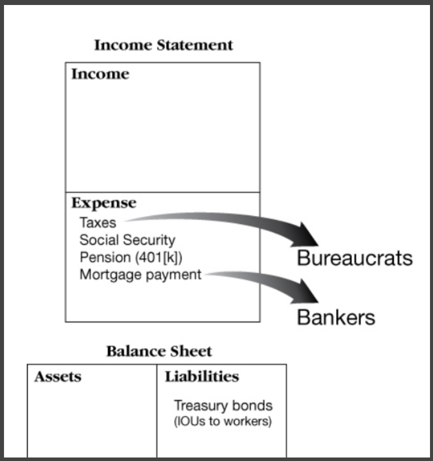
- *highest financial IQ*
- *protects their money, because less money is lost to financial predators.*

2. *Real-world financial predators included: bureaucrats, bankers, brokers, businesses, brides/beaus, brothers in-law, and barristers.*
3. *Bureaucrats - compounding interest makes us richer, compounding taxes makes us poorer*
    - *cannot become rich if all the money you make is taken from you by financial predators.*
    - *"A bureaucrat's job is to get their hands deeper in your pockets—legally—and your job is to have them take as little as possible—legally."*
    - *Everyone agrees that we need to share the wealth, as long as it is your wealth, not their wealth.*
    - *3 types of income : earned, portfolio, and passive.*
4. *Bankers - also a bandit*
    - *The problem of bankers' taking money from innocent customers is a worldwide one.*
    - *Need to how to borrow currency to acquire assets, since we no longer save money.*
    - *Smart borrowers are the winners in the new capitalism, not those who save money in a bank savings account*
5. *Brokers - Salesperson*
    - *brokers for stocks, bonds, real estate, mortgages, insurance, businesses,*
    - *"Wall Street is the place people drive to in their Rolls-Royce to take advice from people who ride the subway.*
    - *The key to success is knowledge*
6. *Businesses - do their best to make you poorer*
7. *Brides and Beaus - People marry for money*
    - *prenuptial agreement - don't lose 50 %*
8. *Brothers- in - Law - those with high financial IQ have wills, trusts, and other legal means of protecting their wealth and final wishes from death predators.*
9. *Barristers - people are waiting for any excuse to use a lawsuit to get rich*
    - *Keep nothing of value in your name.*
    - *Buy personal liability insurance immediately.*
    - *Hold assets of value in legal entities (C-corporations, S-corporations, limited liability corporations (LLCs), and limited liability partnerships (LLPs))*
10. *But if you own a business or are an investor, there are many loopholes in the government net you can swim through.*

11. *When a person works for money, his or her income is taxed as earned income, the most highly taxed income.*
12. *A financially educated person would rather be paid royalties or dividends because taxes are lower on these types of income. A knowledgeable investor at least knows enough to invest for portfolio or passive income.*
13. *Assets of the rich (i.e., stocks, bonds, and mutual funds) via the investment bankers to the rich.*
14. *It is easier to change myself than to change the financial system*

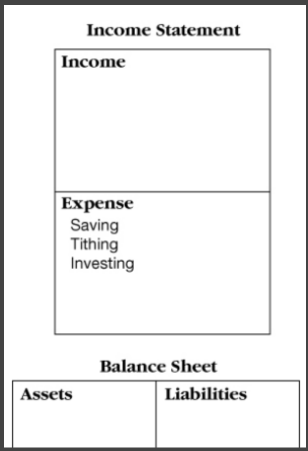
Chapter 5 : Budgeting Your Money

1. *If you're going to be rich, you need to expand your means.*
2. *Plan for the coordination of resources and expenditures.*
3. *Budget Deficit - Excess of spending over income, for a government, corporation, or individual.*



4. *Increase sales, Increases income*
5. *People in the E quadrant often have no control over these four important expenses—taxes, Social Security, pensions, and mortgage payments.*
6. *BUDGET SURPLUS OF A BUSINESS*
   - *"A corporation with a surplus may expand the business through investment or acquisition, or may choose to buy back its own stock."*
   - *A company buying back its own stock, I realize it may mean different things. A stock repurchase may mean the company has stopped growing and the leadership does not know how to grow the business. This is not a good sign for investors. Instead of buying more shares as the stock price goes up, it might be time to sell.*
   - *A stock repurchase could also mean the leadership thinks its stock price is a bargain compared to the asset value of the company. If this is the case, then investors should be buying more as the stock price rise*
   - *budget surplus of a business can tell you different things about the business and its leadership*
7. *BUDGET SURPLUS OF AN INDIVIDUAL*
   - *An individual with a budget surplus may choose to pay down debt or increase spending or investment."*

