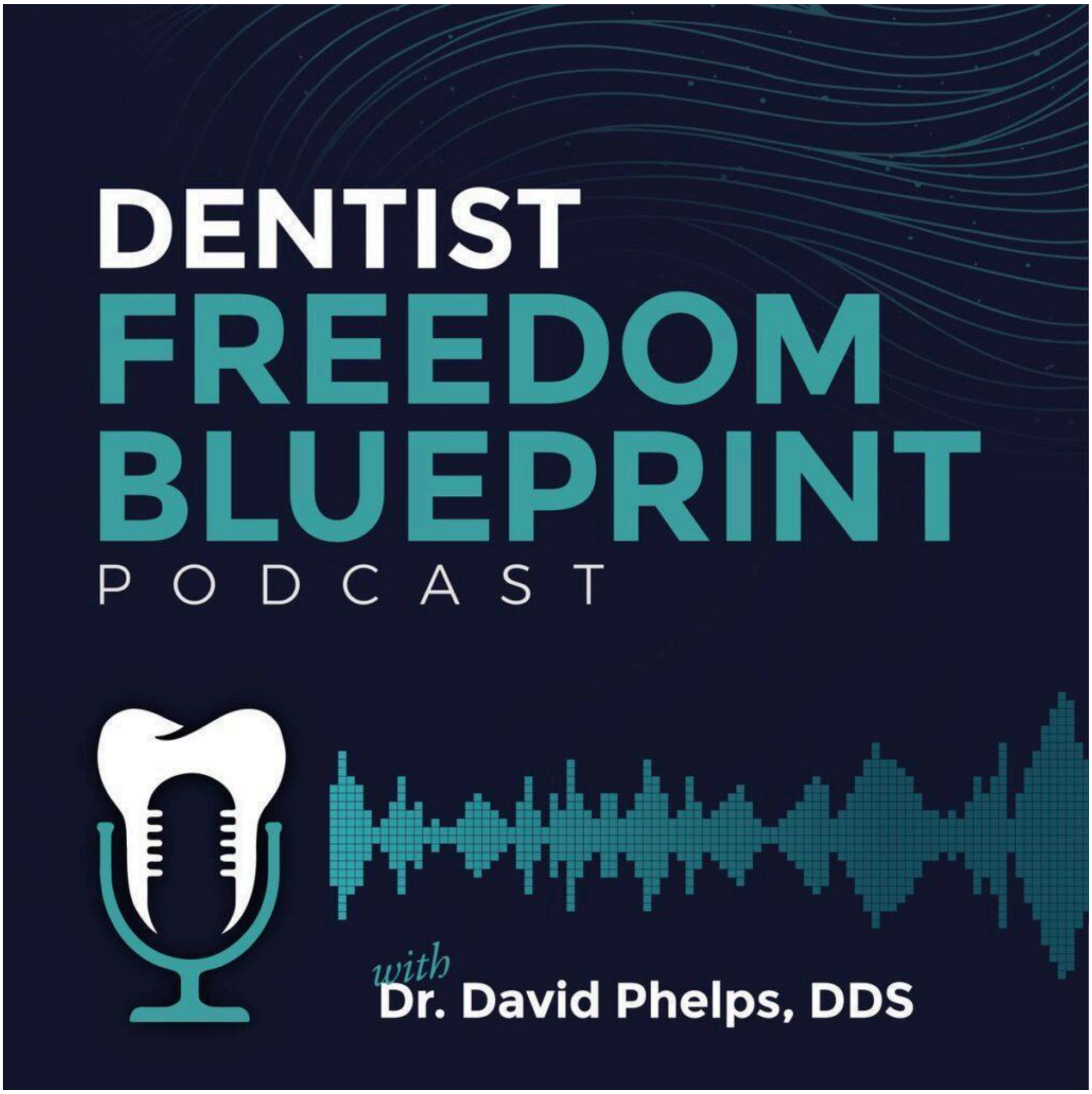
How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514



Full Episode Transcript

With Your Host

Dr. David Phelps

Dentist Freedom Blueprint with Dr. David Phelps

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Kim Kiyosaki: My question is what do you want in life? You want security or you want freedom? I had the crazy idea that I don't have to work so hard. I don't have to work these hours. I can do my own hours, and I can take time off, and I can be my own boss. Yeah, you work 24/7, but you're working for yourself. And you're working for your freedom, and you're working for, you're working for your dream.

"David was of course a dentist, but he was a very sophisticated real estate investor. He had run with a circle of probably the most sophisticated housebuyer types in the country."

"David is a student of the game."

"I would never say this about most people. I would get in a foxhole with David."

"His knowledge is unreal. I mean, it's off the charts."

"This is not some person in front of you going, 'Yeah, just give me your money and I'm going to invest it in real estate.' It's way more elevated than that."

"The most common message I get, 'I want to thank you so much for introducing me to Dr. Phelps because my wife and I—we went to Freedom Founders. We're on a path. We're going to be financially free. We are going to retire sooner. We are going to be happier. This changed our life.'"

Dr. David Phelps: I'm really privileged to have Kim Kiyosaki here with us. She is an accomplished entrepreneur, investor, author, known for her expertise in financial education and empowerment, particularly for women. She co-founded the Rich Dad company alongside her husband, Robert Kiyosaki. She's also the author of the bestselling book herself, the "Rich Woman: A Book on Investing for Women."

Which encourages women to achieve financial independence through investing in sound financial management with a very dynamic career spanning real estate investment, writing, public speaking. Kim Kiyosaki is a passionate advocate for financial literacy and is committed to helping individuals achieve success and financial freedom.

And I had the privilege of working, I say alongside, there was a cohort of a dozen or more people that were invited to participate in the state of Florida's Board of Education. Gosh, it's been probably a year, a year and a half or so ago, a few governors in a few states, just a handful of states that have really been on the forefront of advocating for more financial literacy for our young people in school and setting up some new mandates in the state of Florida for those who are graduating from high school in Florida to have to meet some base requirements of financial literacy.

And so they were really upgrading what those requirements were. And there was a lot of great discussions there. And Kim was right there, obviously adding her expertise. So Kim, let's start out with this. I think you and I would both agree. In fact, probably everybody on this call tonight would agree that while we have an economy that in some respects looks like it's strong and we can look at the financial markets and say, “Wow, look at how high they've gone in this last week. They've even spiked higher.” We see the Federal Reserve talk about the fact that the economy is chugging along and unemployment's still staying relatively low. Everybody talks at least at that level, everything's good. But I think we can be more realistic and say, particularly for our younger cohort and a lot of our next gen on tonight, it's not so easy out there today in this world, right?

