RICH DAD'S

CASHFLOW QUADRANT

GUIDE TO FINANCIAL FREEDOM

BY ROBERT T. KIYOSAKI



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BEST-SELLING BOOKS
BY ROBERT T. KIYOSAKI

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
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

Rich Dad's Retire Young Retire Rich
How to Get Rich and Stay Rich

Rich Dad's Prophecy
Why the Biggest Stock Market Crash in History Is Still Coming...
And How You Can Prepare Yourself and Profit from It!

Rich Dad's Success Stories
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

Rich Dad's Who Took My Money?
Why Slow Investors Lose and Fast Money Wins!

Rich Dad Poor Dad for Teens
The Secrets About Money – That You Don't Learn In School!

Escape the Rat Race
Learn How Money Works and Become a Rich Kid

Rich Dad's Before You Quit Your Job
Ten Real-Life Lessons Every Entrepreneur Should Know
About Building a Multimillion-Dollar Business

Rich Dad's Increase Your Financial IQ
Get Smarter with Your Money

Robert Kiyosaki's Conspiracy of the Rich
The 8 New Rules of Money

Unfair Advantage
The Power of Financial Education

Why "A" Students Work for "C" Students
Rich Dad's Guide to Financial Education for Parents

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My rich dad used to say,
"You can never have true freedom without financial freedom."

He would go on to say,
"Freedom may be free, but it has a price."

This book is dedicated to those who are willing to pay the price.

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Editor's Note

The Times They Are A-Changin'

There have been many changes in our economy and the investing landscape since *Rich Dad Poor Dad* was first published in 1997. Fourteen years ago, Robert Kiyosaki challenged conventional wisdom with his bold statement that "your house is not an asset." His contrarian views on money and investing were met with skepticism, criticism, and outrage.

In 2002, Robert's book, *Rich Dad's Prophecy,* advised that we prepare for an upcoming financial market crash. In 2006, Robert joined forces with Donald Trump to write *Why We Want You To Be Rich,* a book inspired by their concern for the shrinking middle class in America.

Robert continues to be a passionate advocate for the importance and power of financial education. Today, in the wake of the subprime fiasco, record home foreclosures, and a global economic meltdown that is still raging, his words seem not only prophetic, but enlightened. Many skeptics have become believers.

In preparing the 2011 edition of *Rich Dad's CASHFLOW Quadrant,* Robert realized two things: that his message and teachings have withstood the test of time, and that the investment landscape, the world in which investors operate, has changed dramatically. These changes have affected, and will continue to affect, those in the I (Investor) quadrant and have fueled Robert's decision to update an important section in this book—Chapter Five: The Five Levels of Investors.

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Acknowledgments

The phenomenal success of *Rich Dad Poor Dad* has brought millions of new friends from all over the world.

Their kind words and friendship—and their amazing stories of perseverance, passion, and success in applying the Rich Dad principles to their lives—inspired me to write this book:

Rich Dad's CASHFLOW Quadrant
Guide to Financial Freedom

So to my friends, old and new, for their enthusiastic support beyond my wildest dreams, I say thank you.

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Preface

WHAT IS YOUR LIFE'S GOAL?

"What do you want to be when you grow up?" That is a question most of us have been asked.

I had many interests as a kid, and it was easy to choose. If it sounded exciting and glamorous, I wanted to do it. I wanted to be a marine biologist, an astronaut, a Marine, a ship's officer, a pilot, and a professional football player.

I was fortunate enough to achieve three of those goals: a Marine Corps officer, a ship's officer, and a pilot.

I knew I did not want to become a teacher, a writer, or an accountant. I did not want to be a teacher because I did not like school. I did not want to be a writer because I failed English twice. And I dropped out of my MBA program because I could not stand accounting.

Ironically, now that I have grown up, I have become everything I never wanted to become. Although I disliked school, today I own an education company. I personally teach around the world because I love teaching. Although I failed English twice because I could not write, today I am best known as an author. My book, *Rich Dad Poor Dad*, was on the *New York Times* best-sellers list for over seven years and is one of the top

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three best-selling books in the United States. The only books ahead of it are *The Joy of Sex* and *The Road Less Traveled.* Adding one more irony, *Rich Dad Poor Dad* and my *CASHFLOW* board game are a book and a game about accounting, another subject I struggled with.

So what does this have to do with the question: "What is your goal in life?"

The answer is found in the simple, yet profound, statement by a Vietnamese monk, Thich Naht Hahn: "The path is the goal." In other words, finding your path in life is your goal in life. Your path is not your profession, how much money you make, your title, or your successes and failures.

Finding your path means finding out what you were put here on this earth to do. What is your life's purpose? Why were you given this gift called life? And what is the gift you give back to life?

Looking back, I know going to school was not about finding my life's path. I spent four years in military school, studying and training to be a ship's officer. If I had made a career sailing for Standard Oil on their oil tankers, I would never have found my life's path. If I had stayed in the Marines or had gone to fly for the airlines, I would never have found my life's path.

