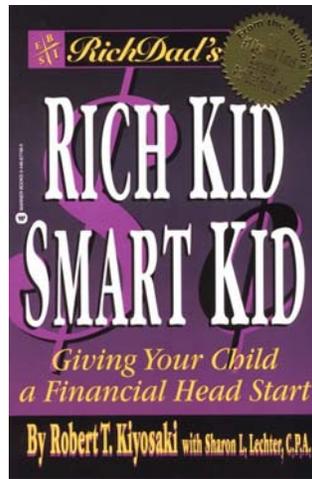


RICH KID, SMART KID

Giving your child a financial head start



By

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The Big Idea

This book is for parents who want to give their children valuable financial lessons which our educational system does not provide.

It may be the greatest gift of knowledge you can pass on to them, arming them with the business and money basics for a more secure future in an ever-changing economic environment.

PART 1 “MONEY IS AN IDEA”

Don't say, “I can't afford it”, but instead ask, “How can I afford it?”

The rules have changed, in an Industrial Age it was alright to simply graduate from school and get a job, then work for decades at the same company until retirement, Today's Information Age demands people who are quick to adapt in a very Darwinian, primordial manner, and your kids need to start learning about money as early as possible.

CHAPTER 1 ALL KIDS ARE BORN RICH KIDS AND SMART KIDS

- Education is supposed to draw out what is within a child, rather than cram in all these irrelevant bits of information.
- True intelligence is knowing what is appropriate rather than what is simply right or wrong.
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CHAPTER 2 IS YOUR CHILD A GENIUS?

Different kids have different ways of learning. Our current educational system honors only those kids who have great verbal linguistic (reading and writing) skills. The measurement of a child's IQ or Intelligence Quotient is simply his ability to learn within this limited system.

$$IQ = \frac{\text{mental age}}{\text{Chronological age}} \times 100$$

- Financial Intelligence is not about how much money you make, it's about how much money you keep and how hard that money works for you.
- Your financial intelligence increases as you get older if your money is buying you more freedom, happiness, health, and choices in life.
- Intelligence is actually learning to make finer distinction, or “multiplying by dividing”. When we split a subject into elements and study them it is called ‘Quantum learning’, not ‘linear learning’.
- There are several different types of geniuses identified by Howard Gardner, the author of “Frames of Mind”. Your child may have all or a few of the following:
 1. **Verbal-linguistic** – This is the genius our current educational system uses to measure a person's IQ. It is one of the primary ways humans

gather and share information. Examples of those blessed with this type of genius are journalists, writers, attorneys, and teachers.

2. **Numerical** - This is the genius that deals with the data measured in numbers, i.e. mathematicians. An engineer would need both verbal-linguistic and numerical genius.
 3. **Spatial** – This is the genius artists and designers have. An architect would need all 3 geniuses because the job would require words, numbers and creative design.
 4. **Physical** - Athletes and dancers are blessed with this type of genius. People who learn by doing or “hands on” trades are part of this group.
 5. **Intrapersonal** – This is the genius also called “Emotional Intelligence”. It may be the most important of all the geniuses in that it is our ability to control what we say to ourselves.
 6. **Interpersonal** - People who easily talk to others and are charismatic possess this type of intelligence. Singers, actors, preachers, politicians, salespeople and public speakers have good interpersonal intelligence.
 7. **Environmental** - People who are naturally gifted in dealing with animals, trees and the things around them. Farmers, animal trainers, oceanographers, and park rangers possess this genius.
- Some people are more successful than others because they have all seven geniuses, such as say, Tiger Woods. Golf requires great physical and intrapersonal genius, and being a media celebrity as well as a Stanford University student calls for all the other intelligences.
 - When employees are hiring new people, they normally look for a good attitude and communication skills above all other qualifications.
 - Encourage your child to be a lifetime learner. Emphasize that once a person stops learning new things, he or she will be at a disadvantage in a very fast-changing economy.