In fact, for you and I and others in our generation, I'm not saying it's ever easy, but from your standpoint, why is financial literacy maybe even more important today than it's been in past decades?

Kim Kiyosaki: Thank you, David, for having me. You're such an inspiration and I so appreciate the work you do in educating people. It's fantastic. Why is it more important than ever? When times get tough, and they've been tough for the last few years, the vote showed it, that people are disappointed and kind of fed up with their situation. They're not in a place where they're financially secure. The markets have been wobbly until the election.

So right now, I think financial education is more important than ever because when you go through tough times, I think the most important thing is if you get financially educated. Okay, when I was young, I knew nothing about money. Probably most of us learn nothing about money in school. Our parents really didn't know much about money unless they come from a very wealthy background, of which my parents did not.

I knew early on that I wanted my own money and I knew that money was important. It's a life skill. Here's the weird thing, David. It's something we use every single day in our life, yet nobody educates us about money. And so for me, for some reason, when I was very young, I knew that I wanted my own money because I knew that if I didn't, I'd have to go to my parents or ask them and justify things.

And so I started young making money. You look at the statistics, you look at what's happening with people today, and the statistics are showing that especially as we get older, especially for women, that our financial lives are not as strong as they should be. And for women, especially as we get older, due to death of a spouse, due to health problems, due to divorce, due to poor money management, a lot of women are finding themselves in financial crisis.

And now that is spreading over to young people, to men and to women. So I think financial education is the key. It's not everything. As Robert's *Rich Dad* said, money's not the most important thing, but it affects everything that is important. It affects your standard of living. It affects your health care.

It affects your level of education. It affects everything that's important. Maybe not the most important thing, but it affects everything in your daily life. I think right now, the most important thing we can all do is get more and more financially educated.

[Midroll] Dr. David Phelps: *Are you a dentist who's tired of running on a treadmill, but not sure how to reduce your dependence on trading time for dollars in your practice? Will 2025 be any different? What would it look like for you to create enough replacement income not dependent upon you, to take time off away from your practice or even make practicing optional. This January, I'll be leading a small cohort of docs in what I call the Catalyst Group, small group where I will be teaching the fundamentals of how to invest in alternative investments, how to hedge against what I see coming in the marketplace.*

We've had some really big up runs in the market since the GFC, Great Financial Crisis, Some years ago, we had a continued propulsion of the financial markets coming out of COVID 2020. This will not go well in the future. And there's also the sentiment, the consumer sentiment, of having a new president who is bolstering confidence in the marketplace, which is always good.

But the headwinds that are there ahead of this administration are so deeply embedded. That one has to be very careful and understand that the models that we've seen in the past that have worked to an extent are likely not to work in the future. Hedging against downside risk is going to be more important than ever.

Understand that inflation is here to stay, but in the near term, there's going to be some serious corrections in the markets, financial and tangible assets. Where are the access points? Where are the places you can go and be more of an advocate for your finances? This is what I teach. It's what I've done all my life.

It's what I love to do with other people. This is where we'll be going with the Catalyst Group coming up in January. Your time in this small cohort, which I've done several times over the last several years, is one where you get personalized attention. It's a small enough group where I will give you personal feedback.

You'll learn and create a blueprint, your own customized blueprint, to help you figure out where your money needs to go and how much you might want to allocate to alternative investments. You'll learn the ins and outs, the due diligence, how we risk averse our investments in the marketplace with all the certainty that's out there.

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And there'll be a real focus on what I call the freedom of time. Yes, everybody's all about making more money and creating more wealth and more net worth and equity. That's important. But how do you convert that into what we all really want? And that's more time, even if you're not ready to retire yet.

Having a day or two a week reduced from your schedule because you've got the replacement income, you've got confidence that you've got equity outside of your practice or your business that's working for you, you know where it's at, you know how it works, will give you the peace of mind to take some time off, which is the biggest gift you can give yourself. It's the biggest gift you could give your family. This is risk free. You come to the Catalyst Group first two weeks, and if it's not for you and not what you signed up for, no problem. I'll refund your money. And I want people who really are wanting to be on the forefront of advocating for their financial future.

If that's you, I would say, this is time for you to jump in. If you want to make 2025 a difference maker for you to turn the corner, to actually see a pathway out at the right time, from what's holding you back, this may be the key. To learn more, and join me in January, go to freedomfounders.com/CatalystGroup. That's freedomfounders.com/CatalystGroup. I've made a difference for hundreds of other doctors and their spouses, and this is a step in the right direction for you. Jump in. Let's make it happen for 2025. I hope to see you there.

Dr. David Phelps: We can talk about the economy, whether it's tough time and interest rates are high and school loan debt is all time highs for many of our young people.

It's tough to buy a house, a starter home today because the values went up after COVID and interest rates in the last year and a half have gone up high. Buying a car today, again, if you have to finance it, very, very difficult. So we can talk about the economy, but I think what we're relating to tonight is our economy and having financial literacy, financial acumen can allow us, even in difficult times, to have our own economy and make it through the tough times.

I think that's what we're talking about here tonight, right? Because we can't control the external factors. We can't control what we do, right?

Kim Kiyosaki: And you talk about how do you handle the world and how do you handle everything that's going on. So yeah, you and I cannot handle the U.S. economy. We can't make decisions on the global economy, but we can handle our own personal economy.

And that's exactly what we're talking about. And how do we take control of our own personal economy? And for me, the word is control. My investments, my business are investments that I can control. I'm not a stock market person. I don't invest in stocks or bonds because I can't control what Microsoft's going to do with their balance sheet or their income and their expenses. I can control what I'm going to do with my apartment building. I can control what I'm going to do with my business. I can control if I have a phone access to the people in charge of my investments. So control is everything. And it is all about what you can do personally.

And for me, no matter what happens with the economy and no matter how crazy it gets, and it's been very crazy in the last few years, I got to put that aside and say, “What can I do personally to improve my financial wellbeing?”

Dr. David Phelps: What were some of the first lessons that you learned as you, from a young person, and as you said, you wanted early on to have your own money to acquire, earn or invest for your own money? Were there any particular lessons that come to mind that you learned early on that said, “Oh, that's an aha moment. I'll never forget that.” Or a principle that you use today that you learned way back?

