

FIRE YOURSELF

Be Your Own Boss & Get Ahead Financially

EXIT



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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

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

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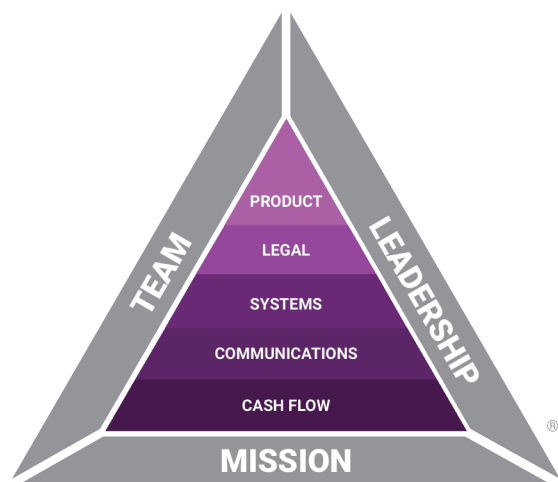
Why "A" Students Work for "C" Students
Rich Dad's Guide to Financial Education for Parents

Second Chance
for Your Money, Your Life and Our World

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INTRODUCTION



There have been many changes in our economy in the last ten years and there is a percentage of the population who has found themselves at a crossroads. The crossroads being: to continue working for someone else or to fire yourself.

This may be you.

As entrepreneurs, Shane and I know how much work is involved. We've been doing it for a large part of our lives. There are plenty of challenges when bringing an idea to a fully operational business, but that is to be expected. Our goal

is to educate would-be entrepreneurs about those challenges because when you are an entrepreneur you can change the world. It's an awesome reality and existence; I recommend it to you all.

We've divided this eBook into the eight integrities of business based on the B-I triangle from which rich dad based his lessons in business. Each piece of the triangle represents a vital element in entrepreneurship. These integrities are not taught in school, but were taught to me from an early age from my rich dad. Shane and I have both experienced what happens to a business when one of the integrities is missing, and what happens when all are working cohesively.

We have further divided the book into subsections. First, I will relay rich dad's philosophy about the eight integrities and share my experiences. Shane will then follow with his experiential lessons and his philosophies that he has developed from his experiences.

The most important thing to remember as you read this eBook is that each of these eight integrities is needed for a successful business.

- Robert Kiyosaki

Chapter 1

FREEDOM FROM THE MAN

Robert

Can Anyone Be an Entrepreneur?

The short answer, yes.

Here's the long answer.

Rich dad wanted his son and me to understand that anyone can be an entrepreneur. Being an entrepreneur is not that special. He did not want the idea of being one to go to our heads. He didn't want us thinking we were better than other people if we became successful entrepreneurs.

To this he said, "Anyone can be an entrepreneur. Your neighborhood babysitter is an entrepreneur. Henry Ford, founder of the Ford Motor Company, was also an entrepreneur. Anyone with a little initiative can be an entrepreneur. So don't think entrepreneurs are special or better than other people. Your job is to decide which entrepreneur you most want to be like—the babysitter or Henry Ford. They both provide a valuable product or service. Both are important to their customers. Yet they both operate in very different spectrums, different bandwidths of entrepreneurship. It's like the difference between sandlot football, high school football, college football, and professional football."

With that example I knew the point that rich dad was making.

We can all be entrepreneurs. Being an entrepreneur is not that big a deal. It's just a matter of deciding what level do you want to play the game.

Today, older and wiser, I do not have illusions that I would ever be as great an entrepreneur as Thomas Edison, Henry Ford, or Steve Jobs. I, like you, can still learn from them, and use them as role models.

Designing Your Business

Most new entrepreneurs get excited about a product or an idea that will make them rich. The thing is, the success of a business is created before there is a business.

Before you quit your job, I recommend studying other entrepreneurs and the different types of businesses they created. I also recommend finding a mentor who is an entrepreneur as well. All too often, people ask business advice from people who have business experience as an employee, not as an entrepreneur.

Later in this eBook, I will be detailing each integrity of the B-I Triangle which outlines what elements are required to create and grow any business, big or small, franchise or individually owned, mom-and-pop or publicly owned. Once a person understands the different components that make up a business, it becomes much easier to design businesses as well as evaluate good ones from bad ones.

During the design phase, I recommend keeping your daytime job while you start a part-time business—not for the money, but for the experience. That means, even if your part-time business does not make any money, you are gaining something far more important than money—real-life experience. Not only will you learn a lot about business, you will learn a lot about yourself.

Shane

Making the World a Better Place

One thing you've probably learned (and fast) about working for someone else is: you don't like it.

You probably don't like that you are working for a company that lacks a soul. You feel invisible and unappreciated. The company's values don't align with your own. And worst of all, you feel like you're headed down the same path as your parents. You know that your future holds: no retirement, no benefits, no security, and the potential of being laid off while probably working until the day you die.

You realize that you are making the world more of the same rather than a better place. So what's a person to do?

Do you ever wake up in the morning and feel like today is the day that you're going to help your CEO change the company's mission and priorities? Well, hopefully, because you're reading this eBook, you woke up this morning and decided that you are going to take control of your life. You have probably realized that your company is not changing.

People shouldn't expect to change the world without, first, changing themselves. My hope is that eventually, people realize that to work for a company that cares about the world and shares the same core values as they do, they need to be the one to build the company.

Opportunity is everywhere. Opportunity is around you all the time. It does not disappear in difficult times in fact it is greater. As the world offers more problems to solve, the person with the ability, knowledge, creativity, and drive to solve problems will see more opportunities than ever.

With the emergence of the digital world, a single person armed with the power of a laptop and Internet can be a force overnight. So there's opportunity and ability. All you need now is an idea and the courage to act on it.

The New American Dream

The American dream is rapidly changing. Getting a safe secure job is no longer a reality. Instead, the dream of landing a great job is being replaced by creating a great job.

Ken McElroy writes in his book, "The Sleeping Giant":

Entrepreneurship and self-employment are becoming the new American dream. According to Money/U.S. News and World Report, half of all college graduates now believe that self-employment is more secure than a full-time job, and colleges and universities have responded—over 80 percent of higher-learning institutions now offer courses on entrepreneurship.

According to a CNN/USA Today/Gallup poll, 72 percent of eighteen- to twenty- nine-year-olds want to start their own businesses. These future self-employed entrepreneurs will turn to self-survival because they've witnessed this past decade as a loss of wealth, financial mismanagement, and lack of loyalty by many employers. The solution will be to take matters in their own hands.

You cannot rely on your parents or the government to help you: 152 million Gen Y will receive little or no inheritance. All of Gen Y will be forced to take on a massive amount of

government debt as Medicare is bankrupt, social security is about to be, record debts of nearly a trillion dollars in bailouts and loans (more than all previous bailouts combined) and the Quantitative Easing, will have to be addressed.

Getting a safe, secure job and saving for the long term, didn't work for most of the Baby Boomers, and this "trap" definitely is not working for Gen Y.

Being a victim of the economy, your boss, or your job is not something you have to accept. You do not have to work for management that knows less than you do and is not trustworthy. You do not want to work for a person whose only skill is kissing the butt of the person they report to.

You can change your path and help so many along the way. You don't have to be static in this economy. You'll rely on yourself rather than a company who doesn't care about you or its people.

The idea of being in complete control of your future may be scary. Think about it, you'll have no one to blame when it fails, no one to pass the buck to, it will all begin and end with you.

Sound risky? I ask you, "Is it riskier than trusting a corporation who doesn't care about you and will only pay you as little as they can, all the while demanding you to do more work, and work longer hours with no guarantee that the job will be there when you show up in the morning?"

