

From the  
Author of  
Rich Dad Poor Dad  
the #1 Personal  
Finance Book  
of All Time!

RICH DAD'S  
**CASHFLOW**<sup>®</sup>  
**QUADRANT**

GUIDE TO FINANCIAL FREEDOM



ROBERT T. KIYOSAKI

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**BEST-SELLING BOOKS**  
**BY ROBERT T. KIYOSAKI**

***Rich Dad Poor Dad***

What the Rich Teach Their Kids About Money – That the Poor and Middle Class Do  
Not

***Rich Dad's CASHFLOW Quadrant***

Guide to Financial Freedom

***Rich Dad's Guide to Investing***

What the Rich Invest in That the Poor and Middle Class Do Not

***Rich Dad's Rich Kid Smart Kid***

Give Your Child a Financial Head Start

***Rich Dad's Retire Young Retire Rich***

How to Get Rich and Stay Rich

***Rich Dad's Prophecy***

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

***Rich Dad's Success Stories***

Real-Life Success Stories from Real-Life People Who Followed the Rich Dad  
Lessons

***Rich Dad's Guide to Becoming Rich Without Cutting Up Your Credit Cards***

Turn Bad Debt into Good Debt

***Rich Dad's Who Took My Money?***

Why Slow Investors Lose and Fast Money Wins!

***Rich Dad Poor Dad for Teens***

The Secrets About Money – That You Don't Learn In School!

***Escape the Rat Race***

Learn How Money Works and Become a Rich Kid

***Rich Dad's Before You Quit Your Job***

Ten Real-Life Lessons Every Entrepreneur Should Know About Building a  
Multimillion-Dollar Business

***Rich Dad's Increase Your Financial IQ***

Get Smarter with Your Money

***Robert Kiyosaki's Conspiracy of the Rich***

The 8 New Rules of Money

***Unfair Advantage***

The Power of Financial Education

***Why "A" Students Work for "C" Students***

Rich Dad's Guide to Financial Education for Parents

***Second Chance***

for Your Money, Your Life and Our World

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

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

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

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## *Editor's Note*

### *The Times They Are A-Changin'*

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

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

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

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

## *Acknowledgments*

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

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

*Rich Dad's CASHFLOW*  
*Quadrant Guide to Financial Freedom*

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

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## Preface

# WHAT IS YOUR LIFE'S GOAL?

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

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

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

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

Ironically, now that I have grown up, I have become everything I never wanted to become. Although I disliked school, today I own an education company. I personally teach around the world because I love teaching. Although I failed English twice because I could not write, today I am best known as an author. My book, *Rich Dad Poor Dad*, was on the *New York Times* best-sellers list for over seven years and is one of the top three best-selling books in the United States. The only books ahead of it are *The Joy of Sex* and *The Road Less Traveled*. Adding one more irony, *Rich Dad Poor Dad* and my *CASHFLOW*® board game are a book and a game about accounting, another subject I struggled with.

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

The answer is found in the simple, yet profound, statement by a Vietnamese monk, Thich Naht Hahn: “The path is the goal.” In other words, finding your path in

life is your goal in life. Your path is not your profession, how much money you make, your title, or your successes and failures.

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

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

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

### ***Finding Your Path***

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

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

### ***So How Does One Find Their Path in Life?***

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

Since I do not have a magic wand nor can I tell you what to do, the best thing I can do is tell you what I did. And what I did was trust my intuition, my heart, and my guts. For example, in 1973, returning from the war, when my poor dad

suggested I go back to school, get my higher degrees, and work for the government, my brain went numb, my heart went heavy and my gut said, “No way.”

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

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

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

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

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

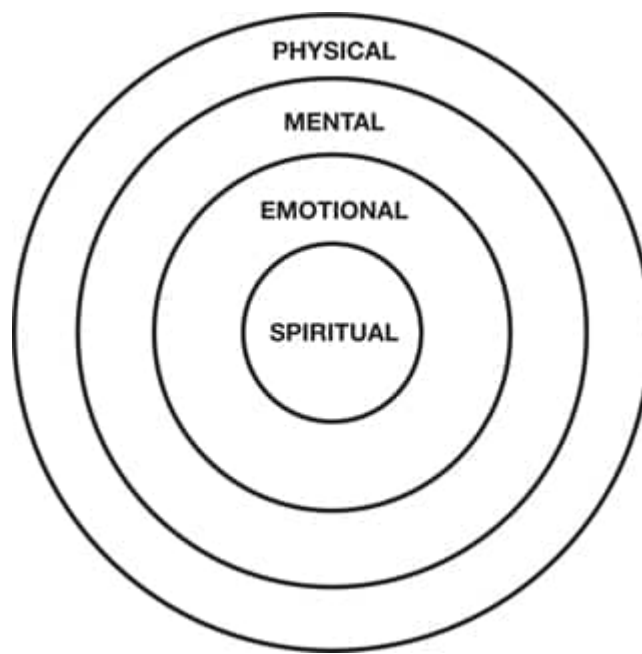
I did not realize it at the time, but at 26 years of age, I was now looking for my path in life, not my next profession.