CHAPTER 3 GIVE YOUR CHILDREN POWER BEFORE YOU GIVE THEM MONEY

- The child with a strong self-perception, one with the confidence to think “How can I afford it?” rather than “I can’t afford it” will be more prepared for an Information Age where the survival of the fittest mind is the name of the game.
- At age nine a child begins to seek an identity separate from that of his parents. From the ages of nine to fifteen children will go through a critical stage in their development, where, experts say they discover their own “winning formula”, or an idea on how he or she will best survive and win.
- Your child needs to find a winning formula when it comes to money
- So many kids are leaving college and looking for a job if only to pay off credit cards and student loans.
- People with a weak self-perception say things like:
 - I’m in so much debt, I can’t stop working.
 - I can’t afford to quit.
 - If I could just get a raise.
 - I’ll never be rich.
 - I don’t care about money.

- How can I afford to invest when I can't even pay my bills?
 - I'd like to start my own business, but I need the steady paycheck.
 - Play it safe, don't take risks.
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- Rich Dad (from the author's earlier book) always said, "The more you need money, the less power you have."
 - The rich do not work for money, they have their money work for them...
 - The difference is in what the poor, middle-class and rich do in their spare time. The poor and middle-class spend, the rich build and invest.
 - Wealth is created at home, not at work.
 - Many businesses grew out of garages (Hewlett-Packard) dormitory rooms (Michael Dell of Dell Computers) home kitchens and dining tables.
 - Ask your child whether he'd rather sit in an office, or own the office building.
 - Use games like monopoly and CASHFLOW FOR KIDS to let them understand the fundamentals of real estate, and investment.
 - Adults need to change their perceptions about risk-taking, investing, and becoming rich before they pass it on to their children.

CHAPTER 4 IF YOU WANT TO BE RICH, YOU MUST DO YOUR HOMEWORK

- Rich people work hard to build an asset that increases in value. Often, it is the owner of a business that is paid the last, and maybe even the least. They go on to build other businesses after either selling the business for millions or hiring a president to run things.
- You don't get rich going to work at a job everyday. You get rich at home where you decide what to do with your money. It is what you do with your money after you earn it that makes the difference between rich and poor.
- Buying real estate is a rich man's homework. He lives off the rental income and uses it to build more businesses.
- A home-based business provides benefits far beyond the additional income and tax breaks

CHAPTER 5 HOW MANY WINNING FORMULAS WILL YOUR CHILD NEED?

Your child needs a minimum of 3 winning formulas:

- a winning learning formula
- a winning professional formula
- a winning financial formula

- Children in the Waldorf school system are taught practical survival skills to cope with the loneliness of the “nine-year change”, or the time a child upon reaching the age of 9, starts searching for his own identity.
- Schools are the only businesses that blame customers for their failures. They tell us our kids “have a learning deficiency” rather than examining if the school itself has a “teaching deficiency”.
- Encourage kids to find their own ways of learning
- “Your real education begins when you leave school and enter the real world.”
- Private school learning and home schooling is on the rise in the U.S. Parents are taking back the power from schools and bringing education back into the home.
- The Western educational system from kindergarten onwards, was actually a system designed in Prussia centuries ago to churn out good employees and soldiers for the state. It’s an ancient system that survives to this day which makes most people become followers rather than leaders.

CHAPTER 6 WILL YOUR CHILD BE OBSOLETE BY 30?

- The fact is you need to teach your kid to reinvent himself or change his winning formula if the current one is not working.
- In the new Information Age, the older you are, the less valuable you are.
- The best grades don’t count, those with the ability to adapt, learn new technology, and offer fresh ideas. Will survive and thrive in the Information Age.

A Comparison of Ideas

Industrial Age	Information Age
- job security , tenure	- free agent, virtual companies
- seniority	- paid for results
- one job	- many professions
- work until age 65	- retire early
- punch a time clock	- work when interested
- schools	- seminars
- degrees / diplomas	- talents , skills
- old ideas	- new Idea
- company retirement plan	- self-directed portfolio
- government retirement plan	- don’t need it
- government medical plan	- don’t need it
- work at company	- work at home

CHAPTER 7 WILL YOUR CHILD BE ABLE TO RETIRE BEFORE 30?