Tribal Loyalty

It wasn't that long ago when employment and loyalty went hand in hand. I can remember when a person's goal was to graduate college, find a good company to work for and climb the corporate ladder, retire with a great pension and live happily every after.

When my parents were climbing the corporate ladder companies gave raises based on hard work. They provided great health benefits, and perks like company cars. Loyalty and hard work was rewarded with gifts at points in a person's career. Back then working for a company was like being part of a family. Like belonging to a tribe. You didn't leave the tribe because the tribe took care of its people.

It is no longer a safe, secure world. If entrepreneurs created businesses and started valuing their tribes again, it could be secure once again. You can make the world better by starting with yourself.

Greed Destroys The Tribe

Loyalty has become a thing of the past. Profits became the entire focus creating massive unemployment as jobs got shipped overseas to save money and increase the bottom line.

The employees who were 'lucky' enough to keep their job started doing the job of two people, for the same amount of pay. Benefits were cut and perks are unheard of in today's world. This new business model only served the shareholders. In return, employers no longer deserved loyalty. Instead, employees began using their jobs just for experience to leave for a higher paying job.

Has reality finally hit you? You are no longer going to be rewarded for your loyalty to the tribe. If you are loyal—because most of us have been brainwashed to believe we should be—you're going to lose money every year to inflation because pay raises above inflation are a thing of the past.

It Doesn't Have To Be This Way

There is an entire movement of people taking matters into their own hands and bravely forging ahead as entrepreneurs. The new entrepreneur understands that the old way of doing business doesn't work anymore.

Are you ready to change with the world? The people who have taken the leap and started their own business, and have felt the freedom that comes with it are creating a change in the current business class where their future is in their own hands.

The rules of the game have changed and unless you adjust the way you think about money, and how to make it, you'll be at a serious disadvantage in this new economy.

Chapter 2

B-I TRIANGLE

Robert

Explaining the B-I Triangle



Rich dad called the B-I Triangle the key to great wealth. It was very important to rich dad because it gave structure to his ideas. As he often said, “There are many people with great ideas but few people with great fortunes. The B-I Triangle has the power to turn ordinary ideas into great fortunes. It is the guide to taking an idea and creating an asset.”

Rich dad was about 40 years old, and I was amazed at how he could run several different companies, all in different industries. From the

restaurant business, to a trucking company, to a real estate construction business, no matter what it was, the rules to his game were the same. He followed the B-I Triangle for each business.

Today, I own interests in several different companies in completely different industries because I use the B-I Triangle as a guide. While I don’t own as many companies as rich dad did, I could, by following the same outline in the B-I Triangle.

Mission

Rich dad said, “A business needs both a spiritual and business driven mission to be successful, especially in the beginning.” When he explained the diagram to his son and me, he always began with the mission since he thought it was the most important aspect of the triangle. You’ll notice it’s at the base, or the foundation of the triangle.

"If the mission is clear and strong, the business will weather the trials every business goes through during its first ten years. When a business forgets its mission, or the mission is no longer needed, the business begins to die," rich dad would say.

He used the words "spiritual" and "business" to describe the mission because he said that businesses need both reasons to succeed. Many new entrepreneurs start a business to only make money. Just to make money is not a strong enough mission. It does not provide enough fire, drive, or desire to keep going when times get tough.

When it came to the spiritual component of the mission, rich dad said, "Henry Ford was a man driven by a spiritual goal first, and a business goal second. He wanted to make the automobile available to the masses, not just the rich. That is why his mission statement was: 'Democratize the automobile.' When the spiritual mission and business mission are both strong and in line, the combined power builds huge businesses."

Although the mission of a business is hard to measure, impossible to see, and for all practical purposes an intangible, most of us have experienced it. We can identify the mission of someone who is trying only to sell us something for a commission just as easily as we can tell when someone is trying to actually meet our needs.

As the world becomes crowded with more and more products, the businesses that survive and do well financially will be businesses that focus on serving and fulfilling the company's spiritual mission, rather than just increasing the company's revenues.

The Rich Dad Company, the company Kim and I created, has the following mission:

"To elevate the financial well-being of humanity."

By being clear and true to the dual spiritual and business mission of this company, we have enjoyed great success. By being clear on our mission, we attract individuals and other groups aligned with a similar mission. Some people call it luck. I call it being true to our mission. Over the years, I have come to believe that rich dad was right about the importance of having a spiritual mission and business mission be strong and in line.

*"To elevate
the financial
well-being of
humanity"*

—The Rich Dad Company

Shane

I Don't Have a Mission

Many people I speak to about starting a business get hung up when it comes to the mission. They say, "I just want to make money and this business opportunity is available. I don't have a mission." While that may be true on the outside, I have yet to find the person who doesn't have a spiritual mission that drives them.

The mission may have little to do with the product or service; it can be a broad life goal.

Here are missions I hear most often:

- I want to create a business to pass on to my children
- I want to create jobs to help my town
- I want to create opportunities for myself and my friends so we can grow successful together—wealth alone can be a burden
- I want a business I can run out of my house so I can be with my family more
- I want a business I can run from anywhere so I can travel

All of these can be pieces of your mission. They will be equally important for guiding your business decisions. Money is the scorecard of a business but 'why' you are making money is often the spiritual part of your mission.

When I started my first restaurant we had many goals. We wanted to make money and we saw a great opportunity, but there was so much more to it than that.

I had a philosophical belief about food and I wanted to share it with the world. Just like everything else in the world, the quality of the input has the biggest effect on the quality of the output. Healthy food needs to be available to everyone to improve his or her quality of life. It also needed to taste great and be affordable. So I set out to create healthy choices, without sacrificing flavor, and portion sizes that are always 100% fresh, affordable and fast.

The restaurant's mission was very easy and simple to identify. I can say that not all of them have been that easy. One business I started was a marketing firm. From the outside it looked like I was simply making a lot of money being around beautiful models all day. While that statement is not wrong, the reason for the business was to help out two close people in my life. They both had recently quit their jobs and were looking for their next

opportunity. My mission for the company was simple: to create an opportunity for two individuals that were very important to me. The mission had almost nothing to do with the actual activities of the business but rather the people in the business.

Chapter 3

BUSINESS IS A TEAM SPORT

Robert

Team



Rich dad always said, “Business is a team sport.” He went on to say, “Investing is a team sport.” He would also say, “The problem with being in the E and S quadrant is that you as an individual play the game against a team.”

One of rich dad’s strongest criticisms of the educational system was: “In school, they train students to take tests on their own. If a child attempts to cooperate at test time, it is called ‘cheating.’ In the real world of business, business owners cooperate at test time, and in the world of business, every day is test time.”

A Very Important Lesson

Let me give you an example:

There’s a woman who has an outstanding recipe for chocolate chip cookies. Everyone loves them and people are always asking to buy them, so she goes into business. She’s excellent at baking the cookies, but when it comes to accounting, sales, marketing, and legal issues—important aspects of any business—she is ill equipped and no longer enjoys her work. She just wants to bake cookies.

Now, all of a sudden, she’s no longer a baker. She’s a bookkeeper, lawyer, and marketer, and not doing well at any of them. The same thing can happen to an accountant who goes into business and finds out he has to be a marketer and sales rep too, or the lawyer who focuses too heavily on the legal aspects of the business and prevents his own success.

You get the point here. It is next to impossible to “do it all.”

How Do You Afford the Team?

I am often asked, “How can you afford to pay for this team?” The question usually comes from someone in the E or S quadrant. The answer goes back to the different laws and rules for different quadrants.

Business owners pay their business expenses first before they pay taxes. That means they have more money before taxes to pay their team, and less net income leftover for the government to tax.