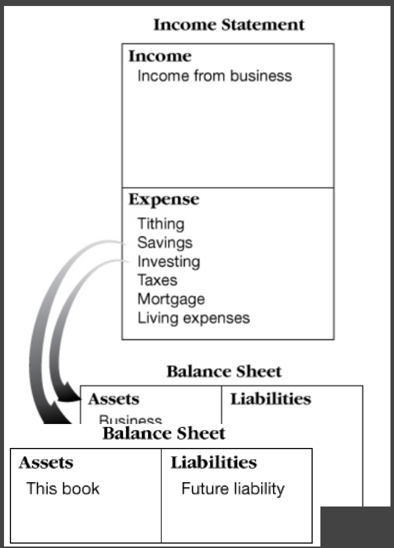
8. *Budgeting your Money*



- *BUDGET DEFICIT*

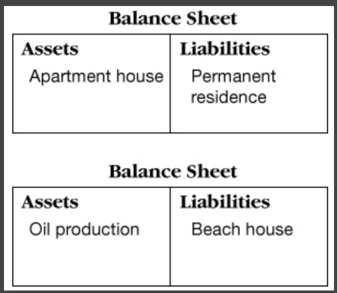
- *BUDGET SURPLUS - Go for it*
- *Is an expense*
- *Pay yourself first and pay others last*

9. *When we paid ourselves first, the people who screamed the loudest were the banks and people we owed money to.*



10. *assets pay for my liabilities.*
11. *How can I afford it*
12. *Want big luxuries, then first create big assets.*

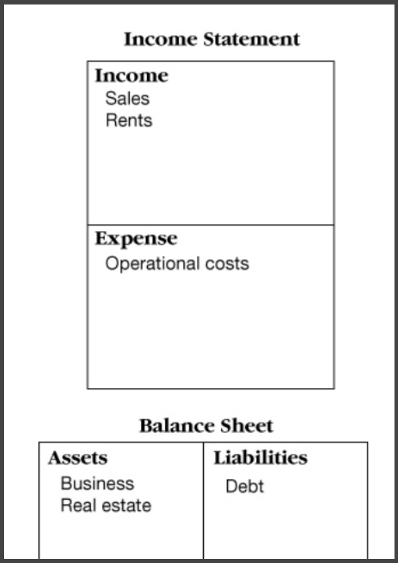
13. *Assets = Luxury Liabilities*



14. *Direct approximately 80 percent of our income directly into the asset column and do our best to survive on 20 percent.*

Chapter 6 : Leveraging Your Money

1. *Leverage is doing more with less.*
2. *Leverage makes your money work harder for you by using other people's money*
3. *You can pay less and less in taxes*
4. *Net worth is often an estimate based upon opinions, not facts*
5. *True value of the property is the value my tenants think the property is worth.*
6. *Leverage is risky only when people invest in assets that they have no control over*
7. *The major flaw in paper assets such as savings, stocks, bonds, mutual funds, and index funds is the lack of control*
8. *DIAGRAM OF PROFESSIONAL INVESTOR AND BANKER WANT*



9.
10. *Income column: first step after acquiring the property is to increase the rent*
    - *Raising the existing rents that are under market.*
    - *Installing washers and dryers in all the units and charging extra for rent.*
    - *Completing improvements to the property like landscaping and new paint.*
    - *All of these can be completed by using the bank's money, not mine*
11. *Expense Column : next controllable objective is to lower expenses*
    - *reducing labor costs through reduced administrative costs*
    - *expenses that can come down are insurance, property taxes, water consumption, maintenance, and landscaping through better cost management and economy of scale.*
    - *keeping turnover low*
12. *make good money from bad investors.*
13. *increasing rents, reducing expenses, and reducing debt, or interest on debt, the asset value of the property increases*
14. *Important Points*
    - *many types of leverage: increasing income, protection from predators, budgeting, leverage, and information, are forms of leverage*
    - *Most investors invest in paper assets, assets they have very little control over.: paper assets are savings, stocks, bonds, and mutual and index funds*
    - *increase in returns does not mean an increase in risk*
    - *Most financial advisors are not investors.*

- *Leverage can work in two ways. Leverage can make you rich and leverage can make you poor.*