Kim Kiyosaki: That's a great question. So when I was young, when I was really young, of course, I didn't learn anything about listening.

I'll tell you one quick story I did learn early on. I think a lot of us, because if we're not financially educated and we're taught, what we're taught is depend upon the experts, right? The experts out there. So my neighbor was a stockbroker and I'm like 30 years old. He's a stockbroker and he talks me into buying Coca Cola and some other stocks.

And I have no idea what I'm doing. So I'm researching Coca Cola and I'm looking at it and I'm like reading up on it. And I'm like, “They're saying now it's not going to do so well this next few months.” So I call him and I said, “I don't really know about stocks, but what it looks like is it's going to go down. So I want to sell.” “No, no, no, no. Don't sell. Don't sell. I'm the expert. I'm the expert. No, no, no. Don't sell. Don't sell.” “I really think I should sell.” “No, no, no. Don't sell. Don't sell.” I'm like, okay, he's the expert. He knows. So I didn't sell. Stock went down. I lost money. early on in real estate, I have real estate broker and I'm talking to him and he's I'm like, “Tell me how this property runs.”

“Oh, it's just great. It's wonderful.” “Can you give me the numbers?” “Oh, well…” “Can you tell me what a cap rate is?” “Oh, well, if it's high, it's good.” I’m like, “What is–” So early on, I learned that what we're taught as who the experts are are not the experts. Most often the experts are salespeople.

Dr. David Phelps: Right.

Kim Kiyosaki: There's really good financial advisors who really want to educate you and then there's salespeople. And that was an early lesson I learned is to make the distinction between the two, who's really looking out for your best interests, and nobody's going to look out better for your best interests than you.

Dr. David Phelps: Exactly.

Kim Kiyosaki: Again, the point why financial education is so important is because nobody's going to take care of your money better than you.

Dr. David Phelps: 100%. I'm just like you are. I never really looked at the financial Wall Street stock market. Learned early on that I wanted something tangible. You talked about proximity to the investment, whether you're hands on, which I think we definitely were. And, early on, we might even talk about the first property you bought, because I remember you telling that story another time.

It's scary, right? It's scary to go out and make that first acquisition. You want to talk a little bit about that and what gave you the fortitude to go ahead and do it because there's always this fear of failure. First time you're doing something, did you have somebody that was a mentor looking over your shoulder a little bit, giving you a little bit of guidance? How did that work out?

Kim Kiyosaki: My start in real estate was Robert. Started to teach me about what his rich dad taught him about money and mostly about real estate investing. Cause that's what, rich dad was a real estate investor, mostly hotels. We had more time. I would share some of his stories. He was a street smart guy and he did things that today we would never get away with, but he was brilliant.

He was brilliant. So Robert started to teach me what his rich dad taught him about real estate. And he goes, “Okay, go find a deal.” And I'm like, “I don't know how to find a deal.” So I'm in Portland, Oregon. First mistake I made is I call a broker, but he was a residential broker, but I didn't know the difference.

So we're looking around and I found this little two bedroom, one bath house. It was very close to where I lived. I could ride my bicycle there and I was, to your point David, I was scared to death. It was $45,000, it’s 1989, in Portland, Oregon. I had to come up with $5,000 of which we did not have. And the fear of losing money, the fear of making mistakes, the fear of being called stupid because the thing blows up on me.

I looked for every reason, and this was a key for me. I looked for every reason why not to do that deal because that would have been easier not to do the deal. To do the deal, I'm going to have to up my game and I'm going to have to learn a lot and I'm going to have to be uncomfortable. Most of us don't like to be uncomfortable, but that's where true growth happens.

So long story short, scared to death, literally my hand was shaking as I was signing the paper. I looked for every reason possible not to do it, but I knew if I didn't do it, I would step backwards. So there was just something that said, “Just do it and suck it up." And I did, and I made a ton of mistakes. And I think one of the big fears, and this was one of the best lessons.

The key to life and the key to success, in my opinion, is to make a ton of mistakes. Make mistakes and learn from the mistakes. Learn from every single mistake. That's how human beings are designed. They're designed to learn from their mistakes. And we're so afraid of making a mistake to look stupid or whatever.

I think that's what holds a lot of us back is that fear of making mistakes. I don't like to make mistakes, but now when I do, it's like okay. It's just teaching me something I did not know. So finally got through that deal after collecting rent, after paying expenses, after paying the mortgage, I had $25 a month cashflow in my pocket.

Dr. David Phelps: Awesome cashflow. Hey, you did it. You're so right about the fear of making mistakes. Our culture, particularly our educational system, is just built on, don't raise your hand to ask a question because if it's a stupid question, or you get frowned upon, right? Don't try things.

Even in my own life, I'll just say, I kind of stayed straight and narrow into the studies that I knew I needed to do well in to accomplish the educational goals. And I did not take the opportunity back then to be more diverse in my studies because I was afraid. I might trip up. Today, looking back, I would tell young people be as diverse as you can early on. Don't go into a specialization of any kind. I'm just talking about education general. Get out there. Apprentice intern. Look at a lot of things before you decide where you want to go because we're getting work. We're afraid to try things because we might get a lesser grade that won't let us progress to something else.

Kim Kiyosaki: To that, David, think about to be successful in the real world is opposite of how you're taught in school. In school, you're taught, "Don't make mistakes." How do we learn? We learn by making mistakes. "Do not cooperate. Do not work together. Do it on your own. Take your test by yourself." And we're also taught in school there's only one right answer.

School actually unprepares us. It disprepares us for the real world. People come out of school, a lot of people come out thinking they're stupid when they're not, or they come out of school thinking they're smart when they're academically smart, but they're not real-world smart,you and I are on the same page in terms of school, I had friends, parents of young kids.

And I'm like, "How do you deal with this?" And they're like, "We have to kind of deprogram them every night as to how you learn and how you grow and how you become successful," but as an entrepreneur and an investor, you've got to really re-examine how that programming happens in school.

Dr. David Phelps: So are we kind of advocating for C average grades here?

Kim Kiyosaki: Yeah. C student, B student works for the C student and the A student works for the government.

Dr. David Phelps: So often that is very true. That's very true. I mean, I'm being a little bit facetious, but again, as you said, young people need a chance to experiment and try things. And if we just always, you gotta get the high grades, high grades, high grades. Yeah. I mean that's academically, you can be very sharp and pass all the tests, but real world, it's not about getting those straight A's necessarily. Young people, we're advocating for you. All right. Hope the parents aren't going off cab. We're pulling you off of this one. We're not gonna listen to this anymore. Now I know our group.

