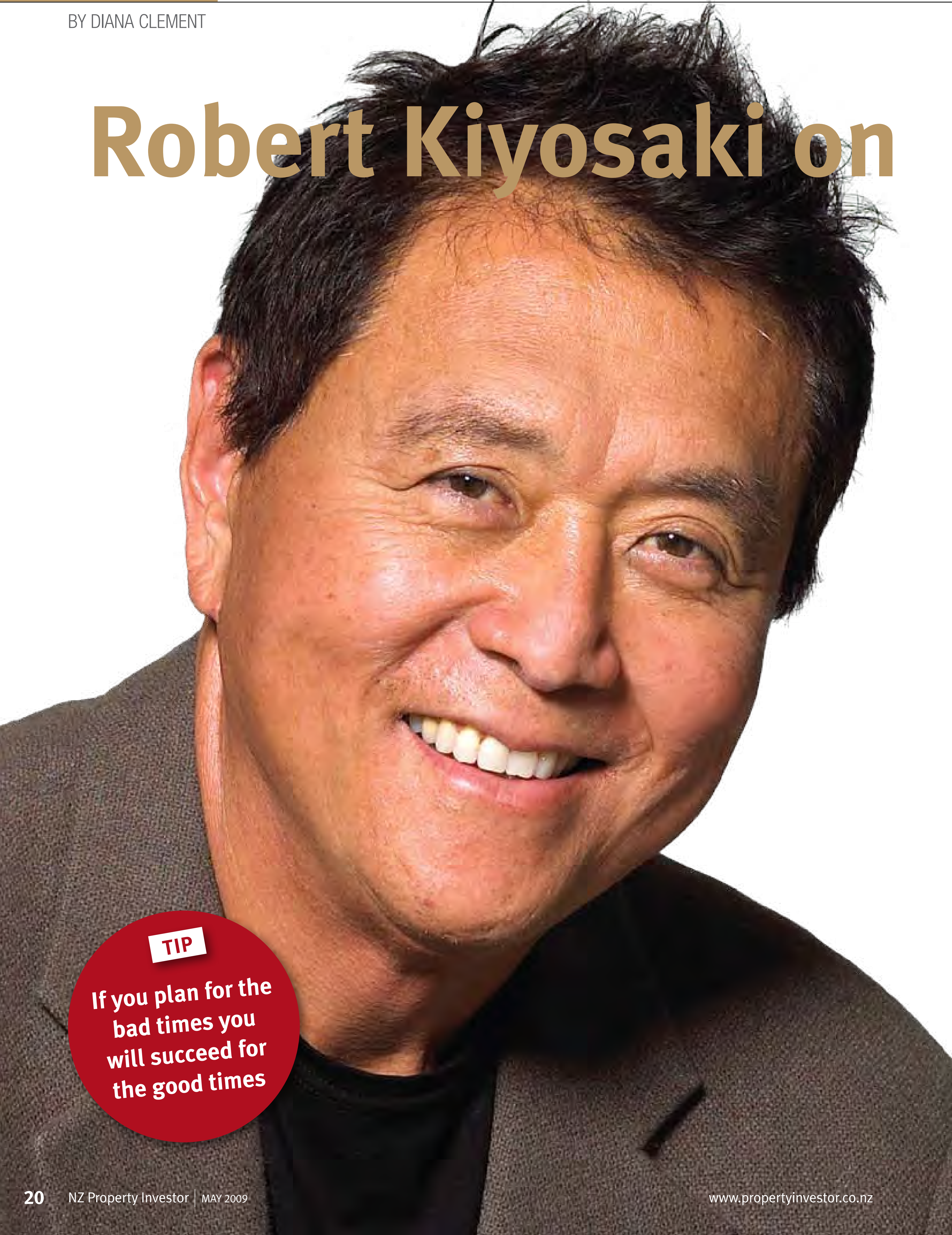
BY DIANA CLEMENT

Robert Kiyosaki on



TIP

If you plan for the bad times you will succeed for the good times

how to invest now

Robert Kiyosaki has inspired many New Zealand investors through his *Rich Dad Poor Dad* books and presentations. In this exclusive interview with the *NZ Property Investor*, Kiyosaki explains how investors can profit from the current economic mess and gives you his new rules for investing

If all the news about the recession is making you doubt your investment strategy and make you worry about losing money, change your thinking. That's the message from Robert Kiyosaki to New Zealand investors.

Unlike many wealthy Americans Kiyosaki sees the blood bath in the financial and property markets as an opportunity to make money. It's not the end of the line financially.

Recessions, he says, have their silver lining. Today many people are finally learning that job security does not ensure long-term financial security – a message he has been preaching for many years.