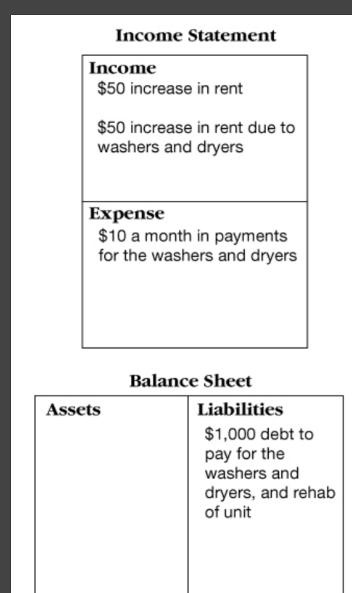
15. *Assets such as a business or real estate require more financial intelligence, allow for more financial control, and permit a higher degree of leverage with very low risk. The key to low risk is higher financial intelligence.*
16. *Professional investors don't diversify.*
17. *professional investors do two things.*

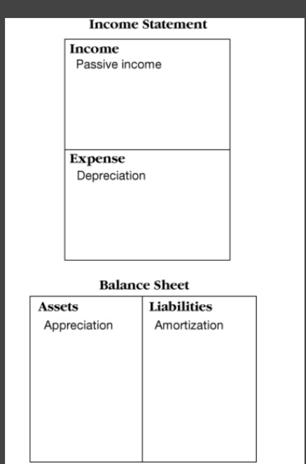
- *One is to focus only on great investments, saves money and increases returns.*
- *second is to hedge. Hedging is another term for insurance.*
- *. If the property burns down, insurance pays my mortgage and rebuilds the building. Best of all, the cost of the insurance is paid out of the rental income itself*

18. *do not like mutual funds is that banks do not lend money on them and insurance companies will not sell me insurance against catastrophic loss if the market crashes—and all markets crash.*
19. *investors invest for:*
    - *capital gains: investing for capital gains is gambling, or speculation*
    - *cash flow: difference is I was investing for cash flow using my banker's money for a higher return on investment and paying less in taxes. That is a better use of leverage.*
20. *Be investor who invests for capital gains as well as cash flow*
21. *occasionally buy paper assets. I only invest with cash I can afford to lose if I'm wrong.*
22. *You cannot do a good deal with bad partners.*
23. *Real estate is primarily a function of financing*
24. *The person with the better plan wins.*
25. *Think bigger.*
26. *Property management and development are essential to increasing rents, lowering expenses, and increasing asset value.*
27. *3 advanced leverage strategies*

	Me	Bank
1. Appreciation	100%	0%
2. Income	100%	0%
3. Tax benefits	100%	0%
4. Amortization	100%	0%

- *OPM (Other People's Money) : beauty of using the bank's money is that it is tax-free money*
- *ROI (Return on Investment) :*
- *IRR (Internal Rate of Return)*





28. *- Passive Income : Passive income is subject to lower tax rates than earned income.*

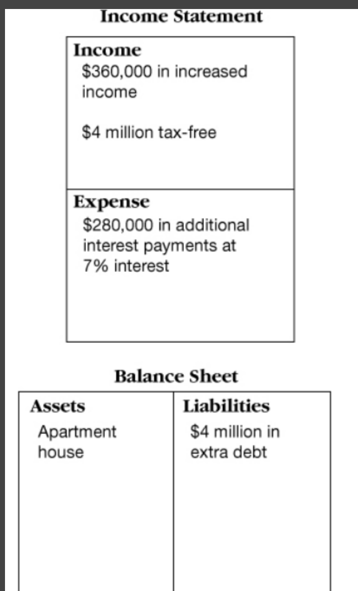
- Depreciation : let's say my tax bill is $1,000. The IRS may allow me to

depreciate my investment by $200, allowing me to pay only $800 in taxes. additional $200 is phantom income, or money I did not have to pay. no such as depreciation for paper asset investors.

- Amortization : paying off debt on a scheduled basis, a tenant pays down my debt, that payment is technically income to me, income that is paid to reduce my debt as my cash stays in my pocket tenant is paying down my debt, I still receive all the tax benefits associated with my investment

- Appreciation : increase in asset value , increase of $360,000 in income from my 300-unit apartment house is measurable.