Kim Kiyosaki: Somebody had presented this to me that there's four types of people in the world and we have all these four attributes, but we kind of gravitate towards one. And one is I must be right. I must be right. Those are typically the A students because they have to be smart and they have to have the right answer.

So I must be right. I must be liked is another one, if that's your main genre. I must be comfortable. And unfortunately, a lot of people who must be comfortable, they don't, to your point, they don't experiment. They don't get out there and try new things and they just want to be comfortable. And then there's the I must win and I must win are that's you and me.

I must win. Now I've got it tamed down to not at all costs. The ends don't necessarily justify the means, but we all have those four types inside of us. And to recognize which one really drives you, I think is really important in terms of your success.

Dr. David Phelps: That's very profound. I like that. I think you're right.

We have to identify what our tendencies are and realize that they may not be the virtue that society says they are necessarily, to look back at those. What are some of the financial mistakes that young people make that they should avoid. Are there some key ones that you see today, or as you're providing help for, whether it's women, young people, whoever, what are some of those stakes that are being made that are setting them back?

Kim Kiyosaki: Really number one, I think they have to think for themselves. Kids have to think for themselves. What I've been taught, and I think what most people are taught on the financial side of things are things that worked in the past. Like what I was taught worked for my grandparents, worked for my parents. Save money.

Okay. Number one, save money. Yeah, for emergencies, but save money at 1 percent interest. When they were saving money, it was like 7 percent to as high as 18%. So save money, invest in stocks, bonds, mutual funds. You really need to know what you're doing. If you do that 401ks, okay. Get educated, research, look into it.

How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514

If you look into your 401k, if you really research it and do your due diligence and you look at the fees and what it takes, if you have no financial intelligence, a 401k is great. Once you get a little financial intelligence, you can find investments that are going to have your money work much, much harder than a 401k.

I have a friend, Andy Tanner, wrote a book, 401 Chaos, that outlines all of the disasters of a 401k. It goes back to think for yourself, get yourself educated, learn about whatever your money is being put into. If your company says, “Oh yeah, we'll match your 401k one to one, *da, da, da*…” What does that mean?

What does it mean? The number one thing that young people can do today and everybody can do today is learn the language of money. People use, especially people in the world of money, in the world of investment, they use this jargon and they use this terminology and they don't even know what the words mean.

I mean, Rich Dad Poor Dad, I think the biggest aha moment for people with Rich Dad Poor Dad is understanding the difference between an asset and liability, okay? And an asset, something that puts money in your pocket whether you work or not. Liability takes money from your pocket. Now, a banker will call my jewelry an asset.

Well, not until I sell it. Call my house an asset, but every month it takes money out of my pocket. I am the queen of cashflow, David. I am. I love it. If you learn the difference between cashflow versus capital gains, are you investing, there's two things investors invest for capital gains or cashflow. Most stock market people are capital gains.

Dr. David Phelps: Correct.

Kim Kiyosaki: Understanding the language of money. The terminology I think is one of the best things you can do today for your financial education.

Dr. David Phelps: Yeah, that's very good. So we talked a little bit about that first property that you bought in Portland for young people with limited funds available. They're starting out, right. But they've got a mindset that they want to develop a good acumen about investing. Where would you suggest they start to get out of the gate to get started. If they have a proclivity towards tangible assets like we do, should they try to go there first or should they build up some funds somewhere else before they go into hard–what's your thoughts there?

Kim Kiyosaki: That's a great question. And of course, David, everybody's going to be different. Number one, you got to get some financial education behind you. And then what I do and every friend I have who is a successful investor, a successful business person who has sustained their wealth, they start small.

I've talked to people who have put their money into a big deal and somebody said, “Oh, just put your money here.” But the ones that I found successful, they start very small because you start small and that's your learning curve. My little two bedroom, one bath house. I learned the fundamentals of real estate investing.

If you don't have a lot of funds right now, a fun thing to do is just go buy a one ounce silver coin, and watch it every day. Is it up? Is it down? What's it doing? And you start to learn about gold and silver and other precious metals. You gotta put some money into the game. Way back, Robert and I were, there was a book, it was on tax liens.

It was called The 16th Percent Solution. It was on buying tax liens. So these are properties that people have not paid their property taxes on. You can go and you can pay their property taxes. And long story short, if they don't end up curing that and paying them, you can actually get the property. And so we're like, “We want to understand how this works.” And how I learned the best and I think the way people learn the best is by doing the real thing, going out there and doing it. So we went to a little county seat here in Arizona and we put $2,000 into these tax liens. And we've learned about tax liens and we learned the process and we understood it because we got skin in the game.

If I got $100 in the game, David, I'm interested. I'm going to learn. I'm going to participate. So I think one of the best ways that young people can learn today is find something that they're interested in investing, whatever it is. A one ounce silver coin is going to cost you, what, $28 today. Go buy it and then watch it.

Watch what happens. If it's real estate, start really small. Start with a very small property or go in with a partner on a property, but start small. ‘Cause there's going to be a huge learning curve on anything that you do. But if I don't put money into the game, I don't have that much interest. And a lot of people get caught up in the theory again about school. It's all theory. I want hands on. I want, that's where my learning happens.

Dr. David Phelps: Yeah. I think there is a tendency to want to try to learn everything you can about something again for that fear of failure. I need to study more. I need more information. I better take the next class or read the next book, right?

You're exactly right. You learn better when you're doing it, right? It's not going to be perfect, but I like the idea that you said, invest in something because that's going to, like the silver coin, that's going to have you looking at something about the markets and indicators. Well, what's happening with the dollar, what's happening with interest rates, You start figuring out, what changes the dynamics of this particular asset or real estate or so many things, and that's where your interest is. Otherwise, you just read a bunch of theory and you have a bunch of data in your head, but it has no real meaning to you because you haven't done anything with it.

How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514

Kim Kiyosaki: Part of the study is not just an investment, not just money, but part of the study is economics and macroeconomics. There's people I go to on YouTube all the time, friends of mine as well. They teach macro economics, even though they're not economists. They're self taught. Understanding what's going on in the world and understanding where your money is, understanding how the dollar's affected, understanding what BRICS is, understanding the yield curves, all of that stuff affects your investment success.