Building a Business is Risky

When people say, “Building a business is risky,” they often speak from a point of view of doing it alone, a habit they learned from school. In my opinion, not building a business is risky.

By not building a business, you are failing to gain priceless real-world experience, and you are failing to get the best education in the world, the education that comes from your team of advisors. As rich dad would say, “People who play it safe lose out on the best education in the world and they waste a lot of precious time. Time is our most valuable asset, especially as you get older.”

Employees and Teams

What is the difference between a B-quadrant business and an S-quadrant business? The team.

Most S-quadrant businesses are structured either as a sole proprietorship or partnership. They could be teams, but not the kind of team I am talking about. Just as people in the E quadrant often bind together as a union, people in the S quadrant often organize as a partnership. When I think of a team, I think of different types of people with different skills coming together to work together. In a union or a partnership, such as a teacher’s union or a law partnership, the same kinds of people and professions often come together.

A well-managed business will have excellent employees. In this instance, I say the E stands for both “excellent” and “essential” because the employees are responsible for the day-to-day activities of the business. The E also stands for “extension” because the employees are the extension of the business owner and represent the business to the customer.

The specialists are typically from the S quadrant. The S stands for “specialized” because each specialist will guide you, based on his or her area of expertise. While specialists may not participate daily, their guidance is invaluable in keeping your business moving in the right direction.

The structure has a better chance of being stable and enduring if the four points are working in concert. While the investors provide the funding, the business owners must work with the specialists and employees to develop the business and make it grow so there will be a return on the investors’ original investment.

A Team Is Made Up of Different Levels

One of the first things I look at as an investor is the team behind the business. If the team is weak or lacks experience and a proven track record, I rarely invest. I meet many people who are running around trying to raise money for their new product or business. The biggest problems most of them have are that they personally lack experience and they have no team behind them, a team that inspires confidence.

Many people want me to invest in their business plan. One of the things most of them say is, “Once this company is up and running, we’re going to take it public.” That statement always intrigues me, so I ask, “Who on your team has experience taking a company public, and how many companies has that person taken public?” If the answer to that question is weak, I know I am listening to a sales pitch more than to a business plan.

Another line I look at in the numbers of a business plan is the line item called “salaries.” If the salaries are high, I know I am looking at people who are raising money in order to pay themselves fat salaries. I ask them if they are willing to work for free or to cut the salaries in half. If the answer is weak or a definite no, I know the true mission of their business. The mission of the business is probably to provide them a job with a nice salary.

Investors invest in management. They look at the team within the proposed business and want to see experience, passion, and commitment. It is hard for me to believe that there is a high level of commitment from people who are trying to raise money to pay their own salaries.

Money Follows Management

I often mention that “money follows management” in the world of business capital. To succeed, a business must have the proper expertise in key areas.

When you do not have the money up front to hire the talent you need, consider attracting the talent as members of an advisory board with the understanding that, once sufficient capital is raised, your team will come on board. Your chance of success is much stronger if your management team has a track record of success in the business or industry of your proposed business.

Your team also includes your outside advisors. Proper guidance from your accountants, tax advisors, financial advisors, and legal counsel is imperative for building a strong successful business. If your business is real estate, your real estate brokers become an important part of your team. Although these advisors can be expensive, their advice can provide you with an incredible return on your investment by helping you structure a strong business while avoiding pitfalls along the way.

Shane

Your Mentor/Coach/Trainer

To put it simply, a mentor is someone who tells you what is important and what is not important. A lot of new entrepreneur's get caught up in details that ultimately won't really make an impact in the business.

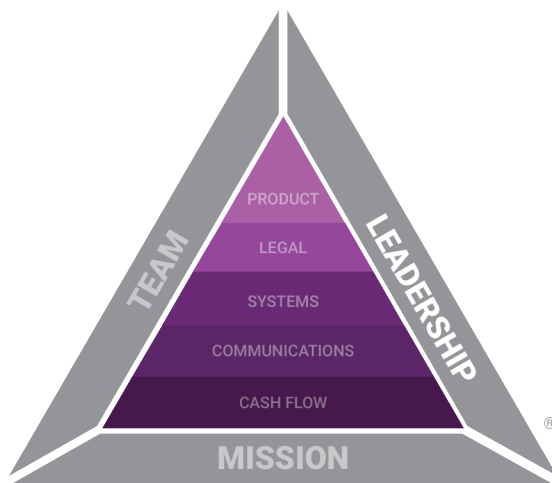
Your mentor should be someone who is a successful entrepreneur in the business you plan to enter. For example, if you want to start a restaurant, my advice is to find a successful entrepreneur who started their own restaurant and ask them to be your coach or mentor. The key is making sure you like that person because (hopefully) you will be spending a lot of time with them.

Robert tells the story about the difference between a pro golfer and an amateur golfer. Robert says that he takes lessons, but does not have a full-time coach. He laughs when he says, "That's probably why I pay money to play golf instead of getting paid to play. But when it comes to business, I have several coaches. Why? Because I get paid to play those games."

I think that distinction really expresses the importance of a coach or the right trainer. If I want to start a business to make a few extra dollars and just have another hobby then great, I'll do it on my own. But if I want to start a business, create real success and fulfill my mission, then I get the training and instructor support I need. I turn pro.

Just like I recommend a business mentor or coach, I also recommend a spiritual mentor. Your life will be going through huge changes when you become an entrepreneur, and seeking someone to help you balance will be of great benefit.

Chapter 4

EVERY TEAM NEEDS A LEADER**Robert***True Leaders are Not Born Leaders*

And that leads to the next part of the B-I Triangle—LEADERSHIP—because every team needs a leader. A leader's role is to bring out the best in people. Rich dad always said, "The technical skills of a business are easy. The hard part is working with people."

True leaders are not born leaders. True know what it takes to be leaders and are willing to be trained to be leaders, and training means being big enough to take corrective feedback.

A true leader also knows when to listen to others. I have said before that I am not a good businessman or investor. I am average. I rely on the advice of my advisors and team members to help me be a better leader.

Visionary, Cheerleader, and Pit Bull

As a visionary, the leader must keep his or her focus on the corporate mission. As a cheerleader, he or she must inspire the team as it works together towards that mission as well as herald the successes along the way. As the pit bull, he or she must be able to make tough calls regarding issues that distract the team from achieving the mission. The unique ability to take decisive action while maintaining focus on the ultimate mission is what defines a true leader.

With the right mission, team, and leader you are well on your way to building a strong business. As I said earlier, money follows management. It is at this point that you can start attracting money from outside investors.

Shane

Without Leadership There is No Mission

Have you ever worked for a company where the leader was just out of it? And didn't have a clue about anything you were doing? A lot of so-called leaders I come across want to grow, they want to create a great company, but not all of them are willing to do what it takes to make their dream a reality.

For me, developing the skill of listening to my team has been the most important thing I've done as a leader. There is a difference between hearing what someone is saying and actually listening to the person. Listening means you are taking their point of view into account and truly considering what they have to say.

During our weekly meetings with the staff, I like to sit back and just listen. This is the time that I get to hear some of the craziest stuff, the ideas are flowing, and during this time we don't use filters, so anything goes. And I learn so much. These meetings allow me the opportunity to learn about potential problems, I can encourage creativity, and most of all communicate with the entire time so that business runs more smoothly regardless of position or responsibility.