The author, seminar presenter and investment guru is here to give his first seminar to a New Zealand audience since the year 2003.

He'll be outlining his eight new rules of investing from his yet-to-be published book *Conspiracy of the Rich*, as well as hammering home the basics from *Rich Dad Poor Dad* that have helped him avoid the financial carnage that has taken place in the United States and elsewhere over the past 18 months.

Whilst many of those investors in the US are bust, Kiyosaki's dogged insistence on cash flow above all else has seen him proud.

"When I was a boy, my rich dad would

"For well-positioned investors, this is the opportunity of a lifetime to snatch up assets at a discount"

New rules of money

Conspiracy of the Rich is being released chapter by chapter on the internet. It will contain "eight new rules of money". So far five have been released. Some, says Kiyosaki, are introduced in the early chapters, but will be fully explained in later yet to be published chapters. The rules released so far are:

#1: Money is knowledge

Kiyosaki says you no longer need money to make money; "You simply need knowledge." He cites the example of short selling shares that he has borrowed. His knowledge of what to do results in a profit without him putting any money down himself.

#2: Learn how to use debt

Learning how to use debt is one of the most important skills a person can learn. Many people teach that debt is bad or evil, says Kiyosaki. And to an extent they are right. "There is good debt and bad debt."

Whether debt is good or bad however is debatable, he writes. What is not debatable is that without debt economies would collapse.

#3: Learn to control cash flow

If you want to be financially secure and possibly rich, Kiyosaki says you will need to know how to control your personal cash flows as well as monitor the global flow of jobs, people and money. Debt, he adds, is only as good as your cash flow. Investments with debt are fine providing you have positive cash flow.

#4: Prepare for bad times and you will only know good times

Kiyosaki began doing this after reading Fuller's book *Grunch of Giants* in 1983. "Today, my wife and I, our company and our investments continue to prosper simply because we are always preparing for bad times."

#5: The need for speed

Today the faster a person can transact business, the more money he or she will make. In the book Kiyosaki compares a medical doctor seeing one patient at a time versus a high school student with a global web business, transacting business to unlimited customers 24/7.

"Many people are financially struggling today because they are simply too slow."

play the game of Monopoly over and over again with his son and me. By playing the game, I learnt the difference between cash flow and capital gain.

"I invest for cash flow in real estate which means every month I receive cheques. The people who are hurting today are real estate investors who invested for capital gains, counting on their house to go up in price. They are the ones in trouble today."

Kiyosaki says that one reason so many investors, especially in the US, have come a cropper is that investing for cash flow requires a higher degree of financial intelligence than investing for capital gains.

Another important lesson from the credit crunch, says Kiyosaki, is that "debt is only as good as your cash flow."

In Kiyosaki's case, he and his partners buy apartment buildings in areas where there are jobs, which means people and money are flowing in.

"In simple terms, real estate is not worth much if there are no jobs, because jobs attract people and where people are flowing, cash is flowing."

Kiyosaki says his own personal cash flow – from all his properties, investments and businesses – has been dented by the credit crunch.

"It has become a practice for the very rich to use our government to take from the poor and middle class and give to the rich"

Prior to the crunch his 1,400 apartment portfolio was operating at about 95% occupancy. That has dropped down to 89%, although he's still cash flow positive.

"Real estate is predicated on jobs," and with 651,000 jobs having gone across the US in a month, times are tough.

"We have had to adjust our ways of keeping tenants in there" – such as giving a longevity bonus of $100 a year, $200 for two years tenure and so on.

Whilst many investors hope that we're through the worst of the recession, Kiyosaki thinks otherwise. He says if the US doesn't pull out of the current recession by 2012 we'll experience full-blown depression that could last up to 25 years.

Unlike the Great Depression, which was deflationary, the coming depression will be inflationary, he says.

To prepare for an inflationary depression investors are collecting gold and silver coins, some cash, and investments that adjust for inflation. It's something he's said publicly that he's doing himself.

Whatever happens there's money to be made. But "average people" who don't strive to educate themselves and take advantage of the opportunities "will get creamed".

Kiyosaki says it's worth thinking about the company you "hang out with".

"I don't like hanging out with losers and people who are not willing to take risks."

Kiyosaki points out that both his rich dad and poor dad were in primary school at the start of the Great Depression. The experience altered the course of both their lives.

"My poor dad's father – my grandfather – lost everything in the Great Depression. He lost his business and priceless beachfront real estate on the island of Maui, Hawaii. My grandfather was an entrepreneur, so he did not have a steady pay cheque to protect the family. When my grandfather's business failed, my dad's family lost everything. The Great Depression was a terrible experience for my dad."

It made his father embrace job security, saving money, buying a house, staying out of debt and getting a government job.