And there's so much information. It's hard to, how do figure out what's real and what's not real? What's the good information and not good information? And that takes a little bit of practice, but I'm happy to throw out some names at any point.

Dr. David Phelps: That might be helpful because you're right. There's so much out there today trying to figure out what is propaganda, what is sales and marketing clickbait versus, who should you follow. And I think you're exactly right. You have to know kind of who to follow to get discernment and really triangulate a lot of the information out there.

Otherwise you can get taken for a spin by people who are just trying to sell you into something or propagandize you in a different thinking.

Kim Kiyosaki: Back to your point about doing the real thing. One of my friends, he is all about macroeconomics and I'm like, “Where are you putting your money right now?”

And he's like, “I'm just letting it hang out in T bills and treasury bills.” I'm like, “Treasury bills. Okay.” And he goes, “Yeah, just go treasurydirect.gov.” I got to tell you that the hair just stood up on end. ‘Cause I'm like, you want me to give my money to the government? I'm like, no.

Dr. David Phelps: They're such good caretakers of everything. I'm surprised that you feel so so airtight.

Kim Kiyosaki: But I did, I went online, I put an account in, I've got my treasury direct. gov account and my T bills and I'm learning and I'm learning. And it makes me pay attention to the 10 year treasury and the two year treasury and what's happening. So again, putting a little money in a treasury bond, you can buy 10, very little, but it forces you to get educated.

And so I always want to put myself in a position, David, where, ‘cause I'm lazy. And so I want to put myself in a position where I have to learn in order to do well.

Dr. David Phelps: Something to incentivize yourself to motivate you to do something. Yeah, I get it. That makes sense. Would you recommend young people to focus on cashflow over growth, or is it better if you're trying to grow in a state as a young person, should you, and maybe you have active income because you're doing a job, you're transactional, should you focus more on growth for a time and then switch to cashflow? What are your thoughts there in terms of balancing?

Kim Kiyosaki: When you say growth, are you talking about capital gains?

Dr. David Phelps: Yeah.

Kim Kiyosaki: That's a great scenario because it depends on who you are, because if you don't have the money to put into a cashflow investment. Like for me, I love real estate. I love rental properties. And when I didn't have the money, we got very creative.

Like that little two bedroom, one bath house. I needed $5,000 and we didn't have it. We had a business. And so we got very creative. And what we did is we said we were creating a product. We were in the works of it and we're going to pre-sell it. You sell this, your money today, and you get a discount and we're going to ship it in two months, which we did, it forces you to get very creative.

So if you don't have the cash put into a cash flow investment, be it real estate, be it a business, be it whatever it is, I'm not a fan of flipping, but I'm a fan of buying a property, fixing it up a little bit and selling it for more. If that can give you the cash that you can then put into a cash flow investment, I'm all for that.

Dr. David Phelps: Equities. Buying the property, buying the business. As you said, in my experience, there's more opportunity for creativity there because you can design, carry back financing from a seller, right? There's some ways that you can work terms out if you don't have a lot of money and you can do that with equities because you use the asset itself to create the terms that can suit you.

And as a young person, we all have been at one point where we didn't have a lot of money. You said you had to scrape together $5,000 for their first investment. First one I did, I had no money, but I had to bring a financial partner in kind of do a joint venture and split the deal where I was the manager, right?

So I had more time than money and that person had more money than time. And so we kind of put the deal together. On the cashflow side, like you I prefer cashflow with my equity investments. Another way for us to get cashflow is acquire an asset and then sell it to someone else on terms, maybe more stable cashflow.

But then we've given up the growth, right? So it's like I said, it kind of depends on who you are and where you are.

Kim Kiyosaki: To your point, I'm going to say probably our first six deals we did with seller financing. We went to the seller, they played banker to us, otherwise we could not have done it. One quick story, David, is early on, it was a 12-unit apartment building in Oregon and we didn't have the cash for it.

it was $50,000 down payment and we didn't have it. And so Robert says, “Oh, we've got our friend in Canada, his name is Steve and he's a big investor. Let's call him and see what he thinks of this deal.” And so Steve writes back within like seconds, he calls us back and says, “Yeah, I'm in for 50%.” And we're driving and I said, Robert, pull over.

I said, this guy's really smart. He's really smart. He's done all these real estate deals. And he like jumped at this thing in five minutes. I'm like, “We need to do this a hundred percent,” but we don't have, we don't have it. And we're like, “We're going to figure out how to get it.” And we figured it out.

And this is another lesson you're asked about lessons. This is a lesson I learned if it's theory, if it's like, “Oh, when I get the money, I'll do it. When I get the money, I'll start investing.” We never have the money because there's emergency, right? Or there's always something that comes up.

And so when I saw that property, when we saw it and we saw the potential for it, all of a sudden it became real and it was in our head and we wanted it. And that's what makes the creativity come through. That's what makes the passion come through. That's what makes you figure it out, how to get that.

So as long as you're just thinking about it, I would say go out and find the deal. Whatever the deal is, whatever the investment is, go find that investment, touch it, feel it, look at it and get excited about it. And then don't ever, ever let the excuse, “I don't have money,” stop you. Because there's always a way.

Dr. David Phelps: So true.

Kim Kiyosaki: I got a big bag of tricks, I'll tell you.

Dr. David Phelps: You develop that bag of tricks over many years and putting a lot of deals together, right? I mean, that's how you sharpen those skills by being out there and doing it, talking to people, negotiating, right? I mean, that's the fun of it too.

And the fun part is while you're doing that and having fun with people, you're building up assets, double leverage, the way I look at it. You're getting a bigger bang for the buck by being involved with people because real estate is really about people, right? I mean, it's all about people. So if you learn how to deal with, negotiate with, create structures that benefit to some degree both parties, then that's how you create good deals. And that's what it's about.

How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514

Kim Kiyosaki: I would never feel good doing a deal if I'm trying to screw somebody or take advantage of somebody. It's like every deal that we've done, we walk away from the table feeling, everybody feels this is a good deal.

Dr. David Phelps: Kim, how would you tell young people to differentiate between the desire, the human instinct, need for security, meaning if I get a good job, and get a steady paycheck, then that gives me security versus maybe the inner instinct that also has an entrepreneurial spirit that says, “Yeah, but boy, I'd like to do something of my own.”

