



CHAPTER NINE

# THE TWO THINGS YOU INVEST

## *Robert's View*

My rich dad often said, “There are only two things you can invest: time and money.” He also said, “Since most people do not invest much time, they lose their money.”

Using the 90/10 rule of money as a rough guide, I would say that 90 percent of investors invest their money, but they do not invest much time. And the 10 percent that make 90 percent of the money invest more time than money. By the end of this book, you will know why Donald and I make so much money, gain much higher returns, and use less of our own money. We can do that because we invest more of our time than our money.

Look at the following diagram of three investors. I think you will understand the relationship between investing time versus investing money.

NON-INVESTOR	PASSIVE INVESTOR	ACTIVE INVESTOR
<i>Invests no time</i> <i>Invests no money</i>	<i>Invests no time</i> <i>Invests money</i>	<i>Invests time</i> <i>Invests money</i>
<b>No Financial Education</b>	<b>No Financial Education</b>	<b>Lots of Financial Education</b>

When you look at this simple diagram, it is easy to see why the first two types of investors, the non-investor and the passive investor, would say, “Investing is risky.” They have no (or very little) financial education, and they have very little financial experience; hence, they fall prey to any financial advisor promising safety and security.

Donald Trump invested a lot of time in his financial education. He went to Wharton, possibly the finest business school in America. In 1969, when I graduated from the Merchant Marine Academy in New York, I considered going to Wharton also. One of my classmates from the academy, Al Novack, was accepted and wanted me to go with him. I did not go because the Vietnam War was raging, and I decided to go to flight school instead.

I did not have the formal business school education Donald did, but I knew *not* having an education was a handicap. Instead, I focused a lot of time and money getting my financial education outside the traditional halls of learning. I attended many seminars, listened to many tapes and CDs, read business books and made it a practice to teach what I learned ... because teaching is one of the best ways to learn. I also learned by finding a mentor and becoming an apprentice, just as my rich dad was a mentor to me and I was an apprentice to him.

I took two companies public because I found two mentors who taught me the process. I invest heavily in oil and gas because I had training from Standard Oil of California and from a mentor who taught me about oil and gas syndications (how to raise money for oil and gas investments).

I continue my financial education via real-life experience and by having great mentors as well as great advisors.

Donald Trump and I would not be writing this book together if I had ever stopped my financial education. I love learning about money, business, finance and wealth. I will probably be a student until the day I die. I do not think I will ever feel I know enough, or that my cup is full or that I have all the answers. I can always learn more and love doing so.

## Financial Experts

Many investors think investing is risky because they take financial advice from financial experts who have very little financial training or experience.

1. Do you realize that it takes more time to become a licensed massage therapist than it takes to become a financial advisor?
2. Do you know that less than 20 percent of all stockbrokers and real estate brokers invest in the product they recommend you invest in?
3. Do you know that most financial journalists have very little financial training or real-world investment experience?
4. Do you know how many people invest off of hot tips — hot tips from poor people, not rich people?
5. How many of our politicians and lawmakers have any real-world investment experience?
6. How many schoolteachers have any real-world financial training or experience?

## Don't Be A Patsy

I once heard Warren Buffett say, “If you are sitting in a poker game and after 20 minutes you do not know who the patsy is ... then you're the patsy.”

My rich dad would say, “The reason why most E and S quadrant people suffer is because they take financial advice from other Es and Ss.” Or, as Warren Buffett has said (and I've referenced earlier in this book), “Wall Street is the only place that people drive to in a Rolls Royce to take advice from people who ride the subway.”

## Choose Your Advice Carefully

Since your mind is your most valuable asset and your most valuable lever, you need to be careful about what you put in it. Sometimes it is even more difficult to get rid of thoughts and ideas that are already in your mind than it is to learn something new.

Many financial journalists disagree with my thought process — my ideas clash with their ideas. They ask, “You say you can invest without money.

Isn't that risky?"

"Well, duh! If I don't have any money in the project how can there be any risk?" is how I want to respond.

A few days ago, I was speaking about investing in silver coins on the radio. A caller got through and said, "I'm making 9 percent on my money in mutual funds. Why should I invest in silver?"

I wanted to say "Silver has gone up nearly a hundred percent in less than a year." But I didn't. Instead, I simply said, "I'm glad you're happy with a 9 percent return."