## ***A Different Education***

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

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

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



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

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

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



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

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

As the day went on and the instructor went deeper and deeper into these four types of personal development, I realized I had spent most of my life in very harsh educational environments. After four years at an all-male military academy and five years as a Marine pilot, I was pretty strong mentally and physically. As a Marine pilot, I was strong emotionally and spiritually, but all on the macho-male development side. I had no gentle side, no female energy. After all, I was trained to be Marine Corps officer, emotionally calm under pressure, prepared to kill, and spiritually prepared to die for my country.

If you ever saw the movie *Top Gun* starring Tom Cruise, you get a glimpse into the masculine world and bravado of military pilots. I loved that world. I was good in that world. It was a modern-day world of knights and warriors. It was not a world for wimps.

In the seminar, I went into my emotions and briefly touched my spirit. I cried a lot because I had a lot to cry about. I had done and seen things no one should ever be asked to do. During the seminar, I hugged a man, something I had never done before, not even with my father.

On Sunday night, it was difficult leaving this self-development workshop. The seminar had been a gentle, loving, honest environment. Monday morning was a shock to once again be surrounded by young egotistical pilots, dedicated to flying, killing and dying for country.

After that weekend seminar, I knew it was time to change. I knew developing myself emotionally and spiritually to become a kinder, gentler, and more

compassionate person would be the hardest thing I could do. It went against all my years at the military academy and flight school.

I never returned to traditional education again. I had no desire to study for grades, degrees, promotions, or credentials again. From then on, if I did attend a course or school, I went to learn, to become a better person. I was no longer in the paper chase of grades, degrees, and credentials.

Growing up in a family of teachers, your grades, the high school and college you graduated from, and your advanced degrees were everything. Like the medals and ribbons on a Marine pilot's chest, advanced degrees and brand-name schools were the status and the stripes that educators wore on their sleeves. In their minds, people who did not finish high school were the unwashed, the lost souls of life. Those with master's degrees looked down on those with only bachelor degrees. Those with a PhD were held in reverence. At the age of 26, I knew I would never return to that world.

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*Editor's Note: In 2009, Robert received an honorary PhD in entrepreneurship from prestigious San Ignacio de Loyola in Lima, Peru. The few other recipients of this award are political leaders, such as the former President of Spain.*

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## ***Finding My Path***

I know some of you are now asking: Why is he spending so much time talking about non-traditional education courses?

The reason is, that first personal-development seminar rekindled my love of learning, but not the type of learning that is taught in school. Once that seminar was over, I became a seminar junkie, going from seminar to seminar, finding out more about the connection between *my* body, *my* mind, *my* emotions, and *my* spirit.

The more I studied, the more curious about traditional education I became. I began to ask questions such as:

- Why do so many kids hate school?
- Why do so few kids like school?
- Why are many highly educated people not successful in the real world?
- Does school prepare you for the real world?
- Why did I hate school but love learning?
- Why are most schoolteachers poor?
- Why do schools teach us little about money?

Those questions led me to become a student of education outside the hallowed walls of the school system. The more I studied, the more I understood why I did not like school and why schools failed to serve most of its students, even the “A” students.

My curiosity touched my spirit, and I became an entrepreneur in education. If not for this curiosity, I might never have become an author and a developer of financial-education games. My spiritual education led me to my path in life.

It seems that our paths in life are not found in our minds. Our path in life is to find out what is in our hearts.

This does not mean a person cannot find their path in traditional education. I am sure many do. I am just saying that I doubt I would have found my path in traditional school.

## ***Why Is a Path Important?***

We all know people who make a lot of money, but hate their work. We also know people who do not make a lot of money and hate their work. And we all know people who just work for money.

A classmate of mine from the Merchant Marine Academy also realized he did not want to spend his life at sea. Rather than sail for the rest of his life, he went to law school after graduation, spending three more years becoming a lawyer and entering private practice in the S quadrant.

He died in his early fifties. He had become a very successful, unhappy lawyer. Like me, he had two professions by the time he was 26. Although he hated being a lawyer, he continued being a lawyer because he had a family, kids, a mortgage, and bills to pay.

A year before he died, I met him at a class reunion in New York. He was a bitter man. "All I do is sweep up behind rich guys like you. They pay me nothing. I hate what I do and who I work for."

"Why don't you do something else?" I asked.

"I can't afford to stop working. My first child is entering college."

He died of a heart attack before she graduated.

He made a lot of money via his professional training, but he was emotionally angry, spiritually dead, and soon his body followed.

I realize this is an extreme example. Most people do not hate what they do as much as my friend did. Yet it illustrates the problem when a person is trapped in a profession and unable to find their path.

To me, this is the shortcoming of traditional education. Millions of people leave school, only to be trapped in jobs they do not like. They know something is missing in life. Many people are also trapped financially, earning just enough to survive, wanting to earn more but not knowing what to do.

Without awareness of the other quadrants, many people go back to school and look for new professions or pay raises in the E or S quadrant, unaware of the world of the B and I quadrants.