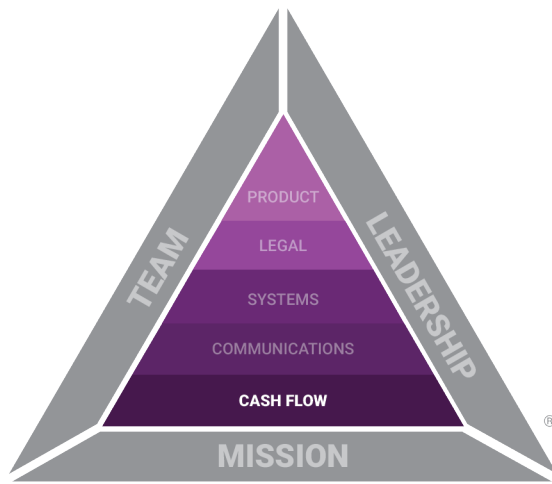
Robert likes to say, "Listen more, observe more, and talk less. If people are only talking and no one is listening, the business has very big problems." I couldn't agree more.

Chapter 5

CASH FLOW MANAGEMENT

Robert

Profit and Cash Flow



Rich dad would say, “Cash flow management is a fundamental and essential skill if a person truly wants to be successful in the B and I quadrants.” That is why he insisted that Mike and I read financial statements of other companies. In fact, he spent most of his time teaching us to be financially literate. He would say, “Financial literacy allows you to read the numbers, and the numbers tell you the story of the business based on facts.”

If you ask most bankers, accountants, or loan officers, they will tell you that many people are weak financially simply because they are not financially literate. I have a friend who is a respected accountant in Australia. He once said to me, “It is shocking to see a perfectly good business go down just because the owners are not financially literate. Many small business owners fail because they do not know the difference between profit and cash flow. As a result, many very profitable businesses go broke. They fail to realize that profit and cash flow are not the same things.”

Rich dad would drum into my head the importance of cash flow management. “Business owners need to see the two types of cash flow if they want to be successful. There is actual cash flow, and there is phantom cash flow. It is the awareness of these two cash flows that makes you rich or poor.”

One of the skills the CASHFLOW® games teach is how to recognize the differences between these two types of cash flow. Repeatedly playing the game helps many people begin to sense the differences. That is why the positioning statement of the game is, “The more you play this game, the richer you become.” You become richer because your mind begins to sense the often-invisible phantom cash flow.

Rich dad also said, “The ability to run a company from financial statements is one of the primary differences between a small business owner and a big business owner.”

Cash Flow Tips

Cash flow is to a business what blood is to the human body. Nothing can impact a business more dramatically than not being able to make payroll one Friday. Proper cash-flow management starts on the first day you begin your business.

When Kim and I started The Rich Dad Company, we agreed that no purchase would be made if it were not justified by an increase in sales. In fact, we often chuckle about our strategy for increasing book sales early in 1998 so we could buy a \$300 copy machine. Our strategy worked, and by December 1998 we were able to replace that \$300 well-worn copy machine with a new \$3,000 one. It is this attention to detail in the early stages of your business that will set the tone for your success.

Good cash flow managers review their cash position daily, looking at cash sources and needs for the next week, month, and quarter. This allows them to plan for any large cash need before it becomes a cash crisis. This type of review is imperative for a company that is growing quickly.

I have listed some cash flow tips that may help you in structuring your business. Each step applies to your business, whether it is an international business, a single rental unit, or a hot dog stand.

Initial Corporate Start-up Phase

- Delay taking a salary until your business is generating cash flow from sales. In some cases, this may not be possible due to an extended development period. However, your investors will be much more supportive if they see that you are sharing in the development process by “investing your time.”
- We advise keeping your full-time job and starting your business part time. By delaying taking a salary, you can reinvest sales to help grow your business.

Sales and Accounts Receivable

- Invoice your customers quickly upon shipment of goods or when services are provided.
- Require payment up front until credit has been established. Require that credit applications be completed before granting credit, and always check references. Standard credit forms are available at office-supply stores.
- Establish a minimum dollar amount for orders before granting credit.
- Establish late-payment penalties as part of your terms and conditions—and enforce them.
- As your business grows, to speed up the receipt of cash, you may want to have your customers pay their bills online with direct deposit.

Expenses and Accounts Payable

- Many businesses forget that a crucial part of cash flow is managing their own bill paying. Make sure you pay your bills promptly. Ask for extended payment terms up front. After you have paid timely for two to three months, ask for additional extensions on your payable terms. A supplier will usually extend credit for 30 to 90 days to a good customer.
- Keep your overhead to a minimum. Before purchasing something new, set a goal for increasing sales to justify the expense. Preserve your investors' funds for costs directly related to business operations, not overhead, if at all possible. As your sales increase, you can purchase the overhead-related items from the cash flow—but only if you have set and achieved new higher sales goals.

General Cash Management

- Have an investment plan for your cash on hand to maximize its earning potential.
- Establish a line of credit with your bank before you need it.
- To make sure you can move quickly to borrow if needed, keep an eye on your current assets/liabilities ratio (at least 2:1 is good). Quick ratios (liquid assets divided by current liabilities) should be over 1:1.
- Establish good internal controls on the handling of cash.

The people who record the cash receipts on the bank deposits should be different from those who post it to the accounts receivable and general ledger.

Checks should be endorsed immediately "For Deposit Only."

The people authorized to sign checks should not prepare the vouchers or record the disbursements and post to the accounts payable and general ledger.

The person who reconciles the bank statement should have no regularly assigned functions related to cash receipts or cash disbursements. (Our outside accountant does this.)

While this may sound very complicated, each step of cash management is important. Call on your accountant, banker, and personal financial advisor for advice in structuring your cash-management system. Once you establish a system for how to manage your cash, ongoing supervision is still essential. Review your cash position and funding needs daily, and prepare early for additional funding that may be required for your expanding business. Many people lose sight of cash management when their businesses become successful. This is a major cause of business failures. Proper cash management (and therefore expense management) is crucial to the ongoing success of any business.

For those of you considering purchasing a franchise or joining a network-marketing organization, you may find much of the cash-management system will be provided for you. With a franchise, you will still need to implement the system and oversee it. Network-marketing organizations often handle the cash management on your behalf. In these cases, the corporate headquarters performs the accounting functions for your organization and sends you a report of your earnings periodically with payment. In either case, it is still important to have your own advisors to help you structure your personal cash management.

Shane

Make it Easy to Get Paid

In today's world there are more payment options, especially for small businesses. This is a huge advantage because accepting money should always be easy as possible. Your goal, as a business owner, is to take money in, so don't make it difficult. There are many ways of accepting money and new methods are being developed all the time. Stay on top of this to ensure that you always accept the most common methods.

Be careful though, digital money can get confusing and comes with additional fees. Credit cards have fees based on a percentage of the money received and they also have a transaction fee. The fees can add up and need to be planned for.

Also be aware of chargebacks. Chargebacks are when the payee is refuting the charge AFTER you've collected it. The banks have the ability to just go in and take the money back. As an entrepreneur, you'll want to learn each payment method's rules and keep enough cash in reserves in the event a chargeback occurs.

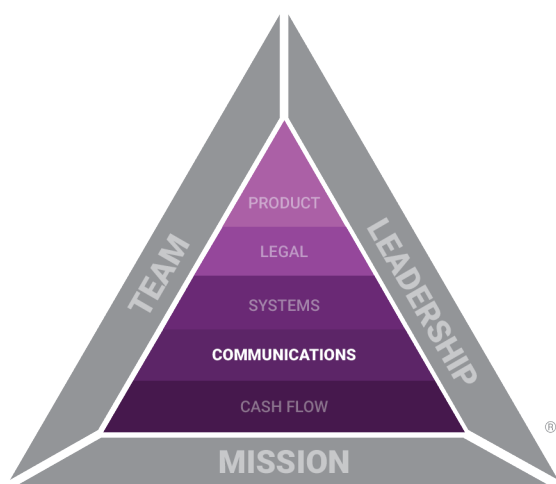
The last thing about cash flow is security. When you accept digital payments you are required by law to have a very secure system. These can get quite expensive and you'll need to budget for them. In the end, these systems are protecting your business so it's worth the cost. You owe it to your customers to protect their data as well.