Many people think investing is risky because for people without financial education and experience, it really is risky ... and it is even *riskier* when you turn your money over to a financial advisor who has only a little more education and experience than you have.

One of my pet peeves is when real estate salespeople say to buyers, "This property will appreciate in value." In other words, they mean, "Buy this now, even though it loses money, because in the future, it will make money. Real estate always goes up in value." I would want the buyer to ask, "Will you give me a money-back guarantee if I do not make money?" That usually dampens the sales pitch.

When it comes to investments, the questions you should ask are:

1. Minimize taxes
2. How do you reduce risk and increase returns?
3. How do you find great investments?
4. How do you know a good deal from a bad deal?
5. How do you invest with less of your own money and more OPM (other people's money)?
6. How do you get the experience without risking money?
7. How do you handle losses?
8. How do you find good advisors?

I wish these questions could be answered easily. But they are questions without specific answers. They are questions that keep me studying, learning and searching. By continually asking myself these questions, I get better

answers, but I have yet to find the one answer that makes me feel comfortable, safe and secure. These are questions true students know they will probably never find the *right* answer to — because there is always a better answer. We know we can always get better.

It is the search for the answer — the answer I may never find — that makes me rich. It is the search that keeps me going, getting richer and not retiring, even though I have the money to retire on. You see, it is not the quest for money that makes me rich. It is the quest for knowledge. It is the desire to learn more, do more, accomplish more and help those who want to learn that drives me ... and money is just the score, a measure to tell me how we are doing. Money is the celebration of success, just as the lack of money is the reminder that we need to learn more. Just as a traveler watches for mile markers, I look at money simply as a marker — a marker that measures the journey and distance traveled.

Tiger Woods may appear to play for money because he has so much of it. Yet, if you ask him, he says he plays to master the game ... and money is his measure of his mastery. I would guess that the Rolling Stones tour not because they love the money, but because they love to entertain. If they did not entertain, life for them might be over. Many an ex-football star would play the game for free, if he were young and healthy enough to just get back in the game.

A great book I read recently is *The War of Art* by Steven Pressfield. I recommend this book for anyone who knows that their life is a journey, not a destination. In *The War of Art*, Pressfield says, “Many people think amateurs do not play for money, but they play for the love of the game. In reality, the reason amateurs are amateurs is because they do not love the game enough.” Pressfield’s main point is that you must overcome resistance in order to achieve your “unlived life within.” He discusses the types of *resistance* that confront us and reveals how often it is self-imposed. What is his advice? He recommends:

1. Loving what you do
2. Having patience
3. Acting in the face of fear

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– Robert T. Kiyosaki

I believe I win at the game of money because I love the game. When I was younger, I worked for free because I wanted to learn the game. Today, I go past golf courses and basketball courts and I see young and not-so-young people playing for free, often paying to play because they love the game so much.

I study and practice because I love the game and because I want to win. I have read and studied the history of the game, knowing I will never know as much as I need to know. I study the rules, and I study the players. I know my competition, and I study them because I respect them. Long before I met Donald Trump, I read his books and followed his successes as well as his failures. I also studied Steve Jobs, founder of Apple, and Richard Branson, founder of Virgin. As you can tell, I studied the rebel leaders of business, not

the conformists. To me, conformists are boring.

Like it or not, all of us are in this game of money. Regardless of whether you are rich or poor, living in the United States, Asia, Europe, Africa, South America, Canada or wherever, we are all in this game of money. The winners of the game are those who love the game the most. If you do not love the game, get out. There is probably something more useful for you to do, something more exciting for you.

Donald Trump and I win much more than we lose simply because we love the game. If you do not love the game and do not want to study and learn, Donald and I recommend you find someone who is as dedicated to winning (and dedicated to studying) and turn your money over to that person, once you have found him or her.

