Rich Dad's Cash Flow Quadrant

by Robert T. Kiyosaki

In Cashflow Quadrant, Kiyosaki describes seven levels of investors, beginning with the big spenders on level zero and climbing up to the savvy investors on level six.

Each level characterizes an investor's attitude toward money and spending, with those on **level zero** having nothing to invest and the borrowers on **level one** having debt attached to everything they own: they're either slaves to their credit cards or use borrowed money to spend or invest.

(On the other hand, the savers on **level two** often prefer low-risk and low-return investments, and believe in paying in cash for fear of being in debt.)

Investors in **level three** (divided into smart investors, cynics and gamblers) are intelligent people with solid education and resources to invest, but lack financial literacy to understand how investing could work for them.

Long-term investors fall under **level four**: they understand the fundamentals of finance and are actively involved in investment decisions.

The sophisticated investors on **level five** have a track record of failures and successes, but pack enough wisdom and drive to keep investing.

Capitalists on **level six** become excellent businessmen using other people's money, talent, and time to get rich.

What separates the rich from the poor is their ability to acquire assets that generate money for themselves. If you can't tell the difference between asset and liability, you may be setting yourself up for a life of financial trouble and ending up like half the adult population on level zero: people who have nothing to invest because they spend more money than they earn. Tan says you should work your way up to at least level four and gain a working knowledge of financial concepts (income statement, balance sheets and cash flows, etc.) in order to make the shift.

In his book, Kiyosaki also introduces a quadrant showing four types of people and how they make money. On the left quadrant is the employee who works hard for his or her salary, and the self-employed who works for himself or herself. On the right side are the business owner, who generates money from his or her ventures, and the investor, whose earnings come from the money he or she has invested. To amass wealth, it is necessary to shift from the left quadrant to the right by coming up with an investment plan that rivals that of the rich.

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Employee
Self-employed (own a job)
vs

Business Owner (The Business owner could leave for a year and still come back to a business)
Investor (gains his income from investments and not a job)

Steps to investing:
#1 Get a budget and stick to it. (Live within your means, be a good steward) (stop going into debt)
#2 Get out of Debt. (Pay off the credit cards and other debt) (stick to a "cash only" system if you must)
#3 Discipline yourself to live within your budget and start saving something every month.
Set goals for the future.
#4 Educate yourself on ways to invest. (A must read is "The Bogleheads' Guide to Investing")
#5 Start investing and continue to educate yourself(The Library is a wealth of information- read a book a week)

Continue to re-evaluate your goals and become a better investor

* Don't forget, Tithing is a must for the blessing of God to be upon your investments.