Kind of like you were talking about early. It's like, “I'd like to have my own money. I'd like to have my own assets, but I need the job for security.” Maybe, “I need the job to pay off school loan debt.” So not a right or wrong answer here, but how do we deal with the conflict between the two sides security versus entrepreneurial risk and spirits?

Kim Kiyosaki: I think now young people are seeing that getting a job is not necessarily security anymore. So we created a thing called the cash flow quadrant and Robert wrote a book called the Cashflow Quadrant and it's a quadrant of four and on the left, It's ES Employee self employed and on the right is business owner investor So, employee is you working for someone else, self employed is you working for yourself, business owner is systems and people working for you, and investor is money working for you.

So, the left side, the employee, self-employed, you're working for security, but the business owner investor side, you're working for freedom. There's one word that defines me, it's freedom. I've always sought freedom. So I think people get trapped in the narrative that they grow up with, as we all did. Get a job, work your way up the ladder, get a raise, increase your hourly wage if you're self employed, and you get stuck in that.

But there's really no freedom there because you're working for somebody else or you're working for yourself. And until you can make that transition to business owner, entrepreneur. And we had our own business, probably we had the rich dad company, probably 10 years from where we were self employed until where we made the leap to business owner.

There was one day we were in New York city, big thing happened. And all of a sudden I realized we had a great team and we had systems in place and it wasn't dependent on Robert or myself to run the company. But my question to people with that question is what do you want in life? You want security or you want freedom?

I think to me, the backbone of this country is built on small business, is built on entrepreneurship. I think true freedom comes from entrepreneurship. Yes, it's a tougher road. You got to work harder. I had the crazy idea that I don't have to work so hard. I don't have to work these hours. I can do my own hours and I can take time off and I can be my own boss.

Yeah, you work 24/7, but you're working for yourself and you're working for your freedom and you're working for, you're working for your dream. I'll tell you one thing quickly, David, is when Robert and I became financially free, which was in 1994, and people thought, “Oh, you must have had millions of dollars,” or, “You must have sold your company for a lot of money.”

“You must have a huge stock portfolio. You must have a lot of money in the bank.” No, we didn't have any of that. All we had was $10,000 a month coming in every month from our investments, primarily real estate investments, but our living expenses were only $3,000 a month. So that's the whole formula for our cash flow board game.

Passive income is greater than your living expenses. But the beauty of that, David, was for the first time, for the first time, I actually could ask myself, what is it I really want to do with my life? Because I didn't have to struggle to pay the bills. I wasn't hustling to make more money and put more money in my pocket.

Now I've got some breathing space. And what is it I really want to do with my life? And that's when Robert and I came up with the Cash Flow Board Game and then he wrote Rich Dad Poor Dad. And it was, we just, we want to teach. We just want to teach and we want people to be free.

Dr. David Phelps: Well, you discovered through your own experience what it felt like, not only what it meant to be by definition, your passive income covers, your lifestyle burn rate, you also experienced what it feels like.

And I'm so glad you talked about having the breathing room, the margin, because you're right. When you're at a point where you've got enough recurring passive income where you don't have to go to work or you don't have to go to work as hard or as many hours in, you've got that space, that margin. I tell my people in my community.

I'm talking about doctors who make a good living, right? But they make a good living because they have to go make it. And I tell them, I said, “If you can find a way to some degree, reduce the burn,” because we know there's a tendency when we start making more money, wherever we are on that ladder, the tendency is, well, then I deserve the better car, the better house, the better clothes, the better vacations.

These are normal, right? And I tell people, I don't judge anybody, but to your point, that's speaking out to the young people who have not gotten themselves into maybe head over heels into lifestyle yet, right? If you keep that lifestyle tempered, I don't mean, if you're married, you got to make sure the marriage stays intact.

So gentlemen, I'm not telling you to make your wife stay in the hole that you started out with, but if you do it together, and I think this is a key thing. If you do it with your spouse, your significant other, and you have the goals and you both can see where the goals are going because each party in a marriage has got to get something out of it.

And I think some of us are more driven for the long game. That's me. I can put off and put off and put off, because I see the long game. That doesn't mean that people who like to live a little bit today, that doesn't mean they're wrong either, right? I think the key thing here, and I want you to add your viewpoint, but if you can temper the enticement to drive your lifestyle, just cause you're making more money and keep the burn rate down and work on the investing side to get that recurring passive income from your assets, your investments, you can get to freedom, which you just defined.

And I put in air quotes, but freedom. You don't have to be 65 years old and go into retirement, right? I mean, you said you did it at what age were you? You said 1994. I don't know what age you were, but 1994, that's 30 years ago. Most people think, “Well, I'll be free when I get to my retirement.” Bad metric, right? Bad metric.

Kim Kiyosaki: Exactly right. Because. As Robert and I were building our assets, and we're just starting out with the one bedroom, then a two, then a duplex, then a sixplex, then a twelveplex, and we moved to Arizona, and we moved our investments from Oregon to Arizona. As I said, our living expenses were $3,000 a month because we lived in a beautiful community, but we had the small house, we didn't have the fancy cars, our friends did.

Our friends were like, they had the mega mansions, they had the fancy cars. We call it looking good and going nowhere. And we did it. We just kind of kept to our plan. Our plan was we were going to buy two units, two investments a year for ten years, we'd have twenty properties in ten years. Once we understood it and really grabbed it, we did that in eighteen months.

But we kept to our plan. We kept our expenses really low and we just put all of our money into cash flowing investments, cash flowing primarily real estate, rental real estate. And now I look back and now we're doing great. And some of our friends, not so much because they did not have, to your point, that temperament and the habits.

I think that's really, really important is developing these habits early on. And one habit is to really get clear on what your goal is and follow that financial goal. A lot of people don't have a financial goal. What is the financial goal? Ours was two properties a year for 10 years. And the other thing we did, David, early, early on, and this drove my bookkeeper crazy because we had more money going out than was coming in years ago, and we had Betty the bookkeeper and we had a rule and a rule was no matter how much money came in with every dollar that came into our household, every dollar, no matter what, we took 30 percent off the top before paying anything. And at that time, 10 percent went into a savings account, 10 percent went into an investment account, and 10 percent went into a charity or tithing account. And we still do that today. I still do that today, but numbers have changed, but Betty would go crazy.