## A Final Thought

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### PASSIVE INVESTORS

**Invest money**

**Invest in:**

*A Job*  
*Savings*  
*Getting Out of Debt*  
*Mutual Funds*  
*Diversification*

**Lack of Money**

**Fear**

### ACTIVE INVESTORS

**Invest time**

**Invest in:**

*Businesses*  
*Real Estate*  
*More Advanced Vehicles*

**Abundance of Money**

**Fun**

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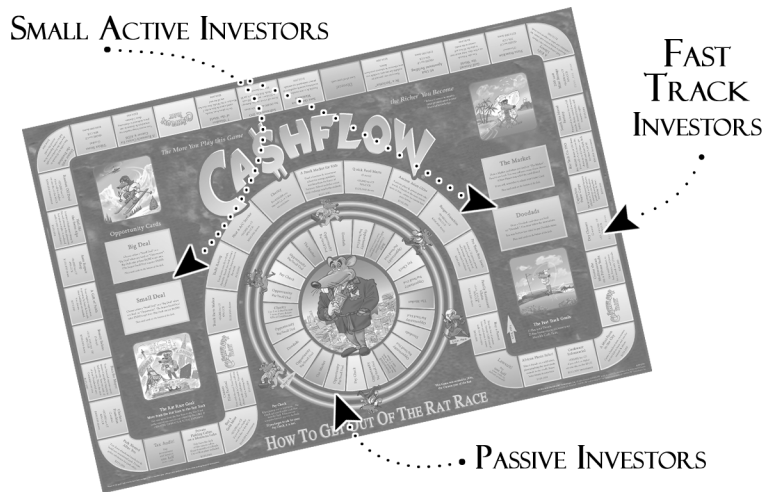
This comparison shows that there are other differences that separate passive investors from active investors. Not only do they invest more time, they invest in different investment vehicles. I put businesses at the top of the list because building a business of more than 500 employees requires the most financial skill, education and experience.

Real estate is next, requiring more financial skill, education and experience than, let's say, stocks, bonds or mutual funds. Remember the big difference between investors in stocks, bonds and mutual funds and real estate investors is that real estate involves leverage. Therefore, you have to be more careful. And real estate also requires management skill, experience and expertise. It is the use of leverage and the requirement of extensive management that causes most investors in paper assets to fail when attempting to invest in real estate.

The more advanced investment vehicles are such things as hedge funds,

which use leverage, as well as limited partnerships, private equity funding, syndications and others.

When you look at the picture of the game board of *CASHFLOW*, you can see the different investments for different people.



As you can tell, there are three levels of investors. Level one, the rat race, is for passive investors. They generally invest in paper assets such as stocks, bonds and mutual funds. Why? Because paper assets, typically, require the least amount of financial education.

Level two is for small active investors. They invest in smaller investments, often in small businesses or real estate.

The fast track was created for the rich and financially educated investor. In 1933, Joseph Kennedy, father of President John Kennedy created the Fast Track to protect the amateur investor from the rich and sophisticated investor.

Donald and I invest from the Fast Track. Why? Because that's where the fun is and that's where the high returns are. Is it riskier? The answer is "No," not if you have a strong financial education and experience. The



answer is “Yes,” if all you want to invest is money, but not time in your education.

The purpose of the *CASHFLOW* board game is to teach people about the three levels of investors and to inspire people to get out of the rat race and have more fun.

## Are Games Good Teaching Tools?

In 1969, a study was completed within the education system that showed the effectiveness of different types of learning. The Cone of Learning was developed and is shown here. It reveals that the least effective way to learn is by reading and lecture, whereas the most effective way to learn is by actually doing. The next most effective method is through simulating the real experience.

Cone of Learning		
After 2 weeks we tend to remember		Nature of Involvement
90% of what we say and do	Doing the Real Thing	Active
	Simulating the Real Experience	
	Doing a Dramatic Presentation	
70% of what we say	Giving a Talk	
	Participating in a Discussion	
50% of what we hear and see	Seeing it Done on Location	
	Watching a Demonstration	
	Looking at an Exhibit Watching a Demonstration	
	Watching a Movie	
30% of what we see	Looking at Pictures	
20% of what we hear	Hearing Words	
10% of what we read	Reading	

Source: Cone of Learning adapted from (Dale, 1969)

Isn't it interesting that the educational system still teaches primarily through reading and lecture? And it has been armed with The Cone of Learning since 1969!

Donald and I both believe in the power of games. In my game *CASHFLOW*, the players start with jobs and paychecks and have families. They learn investing skills by actually investing with play money, and they learn how each and every decision they make impacts their individual financial statements. It is learning through simulation that reduces the players' fear of investing.