- We may have all been programmed to think, “get a job” after finishing school. Your kid should learn that getting a job will not make him rich.
- Children need to learn to “sit on the other side of the table” or where the owner of a business sits. They could be programmed to never have work at a job, but build businesses instead. It’s all a matter of perception.
- Encourage your child to find a way to retire by thirty. Encourage them think differently. Instead of looking for a false sense of job security, they will seek real financial freedom.
- Only 1 out of every 100 people in the USA is rich. Four are comfortable 4 are still working, 56 depend on family or government support, and the rest are dead.
- A system of education that leaves people dependent at the end of their lives is not preparing them for to day’s real world.
- Your child’s best chance at becoming a millionaire is through owning his or her own business and building it to success.

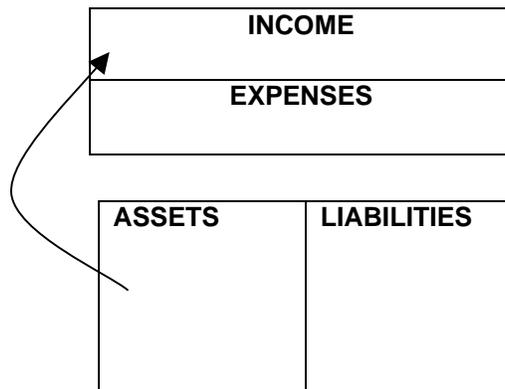
PART II “MONEY DOES NOT MAKE YOU RICH”

CHAPTER 8 MY BANKER HAS NEVER ASKED ME FOR MY REPORT CARD

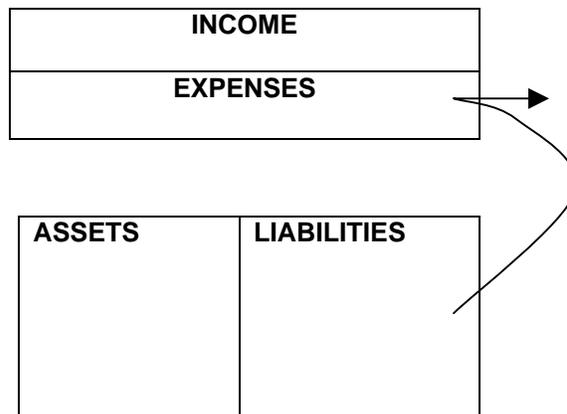
- Bankers only care about your financial statements
- Teach your child to read a financial statement and submit one to you every month.
- Use simple drawings such as:

INCOME	
EXPENSES	
ASSETS	LIABILITIES

- Assets are determined by their cash flow. It is the cash flowing between the income statement and the balance sheet that truly defines what is an asset or liability. The cash flow pattern of an asset looks like this:



- A liability is where cash flows out of the expense column:



- If your children buy liabilities thinking they are assets, chances are they will not be able to retire before they are thirty.

CHAPTER 9 KIDS LEARN BY PLAYING

Teaching financial survival skills for the real world to your kids can be made fun and exciting. Three steps to learning:

1. Simple drawings
2. Play games like monopoly and cash flow for kids
3. Real life (submitting monthly financial reports)

CHAPTER 10 WHY SAVERS ARE LOSERS

Basically, your savings earns maybe 4% interest, but that is also the rate of inflation. The government taxes you on that interest, so the net result of your savings is actually a loss of money.

- If you teach your kid about the “velocity” of money, or how fast your investment can come back to you, he’ll be much better off than just putting his piggy bank savings away for a rainy day.
- An oversimplified example would be to buy a \$ 100,000 rental house and use \$10,000 from savings as the down payment. After a year, rental income minus mortgage payments, taxes, and expenses is \$10,000. You get your money back plus you have a house paying you \$10,000 a year. Take the \$10,000 and reinvest it in another property, stock, or business.
- Teach your kid to use the 3 piggy bank system:
 - Tithing (for giving 10% to charities and church)
 - Savings (enough for 1 year of expenses)
 - Investing (for starting up businesses, buying real estate, or stocks)