Chapter 6

YOU MUST BE A GREAT COMMUNICATOR

Robert

Profit and Cash Flow



Rich dad would say, “The better at communicating you are, and the more people you communicate to, the better your cash flow will be.” This is why communications management is the next level up on the B-I Triangle.

He would also say, “To be good at communication, you first need to be good at human psychology. You never know what motivates people. Just because something makes you excited does not mean it makes others excited. To be good at communication, you need to know

what buttons to push. Different people have different buttons.” He also said, “Many people are talking, but only a few are listening. The world is filled with fabulous products, but the money goes to the best communicators.”

I am always amazed at how little time businesspeople put into improving their overall communication skills. When I first balked in 1974 at the idea of learning to sell Xerox machines door to door, all rich dad said was, “Poor people are poor communicators.” I repeat this negative statement with the intent of inspiring further study and practice of this vast subject.

Rich dad also said, “Cash flowing into your business is in direct proportion to communication flowing out.” Whenever I find a business that is struggling, it is often a reflection of poor communications going out, not enough communications going out, or both. In general, I find a six-week cycle between communication and cash flow. Stop communicating today and in six weeks you will see an impact on your cash flow. However, external communications are not the only communications. Internal communications are also vital. By looking at the financial

statements of a company, you can easily see which areas of a business are communicating and which are not.

A public company has increased communications problems. It is like two companies in one: one for the public and one for the shareholders. Communication to both groups is vitally important. When I hear people say, "I wish I had not taken my company public," it usually means that they are having shareholder communication problems.

As a general policy, rich dad attended one communications seminar a year. I continue in that tradition. I have always noticed that soon after I attend the seminar, my income increases.

Raising Capital

Of all of these topics, raising capital interests budding entrepreneurs the most. Most businesses do not get off the ground because the entrepreneur does not know how to raise capital. As rich dad said, "Raising capital is the entrepreneur's most important job." He did not mean that the entrepreneur was constantly asking for money from investors. What he meant was that an entrepreneur was always ensuring that capital was flowing in, either through sales, direct marketing, private sales, institutional sales, investors, and so on. Rich dad would say, "Until the business system is built, the entrepreneur is the system to keep the money flowing in. At the start of any business, keeping the cash flowing in is the entrepreneur's most important job."

The other day, a young man came to me and asked, "I want to start my own business. What would you recommend I do before I start?" I answered with my usual response: "Get a job with a company that will train you in sales." He replied, "I hate sales. I don't like selling, and I don't like salespeople. I just want to be the president and hire salespeople." Once he said that, I simply shook his hand and wished him luck. A priceless lesson that rich dad taught me was, "Don't argue with people who ask for advice but don't want the advice you're giving them. End the discussion immediately and go on minding your own business."

Being able to communicate effectively with as many people as possible is a very important life skill. It is a skill worthy of annual updating, which I do by attending seminars. As rich dad told me, "If you want to be a B-quadrant person, your first skill is being able to communicate and speak the language of the other three quadrants."

Fear of Selling

Get through your fears and the world will open up. Give in to your fears and your world will get smaller every year.

After I began to overcome my fear of selling, rich dad had me join the Toastmasters organization to learn to overcome my fear of speaking in front of large groups. When I complained to rich dad, he replied, "All great leaders are great public speakers. Leaders of great businesses need to be great communicators. If you want to be a leader, you must be a speaker." Today, I can speak comfortably to tens of thousands of people in convention halls because of my training in sales and my early training from the Toastmasters organization.

If you are thinking about starting your own B-quadrant business, I recommend those same two skills. First, develop the skill to overcome your fears, to overcome rejection, and to communicate the value of your product or service. Second, develop the skill of speaking to large groups of people and keeping them interested in what you have to say. As rich dad said to me, "There are speakers that no one listens to, there are salespeople that cannot sell, there are advertisers that no one watches, there are entrepreneurs that cannot raise capital, and there are business leaders that no one follows. If you want to be successful in the B quadrant, don't be any of those people."

The Difference Between Sales and Marketing

While still on the subject of communications, rich dad insisted that Mike and I know the difference between sales and marketing. He would say, "Many business owners suffer with low sales or poor communications with staff and investors. If a business has strong and convincing marketing, the sales will come easily. If the business has weak marketing, the company must spend a lot of time and money and work very hard at gathering sales."

He also said to Mike and me, "Once you learn to sell, you need to learn how to market. An S-quadrant business owner is often good at sales, but to be a successful B-quadrant business owner, you must be good at marketing as well as sales."

He said, "Sales is what you do in person, one on one. Marketing is sales done via a system." Most S-quadrant businesspeople are very good at one-on-one sales. For them to make the transition to the B quadrant, they need to learn how to sell through a system, which is called marketing.

In conclusion, communications is a subject worthy of lifelong study because there is more

to communication than just speaking, writing, dressing, or demonstrating. As rich dad said to me, “Just because you’re speaking, doesn’t mean anyone is listening.” When people ask where to start to build a strong communications foundation, I encourage them to begin with the two basic skills of selling one on one and public speaking to a group. I also advise them to carefully watch their results and listen for feedback.

As you go through the process of transforming from a poor communicator to an excellent communicator with these two skills, you will find your fundamental everyday communication skills will also improve. When all three improve, you will see your cash flow increase as a result.

Marketing and Sales

Good first impressions are vital. Your marketing and sales efforts will often be the first impression your business makes on your potential customer. Whenever you are speaking, both your passion for your business and your appearance will have a lasting impact on your audience. Any published or printed material you produce or distribute is also important. It is a public representation of your business.

Marketing is selling through a system. Always make sure you know your audience and that your marketing tool has been designed for that audience. In every marketing or sales effort, include these three key ingredients:

- Identify a need,
- Provide a solution
- Answer your customers’ question, “What’s in it for me?” with a special offer.
Communicate a sense of urgency for the customer to respond.

External and Internal Communication

Most communication is directed towards external communication, but a business’s internal communication is also vitally important. Some examples of each are:

External Communication

- Sales
- Marketing

- Customer service
- Investor relations
- Public relations

Internal Communication

- Sharing wins and successes with your entire team
- Regular meetings with employees
- Regular communication with advisors
- Human Resources

One of the most powerful forms of communication that affects a business is one over which you have little control: the communication from your existing customers to your potential customers. The power of this word-of-mouth advertising is immeasurable. This form of advertising can drive a company to success or failure very quickly. For this reason, customer service is a vital communications function for any company.

The ability to speak is vital to building a successful business. The personal development and mentoring programs offered by select franchises and network-marketing organizations provide wonderful opportunities for personal growth.

Shane

Communication Is A Two-Way Street

The role of the leader is to keep the team communicating. Most people think that the leader's job is to solve problems. I do not believe this is true. The team will solve the problem, the leader simply gives the team the tools to solve the problem and the greatest tool is communication.

I've also heard it said that the leader's job is to create the problems. This sounds crazy, but there is some truth to the statement. If your team gets complacent or lazy they will never experience true success. The leaders job is to constantly push the team to make things better. Don't make things the best—because then you are done and will stop pushing—just make them better.

Today, people often work from home or even from other parts of the world making the communication aspect of the team very tricky. This is where the strength in communication skills gets tested. I know there is a variety of technologies to help us all communicate when we're not face-to-face; the communication I'm talking about is a mindset.

One other aspect to the mindset piece of communication is you must be 'present.' When you get the team together, block out all distractions. Get everyone in the 'here and now.' Make eye contact—even if you're communicating via a camera on a computer. Speak clearly. And finally, tell the truth—even if it's hard to do. When you are a team, create a safe space that allows for trust.