Kiyosaki's rich dad, on the other hand, grew up faster and learnt to do well financially. "The lessons of the depression turned him into a rich man."

Kiwis inspired by Kiyosaki

Robert Kiyosaki's *Rich Dad Poor Dad* books were the catalyst that got many thousands of New Zealand investors started on their educational journey and property portfolios. We ask some what effect Kiyosaki had on their journey.

Bob Stewart

"The seminars gave me [a] jump start"

Manawatu-based investor Bob Stewart had read investment and self-help books by the dozen when he attended not one, but two of Kiyosaki's seminars around the year 2000. It was only then he was spurred into action to add an additional 30 properties to his existing portfolio by the end of 2002.

"(The Kiyosaki seminars) were very critical for me. I realised that I knew everything about buying properties and was ready to buy, but the seminars gave me the jump start. That is what I got from the workshops. The bottom line is that the 30 properties have more than doubled in value, even in the current market, and from 2002 to now appreciate on average $1 million per year."

Not surprisingly, Stewart has already booked to see Kiyosaki again.

Dean Letfus

The property educator and investor first read Kiyosaki's books after hitting a wall early in his investing career when the bank turned him down for finance. At that point he started devouring books on property investment, in particular *Rich Dad Poor Dad*, which proved a real epiphany for him.

"My parents were like his (poor) dad. When I grew up they were always talking about getting an education, a good job and working hard. *Rich Dad Poor Dad* was mind-blowing. The principles were completely foreign to me."

He was particularly blown away by the idea that

Kiyosaki slept in his car in the early days because he was so committed to his dream. As a result of reading the book, Letfus decided to give up his job for 12 months and see if he could become a full-time property investor.

"I was mentoring people after seven months, so it worked."

Jerome Brown

Like millions around the world young investor Jerome Brown's life was transformed thanks to reading one of Kiyosaki's *Rich Dad Poor Dad* books. The book was given to him by his father as a Christmas present in 2002. Inside were the words: "Hopefully you will be able to keep me in the style I have become accustomed to. Love, Dad."

> "I didn't want to spend 40 years working to come out with nothing"

Kiyosaki's book ignited a passion in Brown who went on to read another 25 property investment books from cover to cover as well as a number of general business books.

"Reading *Rich Dad Poor Dad*, made me realise that I didn't want to spend 40 years working to come out with nothing."

Kerry and Robyn Mason

Kiyosaki's book *Cashflow Quadrant* introduced Kerry and Robyn Mason to property investing 10 years ago. Having just sold their farm they had no job, no house and were looking around for a business.

Kerry's brother recommended he read *Rich Dad Poor Dad* and he was so impressed that he returned to the bookshop on the very same day and bought the book *Cashflow Quadrant* – finishing both before he went to bed.

"I read these books on the right day," says Kerry, realising they contained the answer to their future. After 10 years of renovating and holding properties, the couple are now semi retired and crew yachts in New Zealand and overseas.

"Who would have thought we would have ended up travelling all the time," Kerry said from Greymouth shortly before the couple was due to sail a yacht up to Fiji for the winter.

Kiyosaki's book still affects Kerry's thinking to this day. For example, like Kiyosaki, he sees opportunity not recession. And his investments are producing the same cash flow whether or not the capital values have fallen.

Toby Yorke

Investor Toby Yorke was another investor who started buying houses with little understanding of strategy. His investments were going nowhere fast and he was almost ready to give property a miss until 1999 when he read Kiyosaki's book *Rich Dad Poor Dad*.

The book had a profound effect on him and Yorke says he now owns at least 80% of all the books and recordings sold by the company.

His interest in Kiyosaki's message has been rekindled in the past 18 months thanks to hitting a wall where he couldn't get more funding.

"I think I didn't fully understand the cash flow message until the last 18 months. Sometimes in life you learn by experience."

Like Stewart, Yorke will be attending Kiyosaki's June seminar.

Fenton Peterken

Whangarei-based accountant, financial planner and property investor Fenton Peterken has a "shelf full of books". His favourite of all time was *Real Estate Riches: How to Become Rich Using Your Banker's Money* by Dolf de Roos and Robert Kiyosaki.

The message of not selling your time for income was an important one for Peterken.

"Also not having any debt that isn't paying its own way really inspired me."

The modern-day versions of rich dad, he says, currently hold massive pools of money and are waiting like vultures for the right moment to flood back into the market "and pick clean the bones of dead and dying companies.

"For well-positioned investors, this is the opportunity of a lifetime to snatch up assets at a discount…." For others who haven't learnt the lessons of Kiyosaki and other authors like him, these are the worst of times.

Property doesn't offer the only opportunities in this market says Kiyosaki. There are opportunities in business as well. In recent months he has watched his friends lay off not-so-productive staff and employ better ones at cheaper prices from the unemployment heap. Capital for business is cheap as well – if you can get it.