CHAPTER 11 THE DIFFERENCE BETWEEN GOOD AND BAD DEBT

- The poor keep their money out of the banks and hide it away under mattresses, pooling together resources when a crisis hits.
- The middle class generally thinks banks are safe places to keep money, but borrowing too much is viewed as bad.
- The rich know how banks work so they use their financial intelligence.
- When a bank grants a loan, it lends it out at 6% to the borrower, and pays only 3% to the saver.
- Teach kids by bringing them to your bank to observe money going in out. They should see that actually isn’t the bank’s money. The banks operate using people’s money

RICH DAD’S FINANCIAL STATEMENT:

INCOME
EXPENSES

ASSET	LIABILITY
Consumer Loan 12%	Bank Loan 6%

- Rich Dad borrows money and lends it back out, making money just like a bank would. In simple words, “Borrow money to make money”.

Discuss the following with friends/other parents:

- What happens when assets earn less than the cost of liabilities?
- How much time does it take to save money instead of borrow money?

- How much faster could you get ahead if you would borrow money and make money, versus work hard and save money and then try to make money with what you saved?
- How did one dad take an asset, his savings, and turn it into a liability, while the other dad took debt and turned it into an asset?
- What financial skills would you need in order to be a person who could borrow money to make more money?
- How would you learn to get those skills?
- What do we teach our kids?
- What are the long and short-term risks?

CHAPTER 12 LEARNING WITH REAL MONEY

- If your kid wants something, teach him to delay his gratification by asking him figure out how he can afford that new item.
- Brian wanted a new set of golf clubs. He was able to take \$ 500 in lawn mowing jobs. His father took the \$ 400 from him and said he must find an asset that would earn his golf clubs for him. Brian found a way by acquiring 2 candy vending machines, installing them at the golf shop, and collecting the money every week, while reinvesting in candy and more vending machines. Soon he had several vending machines, a growing mutual fund (from the other \$100 out of the original \$ 500) that would cover his college education, and an income. Brian was able to prepare his own financial statement at age 15. He had built a savings mutual fund, and candy machine business, by investing. His father had him learn with real money, building a business also built up his son's confidence.
- The greatest risk of all never taking a risk and learning from your mistakes.

CHAPTER 13 OTHER WAYS TO INCREASE YOUR CHILD'S FINANCIAL IQ

- Use simple words to explain money matters to your child. "Assets put money in your pocket. Liabilities take money out"
- Arm your child with a good financial vocabulary
- Numbers will add more power to the words. Using numbers teaches your child to be accurate in business.

CHAPTER 14 WHAT IS AN ALLOWANCE FOR?

- Money is a teaching tool. It trains humans to do things like go to work, as dog biscuits train dogs to perform tricks.
- Parents must teach children the value of exchange, or doing something in exchange for something, as opposed to just getting something for nothing, thus creating that feeling of "entitlement".
- "If you serve billions, chances are you can become a billionaire." Teach this thought to your child.

PART 3 FINDING YOUR CHILD'S GENIUS

CHAPTER 15 HOW DO YOU FIND YOUR CHILD'S NATURAL GENIUS?

- A key to people's success in life is finding out how they learn best and ensuring that they are in an environment that allows them to continue learning in the ways they learn best.
- The Kolbe Index indicates whether you are a Factfinder , FollowThru, Quickstart, or Implementor.

Factfinders simplify, refine, and justify
FollowThrus adapt, rearrange, and organize
Quickstarts stabilize, revise, and improvise
Implementors imagine, renovate, and construct
(www.richdad.com/kolbe)

CHAPTER 16 SUCCESS IS THE FREEDOM TO BE WHO YOU ARE

More choices offer more opportunities to succeed. Your child should be given all the choices to take control over his own destiny.

With each dollar and cent your child receives, remind him he has a choice as to how to use it to build his own wealth.

CONCLUSION

The most important job in the world is for parents and teachers to "keep the light on", to guide a lost child out of the darkness and let him find his own unique path to success.