She's like, “No, no, no, no. We have to pay the bills. We have to pay the bills.” And back then I could call the companies and say, “I can't pay you the 200 this month, but I can pay you 50.” And we're going to be good for it. And we were, but that habit alone of just making that percentage a little bit of a stretch so that you really had to put yourself out there a bit, but that habit alone, that's one of the reasons we got that first property because half of the money came from that investment account. So it's establishing really good financial habits. And to your point, exactly that. It's not about living below your means, but what is your financial goal and how do you reach that? And how do you not tempt yourself to do the splurge, which so many people do? Credit card. We had a habit of no matter what's on our credit card that month, we paid it off that month. So we never had credit card debt.

Dr. David Phelps: Habits are so important. And the tendency for many people, they'll say, “I'll invest with what I have left over at the end of the month,” right? Bad move, because again, you never get there, right? And there's always, we've got more time. Yeah, when you're young, you think you have forever, right?

I thought I did. I had forever. You wake up one day and go, “I'm not so young anymore, and I'm running out of time.” Now it gets a little stressful because the body's getting tired and it's yeah, the compound effect you said earlier is start out with whatever you've got, whatever you've got, set those percentages.

And even if it seems like it's minuscule right now, it's like, I'll never get to whatever your goals are. Yes, you will. Yes, you will. It's those habits that you start early on. And once you have the habits, like you said, Your initial habit was two properties a year for 10 years. But when the habits start to roll, it actually compounds itself and you'll get to those goals faster.

You said 10 years and you did it in 18 months. That's the kind of thing that happens when you set those goals and you're doing it together, as a couple, as a family, it takes that togetherness. If you're trying to do it separately, I just don't see that rarely ever going anywhere.

Kim Kiyosaki: And that's a question I get a lot, David, is, what happens if my spouse isn't interested? I'm interested, but my spouse isn't interested. It's like the million dollar question. But to your point, if you can do it together and find something of common interest in the deals, like for example, I have a friend and he was looking at a property and she wasn't interested and so he drove her by this property one day and he said, “Look at this house here, what would you do to spruce it up on the outside?”

She goes, “Oh, I would put plants here and I would put a fence here and I'd change the walkway and I would do this and that.” He goes, “Let's go do that.” He got her interested from that point of view, but to your point, to be successful as an entrepreneur, to be successful as an investor, I think both parties, your spouses have to be aligned and in the game together.

And it's fun to learn together. It's really, it's fun to do properties together and it's fun to invest together and you're learning together, the excitement was the new adventure, what are we going to learn? And what are we going to study? And we always had book studies going. To this day, once a week, we have a group of people that get together. There's a video that somebody comes up with. It could be on macroeconomics. It could be on money. It could be on political. It could be spiritual, but there's a video and we all watch. There's about 14 of us. And then every Thursday morning, we have a discussion on it.

It's really valuable. I have a group of girlfriends. We get together and we have a book study. We read a book and we talk about it and the dynamics and the learning that happens with a group of people is really phenomenal.

Dr. David Phelps: Could you explain the concept of good debt and bad debt in the context of assets and liabilities? So yeah, let's talk a little bit about debt.

Kim Kiyosaki: So people think debt's a four letter word because that's what we've been taught. And a matter of fact, we had a marketing friend of ours in Australia. At the time our company was called Cashflow Technologies. And the book had been out. The book's now a bestseller.

And we're talking with him and he goes, “You know your brand's not cash flow.” And we're like, “Of course it is. It's the game. It's what we do, it's how we invest. We're all about cash flow.” He goes, “What's your most popular product?” And we said, “Rich Dad, Poor Dad.” He goes, “Your brand is Rich Dad.”

And we're like, “Huh.” And he said, to your point, he said, “When people think of cash flow, they think of cash flowing out of their pocket. Cash flow flowing into their pocket.” So when you look at good debt and bad debt, it basically is something that you pay for personally, you pay for out of your pocket, your home mortgage is bad debt, you pay for that unless you're renting out your rooms and making a profit, your car loans, your credit cards.

It's everything that you pay for personally. Good debt is when you take out, let's say, take out a mortgage for a rental property. If you're very good with your money, you collect your rent, you pay your expenses, you pay your mortgage, and if you've managed it well, you have positive cash flow. So good debt is debt that you take on to make more money.

You're with your business, with your real estate, with other investments. It's money that you borrow, but it makes you richer. So most people never ever think of debt as being good. They only think of it as being bad. But we have a lot of debt on our properties, a lot of debt, but it's what makes us richer because we have a great team of people that manage the properties really well.

Interesting, I was talking to these two young women, they're just going into college, and they were asking me, “What's one of the lessons that you've learned?” And I'm like, you got to understand that there's such a thing as good debt. And they're like, “No, no, no, no. It's not, it's bad. But my parents tell me it's bad. Don't get into debt. Don't get into debt.” And we're taught and programmed not to get into debt. But if you understand how to use debt to make you money, it may be the number one key to successful investing, is how to borrow money responsibly and well.

Dr. David Phelps: If we had to save up completely to buy a business or buy a real estate property with all cash, we had to save to get there? Depending on the size of the business or the property, it could take 5, 10 plus years to get there. And without the leverage, without good financing and the right kind of financing, you can't acquire the assets. So, yeah, 100%, it's that.

Kim Kiyosaki: Let's say you have $100,000 and you buy a $100,000 property, you got one property.

That's it. Say you have $100,000 and you can use $20,000 down payment, you can get five properties. Simple math. I'm not a math genius. I'll let you know. I'm not an investment genius. I'm not anything genius.

Dr. David Phelps: You don't have to be. We don't have to be. These are just sound principles. I mean, we use calculators a lot of time for things, but I always say if I have to use a calculator to determine whether or not going to do a certain investment. It's too complex. I'm trying to rationalize something I probably shouldn't be doing. It's gotta be something I can do on the back of a paper napkin, where I can just do longhand quick math and figure out, like you said, is there cash flow at the end of the day?

Is there cash flow, right? That works out whatever kind of debt I'm using. I like the property and the other attributes, then I'm good to go. Is there a point where you can become over leveraged? Yeah, good question. How would you determine when you're, when you take on too much debt? I mean, if it's good debt.

Yeah. What do you say to that, Kim? Is there any rules of thumb or heuristics that you would use in terms of too much debt?

Kim Kiyosaki: Yeah, I think there are. Matter of fact, we're pretty conservative on our borrowing. We always have a nice cushion. Personally, I went to a property where I can take as much debt as possible.

