

KEVIN O'LEARY

THE O'LEARY FAMILY SECRETS  
**6 GOLDEN  
RULES**  
OF INVESTING

My Personal Plan for Financial Peace

# THE O'LEARY FAMILY SECRETS

# 6 GOLDEN

# RULES

# OF INVESTING

Money Principles You Can Apply Right Now

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**Kevin O'Leary**

This is a name often accompanied with words like Successful, Smart, Wealthy, and Wonderful.

It brings to mind black suits and a bald head, and conjures up images of “the Shark with the sharpest teeth” from ABC’s award-winning TV show, Shark Tank. This is a name with weight.

This is a name that has a lot to say. And now you get a chance to hear it.

Though his father died when he was still a young boy, Kevin learned a lot from both of his parents and later, his stepfather, about what it takes to be successful in life and specifically how to be an intelligent investor.

Here, we share 6 Golden Rules of Investing, as taught by the O'Leary Family.

# 1

## Never Spend The Principal, Only The Interest.

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*And never own a position that doesn't return capital.*

Georgette (Kevin's mother) shared this counsel with her sons as she dragged them along to the bank to collect her regular dividend checks from the stocks she invested in. She often shared investing advice with them, starting at a young age, and continuing throughout their lives. Sound advice it seems, as Kevin says today he "doesn't own anything that doesn't pay a dividend."

Kevin and his brother learned that their mother's conservative investing strategy of buying corporate credit and dividend-paying stocks will always win out in the long run, and she has kept teaching them even after she passed away.

Kevin tells the story, profound to him,

"When [my mother] passed away I got a phone call from the estate lawyer telling me there was a will and they were going to read it to me. I found out my mother kept a secret account from both of her husbands for her whole life. Inside of it she had invested in 2 assets: Large cap stocks that pay dividends, about 21 of them, and a whole bunch of Telco [phone company] bonds. She used to say to me, 'everyone will always pay their phone bill because they don't want it cut off'. She was not a portfolio analyst but she had some very pragmatic views about investing. She wanted to get paid while she waited. Well I was shocked—that portfolio, over 50 years, beat everybody in the family, abso-

lutely everybody. Including the professionals! She cleaned up.”

Shocked by this revelation, Kevin did the research and found that “over the last 40 years, 71% of the stock market’s return came from dividends, not capital appreciation.”

Kevin has heard people say, “But Google doesn’t pay a dividend!” To which he replies, “Yeah but Microsoft and Apple do. You can own technology with a dividend, as I do. If it’s not returning capital it’s a speculation, not an investment. That’s what mom used to say and she’s 100% right.”

Only buying stocks that pay dividends makes sense, but is less sexy than cashing in big on a stock that shot up. It’s your choice to take those risks, but just like Mom used to say, dividends dominate in the long run.

When it comes to providing for his own family, Kevin is committed to the long haul. He has set up a trust that will pay for his own children, and his children’s children all the way to their last day of college, at which point he will set them free to learn these lessons themselves.

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## Family Secret #1

Never spend the principal, only the interest. Dividends dominate in the long run, and you need your principal to get big and stay big if you want to reap the rewards

## 2

# Cut Your Children Off Financially After College

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*Show them the way, but let them choose it.*

When Kevin graduated from the University of Waterloo with a bachelor's degree in environmental studies, he was hit with a startling reality. He was cut off.

When it happened his mother shared a bit of insight, "My mother said to me, 'The dead bird under the nest is the one that never learned how to fly,'"

"Mom, that's a great poem, but I need some money," he replied quickly.

But his days of being provided for were over, and he knew it was time to learn how to provide.

"Woah, no dead bird for me," he decided.

Less than 10 years later he would start the software company SoftKey, that would eventually become The Learning Company and be sold to Mattel for \$4.2 billion.

He credits his mother's loving financial desertion for his individual success as he presides over a multitude of companies bearing his last name: O'Leary Fine Wines, financial company O'Shares Investments, and private equity firm O'Leary Ventures.

Kevin continues this practice with his own children, Trevor and Savannah. It's import-

ant to give people what they need, not just what they want. He says,

“You can’t empower them, you can’t entitle them. You have to prepare people to go and do their own thing.”