Had I continued on as a ship's officer or become an airline pilot, I would never have become an international best-selling author, been a guest on the *Oprah* show, written a book with Donald Trump, or started an international education company that teaches entrepreneurship and investing throughout the world.

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Finding Your Path

This *CASHFLOW Quadrant* book is important because it is about finding your path in life. As you know, most people are programmed early in life to "Go to school and get a job." School is about finding a job in the E or S quadrant. It is not about finding your life's path.

I realize there are people who know exactly what they are going to do early in life. They grow up knowing they are going to be a doctor, lawyer, musician, golfer or actor. We have all heard about child prodigies, kids with exceptional talents. Yet you may notice, these are professions, not necessarily a life's path.

So How Does One Find Their Path in Life?

My answer is: I wish I knew. If I could wave my magic wand and your life's path would magically appear, I would.

Since I do not have a magic wand nor can I tell you what to do, the best thing I can do is tell you what I did. And what I did was trust my intuition, my heart, and my guts. For example, in 1973, returning from the war, when my poor dad suggested I go back to school, get my higher degrees, and work for the government, my brain went numb, my heart went heavy and my gut said, "No way."

When he suggested I get my old job back with Standard Oil or fly for the airlines, again my mind, heart, and gut said no. I knew I was through sailing and flying, although they were great professions and the pay was pretty good.

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In 1973 at the age of 26, I was growing up. I had followed my parent's advice and gone to school, received my college degree, and had two professions: a license to be a ship's officer and a license to fly. The problem was, they were professions and the dreams of a child.

At the age of 26, I was old enough to know that education is a process. For example, when I wanted to be a ship's officer, I went to a school that turned out ships' officers. And when I wanted to learn to fly, I went to Navy flight school, a two-year process that turns non-pilots into pilots. I was cautious about my next educational process. I wanted to know what I was going to become before I started my next educational process.

Traditional schools had been good to me. I had achieved my childhood professions. Reaching adulthood was confusing because there were no signs saying, "This is the way." I knew what I *didn't* want to do, but I did not know what I *wanted* to do.

It would have been simple if all I wanted was a new profession. If I had wanted to be a medical doctor, I would have gone to medical school. If I had wanted to be a lawyer, I would have gone to law school. But I knew there was more to life than just going to school to gain another professional credential.

I did not realize it at the time, but at 26 years of age, I was now looking for my path in life, not my next profession.

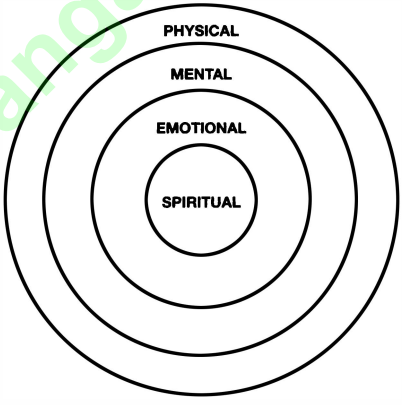
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A Different Education

In 1973, in my last year of active duty flying for the Marine Corps when I was stationed near home in Hawaii, I knew I wanted to follow in my rich dad's footsteps. While in the Marines, I signed up for real estate courses and business courses on the weekends, preparing to become an entrepreneur in the B and I quadrants.

At the same time, upon a friend's recommendation of a friend, I signed up for a personal-development course, hoping to find out who I really was. A personal-development course is non-traditional education because I was not taking it for credits or grades. I did not know what I was going to learn, as I did when I signed up for real estate courses. All I knew was that it was time to take courses to find out about me.

In my first weekend course, the instructor drew this simple diagram on the flip chart:



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With the diagram complete, the instructor turned and said, "To develop into a whole human being, we need mental, physical, emotional, and spiritual education."

Listening to her explanation, it was clear to me that traditional schools were primarily about developing students mentally. That is why so many students who do well in school, do not do well in real life, especially in the world of money.

As the course progressed over the weekend, I discovered why I disliked school. I realized that I loved learning, but hated school.

Traditional education was a great environment for the "A" students, but it was not the environment for me. Traditional education was crushing my spirit, trying to motivate me with the emotion of fear: the fear of making mistakes, the fear of failing, and the fear of not getting a job. They were programming me to be an employee in the E or S quadrant. I realized that traditional education is not the place for a person who wants to be an entrepreneur in the B and I quadrants.

This may be why so many entrepreneurs never finish school—entrepreneurs like Thomas Edison, founder of General Electric; Henry Ford, founder of Ford Motor Company; Steve Jobs, founder of Apple; Bill Gates, founder of Microsoft; Walt Disney, founder of Disneyland; and Mark Zuckerberg, founder of Facebook.

As the day went on and the instructor went deeper and deeper into these four types of personal development, I realized I had spent most of my life

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