Communication With Your Customer

I believe that the world of social media has greatly changed the way external communication is done, but hasn't changed what should be said. Social media allows you to blast out a message to millions of people in seconds and it allows you to gauge your community's reaction. By closely observing which messages resonate with your followers you can quickly fine tune what your message is until you've hit the perfect cord with them.

All that is nice and helpful, but it doesn't change the way you should communicate. Through my years as an entrepreneur I've learned that people do not want to be pressured, or sold. People want empathy. They want a relationship. And they want value. They want to know who "YOU" are.

The way I like to communicate externally is to create value. I like to teach. If you pass on your wisdom to your community and give them value for listening to you they will reward you by buying your product when you finally do market to them.

There is one more piece here. Communication is a two-way process. You also have to listen. Today, listening to your audience is easier than ever because they are always talking to you or about you. Your job as an entrepreneur is to put aside your pride and truly listen to your community. They will tell you what you are doing right, and they will tell you what you are doing wrong. Your job is to listen.

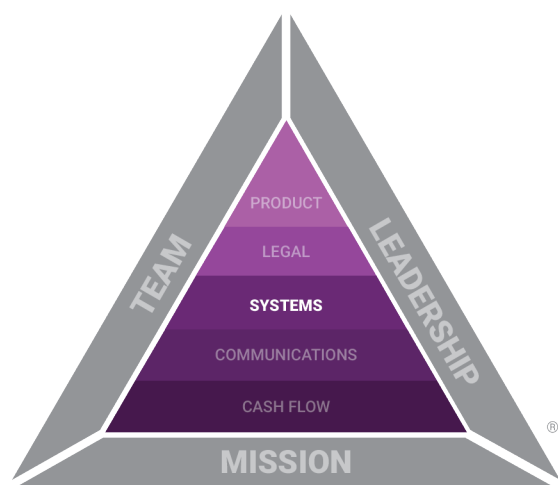
Listening is easy. Really listening is hard. No one is perfect and there will be areas for improvement highlighted. Now that you've heard what they community has to say, you must assess what they communicated and determine if it's relevant or realistic. Listening is hard, but well worth it.

Chapter 7

SYSTEMS MANAGEMENT

Robert

What Happens if One Systems Stops?



The human body is a system of systems. So is a business. The human body is made up of a circulatory system, respiratory system, digestive system, and so on. If one of those systems stops, there is a good chance the body will be crippled or die. The same is true with a business.

A business is a complex system of interoperating systems. In fact, each item listed within the inner triangle of the B-I Triangle is a separate system that is linked to the other

systems and into the overall business that the triangle represents. It is difficult to separate the systems because they are interdependent. It is also difficult to say that one is more important than another.

For any business to grow, specific individuals must be accountable for each of the systems, and a general overall director must be in charge of making sure all the systems operate at their highest capacity.

When reading a financial statement, I am like a pilot sitting in the cockpit of the plane reading the gauges from all the operating systems. If one of the systems begins to malfunction, emergency procedures must be implemented. Many small start-up businesses or S-quadrant businesses fail because the operator of the system has too many systems to monitor and take care of. When one system fails, such as when cash flow dries up, all the other systems begin to fail almost simultaneously. It is like when a person gets a cold and fails to take care of it. Pneumonia soon sets in and if it's not treated, the person's immune system begins to break down.

A good businessperson can manage multiple systems effectively without becoming part of the system. A true business system is much like a car. The car does not depend upon only one specific person to drive it. Anyone who knows how to drive it can do so. The same is true for a B-quadrant business, but not necessarily for an S-quadrant business. In most cases, the person in the S quadrant is the system.

Every business, whether large or small, needs to have systems in place to enable it to conduct its day-to-day activities. Even a sole proprietor has to wear different hats to conduct his or her business. In essence, the sole proprietor is all systems in one.

The better the system, the less dependent you become on others. Look at McDonald's systems: "It's the same everywhere in the world, and it's run by teenagers." This is possible because of the excellent systems in place. McDonald's depends on systems, not people.

Shane

Make Your Job Easier

I love that systems are in the middle of the B-I Triangle. Systems are the heart of any well-run company. There needs to be a system and a process for everything. If there is not, you can never grow past yourself.

Systems allow an entrepreneur to manage the team. Systems also allow the team to manage itself. Systems create a standard for excellence. An entrepreneur does not, and should not, know everything about his/her company, but they should understand the systems in place and be able to recognize when a process is broken.

When one gets to the level of a McDonalds or other major brands, one will have to create systems to manage systems. The owner of McDonalds does not go into every McDonalds to see if the systems are holding the team and the quality together. He or she does look at reports. The creation of the reporting process is a system. The true purpose of the reports is to identify a breakdown or success in a system. For example, if the profit and loss statement shows labor costs higher than what the system has deemed acceptable, then the owners knows there is a breakdown. The manager is notified of the breakdown and being asked why the labor system failed and what is being done to fix it.

As one can see, systems allow for a business to grow. Be warned; however, the systems themselves need to be watched, challenged and held to a standard. If one only manages through systems and not people then cracks will develop. Systems are to make the entrepreneur's job easier, NOT to make the entrepreneur lazy.

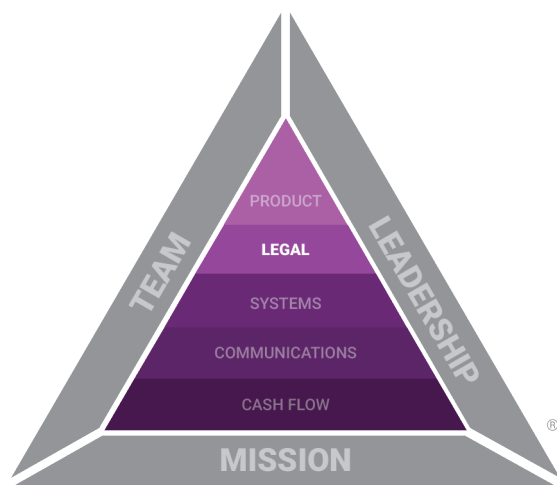
Entrepreneurs need a process to keep re-evaluating their systems and to keep the human element present in business. This is where the earlier chapters about Team, Mission and Leadership become so important.

Chapter 8

LEGAL MANAGEMENT

Robert

The Most Painful Lesson



This level of the B-I Triangle, legal management, was one of the most painful lessons I ever had to learn. My rich dad identified a serious flaw in my business. I had failed to secure the legal rights to the nylon and velcro products I had designed before I started producing them. More specifically, I failed to patent some of my products (I failed to do so because I believed the \$10,000 in patent attorney fees was too expensive and not important enough to spend that much money on). Another company quickly came along and copied my idea, and I could do nothing about it.

Today, I am now an evangelist for the other side. Especially in the Information Age, your intellectual property attorney and your contract attorney are some of your most important advisors because they help create your most important assets. These attorneys, if they are good, will protect your ideas and your agreements from intellectual bandits, people who steal your ideas and therefore your profits.

The world of business is filled with stories of smart entrepreneurs with great ideas who begin selling their products or ideas before protecting them. In the world of intellectual property, once your idea is exposed, it is almost impossible to protect. Some time ago, a company came out with a spreadsheet program for small businesses. I bought this brilliant product for my company. A few years later, the company was out of business. Why? Because it had failed to patent its idea and another company, which I will not mention, came along, took its idea, and put it out of business. Today, the company that took the idea is a prominent leader in the software business.

It is said that Bill Gates became the richest man in the world with only an idea. In other words, he did not get rich by investing in real estate or factories. He simply took information, protected the information, and became the richest man in the world while still in his thirties. The irony of it all is that he didn't even create the Microsoft operating system. He bought it from other programmers, sold it to IBM, and the rest is history.