I want to make sure that it's called a sleep factor. I want to be able to sleep at night. I will borrow. An amount of money, but not to the point where if something goes wrong, I could be upside down. We have big cushions. And I always have, one other thing that's really important is I always have a reserve fund in my numbers.

So as I'm looking at a property, a big expense is called reserve fund. So if something goes wrong, I want to make sure that there's a big cushion there. I don't have a rule of thumb on how much we borrow, but we borrow less now than we used to. And part of that is because the banks are demanding that they're not lending as much as usual.

But part of that too is because of inflation and because of your net operating income and your expenses are going up and they lend you on the net operating income. But yeah, we don't typically put ourselves in a position where one emergency can put us over the top.

Dr. David Phelps: As you said, building margin, building up margin, equity margin, cash flow margin, reserve account. I think those would be some of the staples that one might use in terms of, “Hey, have I gotten far enough here? Do I need to free up some more cash flow somewhere else? Maybe I need to sell a dog or something that's not as profitable. Maybe I need to sell that off.” And we do some debt over here and kind of restructure my portfolio. I mean, there's lots of ways to look at it as you build, but that was a really good question.

Kim Kiyosaki: We did actually just sell some properties that were not performing as well as we wanted them to.

Dr. David Phelps: There you go. Yeah, that's part of being a good investor in whatever assets you're investing in. And again, we love tangible hard assets, but you know, whatever you invest in, the fun part is, and part of being a good investor is curating out the investments from time to time and saying, “What is still working?”

Or maybe the economic environment such that maybe you need to take some chips off the table, take some profits if you have profits and say, “I'm going to harvest those and move those depending on where the economy is,” inflation, interest rates, you might move it somewhere else. So that's part of being a good investor.

And it's just. That sophistication comes in time, right? As you're studying these things, as you said, investing in certain assets, you're studying the economy, the macro, and you start to get that feeling. Having a tribe to do it with, other people you're talking with, like you said, kind of a group.

How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514

Kim Kiyosaki: You know, here's a lot of investment groups out there, and especially if you're starting out, there's groups out there that are doing this, and it's fun to be a mountaineer.

Like minded people who have the same aspirations, have the same goals. And also to your point about the too much debt, I typically, I like to look at the worst case scenario. And what if you got a hundred unit apartment building and 25 percent of the people are delinquent on their rent. I look at worst case scenarios and I play to that more than I never, ever look at a best case scenario and buy a property on that.

Dr. David Phelps: Whenever things aren't going just right, or as planned or expected, maybe investments, maybe business, maybe. Issues in my own personal life aren't working out well. Relationships, perhaps. I've found in life that the worst thing to do is be that rugged individualist. Meaning, try to do it all myself. Try to figure it out like I was taught to do many, many years ago.

And being self reliant is a good thing. However, solving problems or challenges or even seeking new opportunities, the best way I've found to do it is to not do it in a vacuum. Don't go solo. Find other people. Curate your, what I call, your inner five, your circle of five. Could be three people, could be two people, could be a coach or a mentor that you work with, but you need to articulate your thinking about the problem, the challenge, maybe some solutions you're thinking about, or again, maybe it's about an opportunity that you're looking at.

You need to have the feedback. Articulate it, get it out of your mind, out of your system, and then get the feedback from other people that you know, and can trust. Don't have a bias about you. That can be objective and find the blind spots we can't see. It's human nature to try to do it ourselves. But when you find other people with whom to collaborate and gain insight and perspective, that's the best way to solve problems or challenges, or even seek new opportunities.

It's painful to make mistakes. Nobody wants to make a mistake. We all try to do our best and we want to find a pathway to the goals, the outcomes we want, and when it doesn't work out, which more times than life, that's the way it goes, we don't like it.

But here's what I found. We've got to keep trying and testing ideas, testing new ventures. Knowing that not everything is going to go the way we want it to. One of the lessons I learned a number of years ago was I was really hoping to get my associate dentist, a great young clinician, to take on more clinical production, see more patients, rise up in other words, and I worked and worked to try to do that and until I was actually out of the practice because of health issues with my daughter. For an extended period of time, I didn't realize how much I was internally or subconsciously self sabotaging my own desires and really his ability to rise up. I didn't mean to cause him to be subverted. It's just that I took this role as if I was always the answer man for everything. And in life, if we want other people to be empowered, to have them take roles of ownership and rise up to take on more responsibilities so that we don't have to do it all, we've got to let them go.

We've got to let them do it. We can't always be there to try to control every aspect and just make things happen the way we think it needs to be done. We keep doing that and we don't get it anywhere in life. So be willing to delegate, to provide the opportunities for other people to step up, stand up, rise up in different areas, which will give you the opportunity to step back and take a role that maybe your visionary status allows you to do.

My hope for the next generation is that they will work hard to explore, to expose themselves to as many different kinds of opportunities and learning experiences as possible. We've always focused on this country on formal education. And that is a piece of growth and maturity and gaining skill sets. No doubt, but it's not everything.

I think what we have to do is allow young people the opportunity not to have to go through a destination to get a specific degree, license, vocation right out of the gate, but alongside take the time to seek other experiences and maybe I'd say even venture out and find mentors or apprentice with other business owners who are entrepreneurial, who can show them another side of life and experience.

Getting education is a good thing, but if we don't know exactly what and what kind of education we need to pursue our goals, because we don't even know what our goals are yet, then a lot of education, I think it's wasted. That's not a good thing. Venture out, explore, take time. It's not a race to a finish line.

Settling in too quickly on a career path, vocation, professional practice too soon, I think, is a mistake. There's always time and the ability to self educate. Outside the formal arena is wide open today. The internet is there. YouTube's there. Online classes are there. So much you can learn and add to your skill sets.

Soft skill sets such as communication, verbal, written, sales, marketing. Skill sets that you can use anywhere you decide to go. Take the time. Expose yourself. Experiment. Be adventurous. Don't get too locked in too soon.

Starting this January, I will be hosting a small group, a private four week online course to learn the basics of real estate and alternative investing and how to protect your capital during times of extreme market volatility.

I'll also be digging into each participant's personal situation. To clarify the next steps for their financial freedom and security. If you want to catalyze your investment opportunities and your pursuit of financial freedom in 2025, then join my exclusive Catalyst Group by going to freedomfounders.com/CatalystGroup. That's freedomfounders.com/CatalystGroup. I look forward to seeing you there.

How to Think For Yourself and Learn to Invest - Kim Kiyosaki: Ep #514