29. *By borrowing rather than selling, we get our down payment back, tax-free, and we get to keep the asset*



Chapter 7 : Improving Your Financial Information

1. *a smart investor will invest using both opinion and facts, and invest for both cash flow and capital gains.*
2. *If you are investing in stocks, mutual funds, real estate, or business, ask yourself if the information you are basing your decision on is fact or opinion.*
3. *power of global markets. - price is the same all over the world.*
4. *Gold is priced in international markets. Real estate is priced in a local market*
5. *Intelligence is the ability to take information and make it meaningful*
6. *Instead of diversifying, I prefer to focus on a few small assets, notice a trend, and invest with the trend.*
7. *do not blindly invest for the long term*
    - *Trends in Oil : alternative energy technology, such as solar power, makes advances*
    - *Trends in Silver*
    - *consumable industrial metal*
    - *choice for electronics. It is used in computers, cell phones, television sets, and other gadgets.*
    - *estimated that 95 percent of all silver is already consumed. It is becoming scarcer. Gold is different. It is estimated that 95 percent of all gold ever found is still around.*

- *purchase silver anytime the silver market drops in price.*

8. *less liquid an investment, the more trend information you need*
9. *Information and intelligence that makes you rich.*

Chapter 8 : Integrity of Money

1. *Symptoms of a lack of financial integrity are low income, crippling taxes, high expenses, excessive debt, bankruptcy, foreclosure, increased crime, violence, sadness, and despair.*
2. *Intrinsic Value means*
    - ***Niche*** *: This means the business has a core competence, something that will make money in good times and bad. Coca-Cola fits this requirement. People will always drink sugared water regardless if plain water is better for them. If you are not a brand, you are a commodity. Brands have more intrinsic value, and to maintain this value, a brand must be true to its message and customers.*
    - ***Leverage*** *: For example, if I am a doctor, it is hard for me to leverage my value if my patients come only to see me. But if that same doctor invented a new cure or kind of medicine, then that doctor's medical intelligence can be leveraged via a product.*
    - ***Expandability*** *: to expand the product into different countries by printing the books and games in different languages. This was done by licensing the rights to produce Rich Dad products to businesses in different parts of the world.*
    - ***Predictability*** *: Warren Buffett does not diversify. Instead he focuses on a business's intrinsic value.*
3. *Accounting is the language of business.*
4. *Increase your intrinsic value*

- ***Put your house in order. :*** *Just like a sailor preparing his boat for a storm, start making your financial boat more seaworthy. Take a look at the five intelligences and ask yourself which intelligence you need to work on now. Which one needs the most work? Which one is your biggest problem? Focus on that one and address it now*
- ***Invest in assets with intrinsic value :*** *start asking yourself which businesses around you meet the requirements*
- ***Batten down the hatches :*** *Chaos is going to increase as the Industrial Age ends and the Information Age takes control. As oil goes up in price, the dollar drops, China and India start producing cars and planes, manufacturing jobs disappear, corporations move offshore, baby boomers expect to be taken care of by the government, terrorism increases, wars we cannot afford are fought, and debt that has to be repaid is increased, problems previously swept under the rug will be exposed. In the Information Age, information such as the five financial intelligences will be your greatest of assets.*

Chapter 9 : Developing Your Financial Genius

1. *Both invested in a well-diversified portfolio of stocks, bonds, and mutual funds.*

2. *They were not really diversified. Instead of being diversified, they were 100 percent invested in paper assets, primarily the stock market.*
3. *They were not in investment-grade real estate, privately held businesses, or commodities such as oil production*
4. *When the market went down, it all came down.*
5. *Diversification in stocks is a protection against ignorance.*
6. *Due to these two factors, many people buy when they should sell, save when they should spend, spend when they should save, are fearful when they should be brave, and are brave when they should be fearful.*
7. *Since I was a C student, I needed to find a way to get A students to work for me. That is when I decided to be like my rich dad and become an entrepreneur and real estate investor*
8. *Another important reason for being an entrepreneur was that I could surround myself with smart people.*
9. *To Change Your Life . . . Change Your Environment*
10. *Recommend that anyone who wants to be an entrepreneur join a network marketing company for some of the best real world, street-smart business training*
11. *The Rich Dad Company has excellent seminars for people who want to become real estate professionals or learn to trade stocks*
12. ***In the real world, courage is more important than good grades. It takes courage to discover, develop, and donate your genius to the world.***

Words are gasoline for your brain. If you improve your financial vocabulary, you will become richer and richer. The good news is: words are free. Which proves, once more, that it does not take money to make money. To expand your vocabulary beyond the financial terms in the glossary you'll find on the Rich Dad web site you might consider acquiring a dictionary of financial terms