Aristotle Onassis became a shipping giant with a simple legal document. It was a contract from a large manufacturing company guaranteeing him the exclusive rights to transport its cargo all over the world. All he had was this document. He owned no ships. Yet with this legal document, he was able to convince the banks to lend him the money to buy the ships. Where did he get the ships? He got them from the U.S. government after World War II. The U.S. government had a surplus of Liberty and Victory class ships used to haul war materials from America to Europe. There was one catch. In order to buy the ships, the person needed to be a U.S. citizen and Onassis was a Greek citizen. Did that stop him? Of course it didn't. By understanding the laws of the B quadrant, Onassis purchased the ships using a U.S. corporation he controlled. This is another example of the laws being different for different quadrants.

Protect Your Ideas

My intellectual property attorney is responsible for securing worldwide patents and trademarks for The Rich Dad Company. While we pay him and his firm considerable amounts of money each year, he has made us money and protected our rights to continue making money by protecting what we do and guiding us through some delicate negotiations. Many a business has been started and has survived by a simple piece of paper. One legal document can be the seed of a worldwide business.

Avoiding Legal Problems

Some of the most valuable assets you can own are the intangible assets called patents, trademarks, and copyrights. These legal documents grant you specific protection and ownership to your intellectual property. Without this type of protection, you risk losing everything. Once you have protected your rights, not only can you keep others from using your property, but you can also sell or license those rights and receive royalty income when doing so. Licensing your rights to a third party is a perfect example of your assets working for you.

However, legal issues can also surface in almost every facet of a business. Obtaining competent legal counsel is very important, not only as you are forming your business, but as an ongoing part of your advisory team's activities. Legal fees may seem expensive at first. However, when you compare them to the cost of legal fees from lost rights or subsequent litigation, it is much less expensive to set out your agreements properly in the beginning. In addition to the monetary expense, you must also factor in the cost of lost time. Instead of focusing on your business, you may be forced to focus on legal matters.

This is another area where franchising and network marketing can help you jump-start your business. Typically, when you purchase a franchise or join a network-marketing organization, most of the necessary legal documents to start and grow your business will be provided for your use. This saves you not only a lot of money, but also a tremendous amount of time, and it allows you to focus your efforts on developing your business. It is still advisable to have your own counsel review the documents on your behalf.

Shane

A Small Price to Pay

Legal is such a large topic. It touches everything and every part of your business. Robert spoke on the IP portion of legal. As I'm sure you are aware, there is so much more to legal than just protecting your IP.

Before you start protecting your IP you need to decide what type of legal entity you need to best protect yourself personally, your business and to get the greatest tax benefits.

Creating your legal entity is the first and most important step for an entrepreneur. Make the wrong step here and you may pay way too many taxes. You also may not be able to protect your IP or your assets. The wrong decision here could undo all of your future hard work.

Some things to consider:

- Look at the pros and cons of organizing your business as an LLC, LLP, C-Corp and S-Corp. Each has its own benefits and drawback depending on the type of business you have.
- You must choose your legal entity or you will automatically be assigned a sole proprietorship or general partnership. This is not a decision you should postpone.
- Include your tax consultant or accountant during the decision making process. Tax benefits could drastically impact your business between the various entities.

There's another part to this. When you form your business you will need to name your business. This requires some legal research. You cannot name your business using trademarked names or phrases. You'll need to research to make sure the name you want is available.

After you have found your name and checked to make sure you can legally use it, you'll want to protect your name from someone else stealing or using it. To protect your name you'll need to go through the trademark and registration processes.

You've just barely started your business (you've really only filled out some paperwork) and you are already flooded with legal questions. The legal questions do not reduce as you go. They grow.

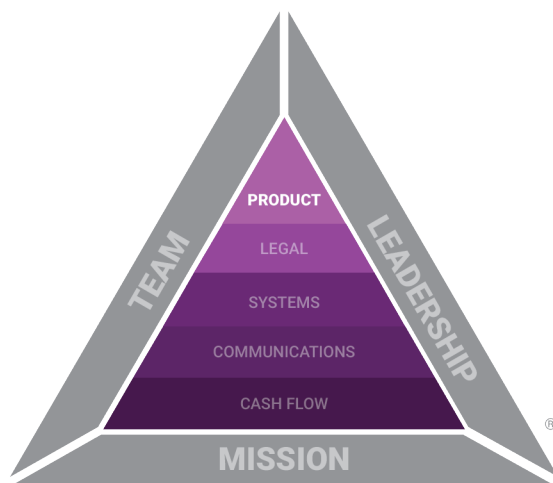
It is very important to get a good lawyer on your team. This does not mean you rush out and get the first qualified lawyer. There are many lawyers out there. Even your lawyer must be on board with your team chemistry and team philosophy.

Chapter 9

PRODUCT MANAGEMENT

Robert

Focusing on the Wrong Thing



As you can see from the B-I Triangle product takes up the smallest area of the triangle. While product is important, it is the least important integrity. The world is filled with great products, many of which never make it to market. The world does not lack product ideas; what the world lacks are great entrepreneurs who can bring great products to life.

Many people come to me for advice on how to start a company or how to raise money for a new product or idea.

I listen, usually for about 10 minutes, and within that time I can tell where their focus is. Is it the product or the business system? In those 10 minutes, I most often hear words such as these:

- “This is a far better product than company XYZ makes”
- “I’ve looked everywhere, and nobody has this product”
- “I’ll give you the idea for this product; all I want is 25 percent of the profits”
- “I’ve been working on this product for years”

I often use the “McDonald’s hamburger” example when responding to these types of people. After listening, I ask, “Can you personally make a better hamburger than McDonald’s?”

So far, 100 percent of the people I’ve talked with about their new idea or product have said yes. They can all prepare, cook and serve a better quality hamburger than McDonald’s.

My next question is, “Can you personally build a better business system than McDonald’s?”

Some people see the difference immediately, and some don’t. And I would say the difference

is whether the person is fixated on the product versus building a business system.

I do my best to explain that there are a lot of entrepreneurs out there offering far superior products or services than are offered by the mega-rich multinational corporations, just as there are billions of people who can make a better hamburger than McDonald's. But only McDonald's has created the system that has served billions of burgers.

Shane

The Team Makes the Product

The product is an important piece of your business; after all, what will you be selling if you don't have something to sell. The confusion comes when the product gets all the entrepreneur's time, energy and focus.

Your focus should be on the system, and your team. The entire team makes the system and together, you all make the product.

Some entrepreneur's have the opposite problem where they have the ability and skills, and the other seven integrities in place, but can't find the right product.

The key to finding the right product is to find one that solves a problem.

Once you have identified that, look to see if there are already solutions out there. Don't worry if there are, because your next goal is to redefine what makes that product good. How could you make it out perform your competitor? Speed, durability, cost, look, etc. are all ways to define the product.

To Robert's McDonald's example: in my opinion it doesn't taste better than the hamburger I make at home, but it's cheaper, the process is faster, and it's more consistent. To McDonald's and their customer's these qualities are more valuable than taste. They were able to redefine what makes the product good.

IN CONCLUSION

Robert

Rich Dad's Guidance

In 1974, I decided I was going to learn to build a business following the model of the B-I triangle. Rich dad warned me, "Learning to build a business according to this model is high-risk. Many people attempt it, but few accomplish it. However, although there is high risk at the start, if you learn how to build businesses, your earning potential is unlimited. For the people who are not willing to take the risk and don't wish to undertake such a steep learning curve, their risk may be lower, but so will their lifetime returns."