Kevin sees it as his responsibility as a successful entrepreneur to provide a road map for the next generation of hustlers. Not just of his successes, but his failures as well, so that they don’t have to keep making the same mistakes.

One of the most common mistakes made by young entrepreneurs, according to Mr. Wonderful, is hitching yourself to the wrong wagon.

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## Family Secret #2

Cut your children off financially after college. “The dead bird under the nest is the one that never learned how to fly.”

# 3

## Get The Right Partner

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*You need the right kind of support.*

How do you know you have the wrong partner? First clue is, it's a man or woman who doesn't support your dreams.

It doesn't matter if you have everything else it takes to be successful: opportunity, adaptability, determination, and a good idea. Having the wrong romantic partner can easily be fatal-- especially for entrepreneurs. You need someone who understands and respects what's truly important to you, or you will never be happy.

"It's a hard truth, but it's better to face it early," O'Leary says of bad relationships. "Better to face it before say, getting married and having a couple of kids, and spending years of your life with the wrong person."

Kevin uses a story from a business class he taught, in which a student was running a successful multimillion dollar business from his dorm room but, as he recalls the student saying to the class, things were falling apart in his personal life.

"I have no time, and I never see my fiancé. She wants me to come be with the family on Sundays, just once. But I'm doing my compliance downloads on Sunday because I have to be back in class at 8 in the morning on Monday.

Now the class is looking at me: 'Okay big guy, what's the answer?'"

His answer was simple and cutting: “Let’s be pragmatic. Which is easier to replace, your business or your fiancé?”

Without prioritizing your business and ambitions you will never fulfil the potential of your ideas. For Kevin, he knew what he wanted out of life before marrying his wife of 28 years, and they have been able to raise 2 children of their own, all while gaining success professionally.

The next secret has been applied to both of his children, just as it was applied by his mother and stepfather...

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## Family Secret #3

Get the right partner. You will never be truly happy or successful unless your partner understands what is important to you, and supports you in it.



# 4

## Start Young! Start Now!

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*Tomorrow will always be tomorrow, start today.*

You're never too young to start learning about investing, and you're never too old to make money. According to Kevin, there is one lesson kids should learn as early as possible:

"Teach them the power of compounding, or how to make money while you sleep."

Georgette, the great investor matriarch, is a prime example of someone who understood the value of this principle. Her investments in dividend-paying stocks and bonds, after 50 years, returned a shocking amount of money to her children upon her death.

It's a lesson Kevin taught his own children, both now in their 20's, when they were just 5 or 6 years old.

"With my kids, I'd say to them, 'Look, you're going to get gifts from your friends and your grandparents and for your birthday, how about saving it? How about actually putting it aside with the idea that if you invest your money it will grow while you're sleeping?'"

What a valuable lesson to give your children at such an early age! Not only teaching them the concept of compounding, but exposing them to investment and financial literacy, serving them well as they start making money, and making decisions. As they

grow up and live their lives they can look to your example of intelligent investing as a pattern to follow.

Your younger years are for aggressive investing, a time to learn the market and take some calculated risks. After age 40 Kevin says,

“You have to look at all the money you’re making and try and not spend your principal, because you don’t know how long you’re going to live. The biggest surprise is to run out of money when you’re in your 70’s, 80’s, or 90’s even, because you thought you were going to die a lot earlier. Think about that.”

It’s about seeing what’s coming and using that to prepare for what you don’t see coming. You won’t be able to predict 100% of what happens so it is absolutely crucial to plan for the uncertainty.

“You can’t get me into an exciting stock anymore, I can’t stand the excitement. There’s all kinds of stocks that come roaring out of the gate and 2 years later they’re wiped out because they never return any capital. Boring is good in investing. Preservation above performance matters to you when you’re over 40 years old.”

As you age your focus is protection, or preservation, above performance. As we age we look to the future. What will our choices say about us in 10 years? What will I leave my children? It’s time to consider the legacy that we leave behind.

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## Family Secret #4

Start now! Teach your children financial literacy and show them the value in the legacy you leave behind.