Readers of Kiyosaki's work so far on *Conspiracy of the Rich* have taken from it that cash will be trash when the depression finally hits. Something that cashed-up investors in New Zealand should be thinking about.

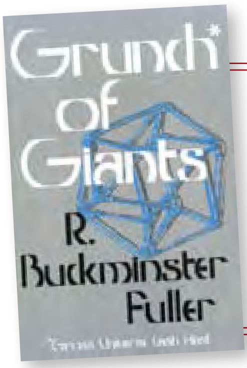
The theory is that when inflation begins to bite hard, the value of that cash in the bank will go down. Those who are holding their "cash" as equity, will be more likely to be spared – presuming they can pay the mortgage with rates likely to rise.

The current economic situation has proved some of the *Rich Dad Poor Dad* prophecies correct. For example, when the book was first released it caused protest by saying your home is not an asset.

"A few years later as the sub-prime mortgage mess was revealed, millions of people lost their homes and people of the world lost trillions of dollars investing in sub-prime mortgages and other forms of toxic debt…."

In *Conspiracy of the Rich* Kiyosaki says that he could see the financial crisis coming from as far back as 1983 – having read the book the *Grunch of Giants* by C. Buckminster Fuller – perhaps the most influential book he has ever read. It helped him foretell the future and set in place an investing strategy to withstand even the worst of crises.

At the time of reading the book, Kiyosaki didn't know exactly when the crunch would arrive. He just knew it would and kept prepared.



Reading *Grunch of Giants* helped Kiyosaki foretell the future and set in place an investing strategy to withstand even the worst of crises

"If you plan for the bad times you will succeed for the good times," he says.

"As a result, nothing has really changed for me, for my business plan or for my business strategy. I am just making much more money."

He's a great believer in the lessons from history.

Kiyosaki says that on reading that book he began to understand why children weren't taught about money in school.

"I also knew why I was sent to Vietnam to fight a war we should never have fought. Simply put, war is profitable." Kiyosaki realised that he was part of the "CIA: Capitalism's Invisible Army". That's because it suited the wealthy.

Kiyosaki spends a lot of time talking about the US gold standard in *Conspiracy of the Rich* to hit home the message that savings will disappear unless they're invested in inflation-beating assets.

After 1971, when US president Richard Nixon removed the gold standard, which tied the dollar to the country's gold reserves, the US dollar became a "currency", not "money".

Kiyosaki calls Nixon's move "the day the dollar died". Savers became losers because the US government was allowed to print money faster than it could be saved. What's more, he says, "When a banker raves about the power of compounding interest, what he or she fails to also tell you about is the power of compounding inflation."

Ironically Kiyosaki points to the rules for the game Monopoly, which say the bank can never go broke. If it runs out of money it may issue as much more as may be needed by merely writing on an ordinary piece of paper.

And as famed British economist John Maynard Keynes once said: "There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency."

One of the big problems for property investors currently is what Kiyosaki calls "recession depression".

It's the negative mental state that some people get themselves in when they should be seeing opportunity.

The answer, he says, is to "change your mind-set and change your friends." If not, "get a job with the New Zealand government".

Kiyosaki is especially cynical about the US government and its role in the credit crunch. What's more he says, even New Zealand investors need to be aware of what the US government is up to because it affects our economy as well.

"If the United States were a true capitalist nation, we would let the economy fall, not prop it up with bailout upon bailout. Bear markets, market crashes and depressions are the economy's way of hitting the reset button."

Instead of hitting the reset button, trillions of dollars are handed out to the "incompetent, the fraudulent and the obsolete".

"Rather than let the bear market do its work, we let the government pay billions of dollars in bailout money to bankers who loaded the world with fraudulent debt when we should be sending those bankers to jail."

This is not capitalism, he says. "In many ways it is worse than Marxism or communism."

Kiyosaki believes what he calls the "cash heist" has been going on for years. "It has become a practice for the very rich to use our government to take from the poor and middle class and give to the rich."

It's all the more reason to educate yourself about how governments and economies work to ensure you're not caught next time.

"If you want to be a professional golfer you need to practice and strive to be the best like Michael Campbell. It's the same for the real estate business. You have to practice. It's not good luck."

Finally, Kiyosaki says the key messages from him today are:

- You can always get better and get smarter. "A lot of people in America that thought they were geniuses in 2005 are now bankrupt."
- Get good partners, good financing and good management and think to yourself: "Can I become a better partner, a better manager? That is what I focus on." ▲

Robert Kiyosaki and his advisers appear live at Auckland's Logan Campbell Centre on Wednesday June 3.

Kiyosaki in action