Donald also has a board game called *TRUMP: The Game* that teaches negotiation skills related to real estate. Again, the players gain valuable experience and learn techniques that can help them in real-life or business applications.

Both games motivate the players and help them realize the importance of not letting emotion get in their way. Both games generate an adrenaline rush and excitement in the players.

## ***Donald's View***

I read Robert's chapter before I started mine, which is good because I had the same answers: time and money. He made such good points, and thoroughly explained points, that I'm wondering to myself, what can I add?

I'm not really into etymology, but recently it was discovered that the most used word in the English language is "time." "Money" may have been in the top 100, but it was nowhere near "time" in the ratings. Then I remembered how someone once explained life as a credit card that's given to us at birth – minus the expiration date. The time we have on that card becomes the big question, not the money.

The properties of time have always been of great interest to physicists and scientists. Time is measured by numbers. Which brings

us to math. Which brings us to money. But if you've run out of time, all the money in the world won't change that situation.

My wife, Melania, and son Barron demonstrated perfect timing when it came to Barron's birth. I'd just returned to New York, we went to the hospital and he was born. Barron has displayed a very subdued temperament, which I think he got from his mother's side. But I still marvel at the timing of his birth. We have no control over certain events, and yet sometimes they seem to be perfectly controlled.

I am never absolutely certain about anything — because I am not omniscient. I have instincts. And I have beliefs, but surprise is always a possibility. Because of that, I am far more humble than people might suspect. Oddly enough, I think I have been rewarded for that humility. It works that way sometimes.

Linda Kaplan Thaler is the CEO of the fastest growing advertising agency in the US, The Kaplan Thaler Group, and she appeared on *The Apprentice* to be a judge on one of the task assignments involving a car advertisement. Prior to that, Melania had been featured in a popular Aflac commercial and she mentioned how professional — and thoughtful — Linda and her team had been towards her and everyone on the set. In addition, the ad was very successful, and I was impressed enough to remember Linda when we had an opening for an advertising professional in one of our episodes. I am not surprised that her new book with Robin Koval, *The Power of Nice*, is becoming very successful.

It is a powerful testament to the power of time invested wisely — by being courteous and thoughtful. Robert mentions that you should choose your advice carefully, and Linda's book would be a good choice for both time and money investment.

If something is going to affect your life, it's best to know as much as you can about it.

— Donald J. Trump

How does this apply to investing and finances? Actually, it applies to everything. What you do with your time is a very big subject, because lost time can never be recaptured. Very often, lost money can be regained. As Plutarch said, “Time is the wisest of all counselors.” In short, be careful of your time and learn to invest it – thoughtfully.

This exercise will help to illustrate my point:

If you saw time as money, would you be more careful with it? For example, if wasting 15 minutes of your time meant you would lose \$500, would you be more aware of how those 15 minutes were spent? I think so. And what would constitute “wasting” 15 minutes? If you were in the entertainment industry, watching a film would not be wasting your time. If you were in the hospitality industry, checking out a new restaurant would not be wasting your time or money. The answer would be different for each of us. I think we all know when we are squandering time.

The assignment for you is to see where you spend your time – and to assess how much money you’ve invested in doing so. All the money in the world cannot replace lost time, so proceed accordingly.

Another very good point of Robert’s is that we are all affected by money, no matter who we are or where we live or what we do. Money, like time, is a common denominator we share. Most people need money to buy food, which is necessary to sustain life, so they are intertwined whether we choose to believe it or not.

Money will affect your life. My theory is that if something is going to affect your life, it’s best to know as much as you can about it. Will you be able to find time to invest in your financial education?

## Your View:

Review how you spend your time. There are 168 hours in a week (7x24):

Hours spent working	_____
Hours spent commuting	_____
Hours spent getting ready	_____
Hours spent eating	_____
Hours spent sleeping	_____
Hours spent with family	_____
Hours spent on a hobby	_____
Hours spent exercising	_____
Hours spent getting educated	_____
Hours spent relaxing	_____
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Total	168 hours

Can you find 4 to 10 hours a week that you could spend on your financial education? Chances are you can. The question is: Will you?

Make a commitment to spend more time getting educated, and then do it! Reading this book is a good start. What else can you do?