# 5

## Leverage Your Position To Make Money

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*Culture and opportunity combined, create success.*

A few years ago Kevin and his accountants noticed that a few of his business were leading out in sales and overall performance, so he gathered them all together and asked these CEO's what they were doing that the others weren't. The results were surprising.

There was distinct discrepancy between the culture of the 'successful' companies and the ones that were lagging behind in regards to the goals they set. (successful here is defined as capable of growing for the next 12 months with no more cash from Mr. Wonderful) In 7 years of sales data, the companies that would require a cash injection hit their sales goals 65% of the time.

Not bad.

But the companies that were already completely self-sufficient hit their sales goals 95% of the time. Why this difference, and why does it matter? It turns out that these 'testosterone targets' being set actually ended up harming the business because they were rarely hit, and people care about winning and losing. People want to be part of a winning team. When the culture is that of hitting their goals 95% of the time, personnel turnover is practically zero. Nobody quits a winning team!

Generating momentum is a large part of successful investing. Without sufficient capital

and momentum in your investments you won't be able to expand and create wealth. There are so many ways to get started, no matter your age or current financial status. By getting creative and consistently hitting your goals, you will find greater success in the long run.

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## Family Secret #5

Leverage your position to make money.

# 6

## Understand The Value of Freedom

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*And remember why we work.*

It's important to remember what you're working for. Imagine this: you've just gotten home, it's well after dark, and you're exhausted from a long day of appointments and deals. Everyone in your house is asleep. You think of the day tomorrow, just as long and just as full. Your bed has never seemed a more comfortable destination. You'd even settle for the couch at this point.

Looking down to your briefcase you mentally unpack, prioritizing the list of To Do's that demand to be done before you sleep. Stop now and ask yourself, what would keep you going? Why would you sit down and get it done instead of throwing in the towel and going to bed?

For the O'Learys, it's about family and it's about freedom. As Kevin says to his students, "Look at what I get to do with my family because of my freedom. Everything in my life now is my choice. At this point in my life I don't have to answer the phone if I don't want to." He teaches because he wants to, because he enjoys his work. And he works hard during the week.

"I think it's great to talk about men, women, and money. I think it's great."

But he has made an interesting deal with his extended family, the rest of the O'Leary's.

Wherever they are in the world they get together. Wherever they are, boyfriends and girlfriends included, it could be Africa, Boston, Canada, or Switzerland; everyone gets together and Kevin pays. He flies them all there and he flies them all back because, in his words, “I can afford to. Because I’m FREE to do that if I wish. It’s my decision. It sounds nuts but I’ve done it countless times. That’s the value of being free, and that’s what family is all about.”

So consider again, what do you want out of life?

Why do you want financial freedom? What’s your WHY?

What would you do with that freedom? Who would you help?

For Kevin O’Leary, it’s all about family. That’s why he continues to teach and help other investors and entrepreneurs move forward in their businesses. You’ve probably heard the saying “When the going gets tough, the tough get going.” This is a great saying if you are “tough”, but for the rest of you, what do you do “when the going gets tough”.

At the end of your life, what are you going to be focused on? How much money you made? Or, the beautiful life you LIVED because of the financial freedom YOU created? That’s the power of financial education, it allows YOU to take control of your financial future.

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## Family Secret #6

Understand the value of freedom.

Now that you've learned the 6 Golden Rules of Investing, you can consider yourself an honorary member of the O'Leary family.

None of us know how long we are going to be here, and if you were told you'd be leaving tomorrow, would you be happy with what you've left behind? Are you happy with the amount of freedom in your life?

Mom taught you to never spend the principal, only the interest, creating the means to provide for your children all the way to their last day of college. At which point you will set them free, financially speaking, to choose their own way. You hope they will remember to choose the right partner, because without support we all fall.

The legacy we leave behind is all that will be remembered—not the numbers and dollar signs, but the meaning behind them. Seizing every opportunity in front of you and generating momentum will propel you to the success you want and deserve. The success that will provide the freedom required to truly live your life to the fullest.

Now that you know the secrets, what you do with them is up to you!