I still recall experiencing the highest of highs and lowest of lows as I learned to build a solid business. I remember some of the advertising copy I wrote that never sold anything. I remember some of the brochures I wrote where no one could understand what I was trying to say. And I remember the struggle of learning to raise capital and learning to spend the investors' money wisely in the hopes of building a powerful business. I also remember going back to my investors and telling them that I had lost their money. I am forever grateful for the investors who understood and told me to come back when I had another venture for them to invest in. However, through it all, each mistake was a priceless learning experience as well as a character-building experience. As rich dad said, the risk at the start was very high. Yet, as I stuck it out and continued to learn, the rewards were unlimited.

In 1974, I was very weak at every level of the B-I Triangle. I think I was weakest in cash flow management and communications management. Today, although I am still not great on any one sector of the triangle, I would say I am the strongest in cash flow management and communications management. Because I can create synergies among all the levels, my companies are successful. The point I make here is that, even though I was not strong at the start, I continued with my learning process. For anyone who wants to acquire great wealth in this manner, I offer encouragement to start, practice, make mistakes, correct, learn, and improve.

When I look at the 10 percent of Americans who control 90 percent of all the shares of stock in America and 73 percent of the wealth, I understand exactly where their wealth was derived. Many acquired that wealth in much the same way as Henry Ford and Thomas Edison (who

was worth far more in his day than Bill Gates was at the same age). The list includes Bill Gates, Michael Dell, Warren Buffett, Rupert Murdoch, Anita Roddick, Richard Branson, and others who all acquired their wealth the same way. They found their spirit and their mission, built a business, and allowed others to share in the dreams, the risks, and the rewards. You can do the same thing if you want. Just follow the same diagram rich dad guided me with—the B-I Triangle.

Helen Keller said, “True happiness is not attained through self-gratification, but through fidelity to a worthy purpose.”

The Expression of the Mission

Product is at the top of the B-I Triangle because it is the expression of the business’s mission. It is what you are offering to your customer. The rest of the B-I Triangle lays the foundation for the long-term success of your business. If your communication to the marketplace is strong and your systems are set up to facilitate production, order processing, and fulfillment, your chances of success and profitability are increased. If your cash is managed properly, you will be able to sell your product successfully and support a strong growth curve for your business.

The B-I Triangle and Your Ideas

Rich dad said, “It is the B-I Triangle that gives shape to your ideas. It is knowledge of the B-I Triangle that allows a person to create an asset that buys other assets.” Rich dad guided me in learning how to create and build many B-I Triangles. Many of these businesses failed because I was not able to put all the pieces together harmoniously. When people ask me what caused some of my businesses to fail, it was very often the failure of one or more elements of the B-I Triangle. Rather than become permanently discouraged as many people who fail become, rich dad encouraged me to keep practicing the building of these triangles. Instead of calling me a failure when my first big venture failed, rich dad encouraged me to continue on and learn how to build new triangles. He said, “The more you practice building these B-I Triangles, the easier it will be for you to create assets that buy other assets. If you diligently practice, it will become easier and easier for you to make more and more money. Once you are good at taking ideas and building a B-I Triangle around the idea, people will come to you and invest money with you. Then it will be true for you that it does not take money to make money. People will be giving you their money to make more money for

yourself and for them. Instead of spending your life working for money, you will be getting better at creating assets that make more and more money.”

Solving the B-I Triangle Riddle

Rich dad gave me another reason to begin mastering the B-I Triangle that I thought was unique. He said, “Your dad believes in hard work as the means of making money. Once you master the art of building B-I Triangles, you will find that the less you work, the more money you will make and the more valuable what you are building becomes.” At first I did not understand what rich dad was saying, but after a number of years of practice, I understand more fully. Today I meet people who work hard building a career, working their way up the corporate ladder, or building a practice based upon their reputation. These people generally come from the E and S quadrants. In order for me to become rich, I needed to learn to build and put together systems that could work without me. After my first B-I Triangle was built and I sold it, I realized what rich dad meant by the less I work, the more money I will make. He called that thinking “solving the B-I Triangle riddle.”

If you are a person who is addicted to hard work, or what rich dad calls “staying busy in your busyness and not building anything,” then I would suggest sitting down with other people who are busy in busyness and discuss how working less can make you more money. I have found that the difference between people in the E and S quadrants and people in the B and I quadrants is that the E and S people are often too hands-on. Rich dad used to say, “The key to success is laziness. The more hands-on you are, the less money you can make.” One of the reasons so many people do not join the 90/10-investor club is that they are too hands-on when they should be seeking new ways of doing more with less and less. If you are going to become the kind of person who creates assets that buy other assets, you will need to find ways of doing less and less so you can make more and more. As rich dad said, “The key to success is laziness.” That is why he could create so many assets that bought other assets. He could not have done it if he were like my real dad who was a very hardworking man.

A Summary of the B-I Triangle

The B-I Triangle as a whole represents a strong system of systems, supported by a team with a leader who is all working towards a common mission. If one member of the team is weak or falters, the overall success of the business can be jeopardized. I would like to highlight three important points in summarizing the B-I Triangle:

Money always follows management. If any of the management functions of the B-I Triangle's five internal levels are weak, the company will be weak. If you are personally having financial difficulty, or not having the excess cash flow that you desire, you can often find the weak spots by analyzing each level. Once you identify your weakness, you may then want to consider turning it into your strength, or hiring someone else with that strength.

Some of the best investments and businesses are the ones you walk away from. If any of the five levels are weak and the management is not prepared to strengthen them, it is best to walk away from the investment. Too many times I have discussed the five levels of the B-I Triangle with a management team with which I am considering investing and I hear arguments instead of discussion. When business owners or business teams are weak in any of the five levels, they will become defensive rather than receptive to questioning. If they do become defensive rather than excited to identify and correct a weakness, I usually walk away from the investment. I have on a wall in my house a photo of a pig I took in Fiji. Under it is printed: "Don't teach pigs to sing. It wastes your time, and it annoys the pigs." There are too many excellent investments out there to waste your time trying to teach pigs to sing.

The computer and the Internet make the B-I Triangle more available, affordable, and manageable for everyone. It has never been easier to access great wealth. In the Industrial Age, you needed millions of dollars to build a car factory. Today, with a used computer, some brainpower, a phone, and a little education in each of the five aspects of the B-I Triangle, the world can be yours.

If you still desire to build a business on your own, there has never been greater opportunity for success. I recently met a young man who sold his small Internet-based company to a major computer software company for \$28 million. All he said to me was, "I made \$28 million at the age of 28. How much will I make when I am 48?"

If you want to be an entrepreneur who builds successful businesses or invests in businesses, the entire B-I Triangle must be strong and interdependent. If it is, the business will grow and flourish. The good news is that if you are a team player, you don't have to be an expert at every level of the B-I Triangle. Just become part of a team with a clear vision, a strong mission, and an iron stomach.

When companies gave up their loyalty, they also gave up their power. What some people are discovering is that they can leverage their skills and talents to become their own boss. They can find the balance they're looking for in life, successfully combining work and play, becoming masters of their time, talent, and future. They can take their passions, skills, talents, motivations, energy, and time, and build something that is entirely their own. They can leave behind the old economy of employee and employer and march bravely into the new economy of entrepreneurship.

So apply the B-I Triangle to your passion. Exploit your ability to collaborate and lead a team. Allow yourself to see the world as abundant and to embrace sharing and partnership. Understand that the more you exchange and partner, the more successful everyone becomes.

You can decide to rely on yourself more than a boss or a corporation. They trust their passion more than the government. They take the smaller risk.

Entrepreneurship is far less risky than being employee. The world has changed and only those that adapt will survive. Those who cling nostalgically to the old economy will be wiped out.

To your survival and success;
step one... **Fire Yourself.**