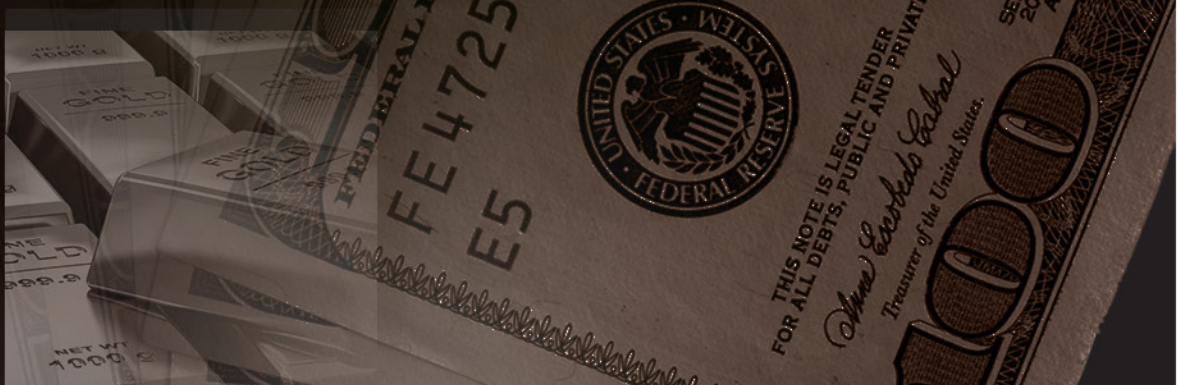


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THE SECRETS TO POSITIVE CASH FLOW



B	4.36	-0.33	-0.7%	0.25	1	24
MAL	2.42	-0.01	1.8%	0.4	1	2
NE	5.64	0.32	-0.02%	0.4	1	2
MV	2.95	-0.01	-1.58%	0.4	1	2
QTVV	9.13	-0.04	-1.32%	0.4	1	2
HYOS	11.61	-0.05	-1.34%	0.17	3	8
PLUG	21.14	-0.11	-0.54%	-0.67	1	3
ESLR	26.37	-0.04	-0.94%	0.11	3	11
MT	62.20	-0.01	-0.19%	0.0	2	7
D	21.77	0.53	0.86%	0.07	6	3
OC	26.6	0.13	0.6%	0.09	3	3
	19.59	-0.35	-1.3%	-0.11		
	49.06	-0.16	-0.33%	0.0		



THE SECRETS TO POSITIVE CASH FLOW

Positive cash flow—it is what separates assets from liabilities and makes your exit from the rat race possible. If you know how to create positive cash flow, you are on your way to becoming rich. If you don't or dismiss its importance, your investments will go south before you even know what has happened.

When Robert Kiyosaki first disrupted the financial world back in 1997 with his book, *Rich Dad, Poor Dad*, he did so by asserting, "your house is NOT an asset." He made this bold statement because he understood the importance of positive cash flow and the role it plays in creating true wealth.

Assets put money into your pocket. Liabilities take money out of your pocket. It is as simple as that. The former represents your money working for you and the latter is you working for money.

Regardless of what people may call it, your house is a liability. Even if it is completely paid for, when a house takes money out of your pocket for upkeep, taxes, and repairs, it is moving you further away from exiting the Rat Race.

The Rat Race is the all too familiar pattern of getting up, going to work, paying bills; getting up, going to work, paying bills. When you buy and own liabilities, instead of assets, you have to work day after day, week after week, month after month to pay them off. Even then, they can still take money out of your pocket.

Positive cash flow and assets, on the other hand, are what allow you to exit the Rat Race.

When you buy assets that produce positive cash flow, you begin to create true wealth for yourself. That is because true wealth is not measured in terms of dollars, but in terms of time. When your assets produce enough positive cash flow to cover all of your expenses, you never have to work again. You exit the Rat Race. Your assets—whether they be real estate, businesses, or paper assets—work around the clock putting money into your pocket.

If you want Absolute Wealth, then you must understand and follow the secrets to positive cash flow. In the pages that follow, we'll discuss the secrets that will help you successfully approach investments in three of the most popular asset classes.

The Secrets to Positive Real Estate Cash Flow

Real estate investors are not cast from the same mold. While many people are content—or in some cases, resigned—to putting in their 40-hours week after week after week, real estate investors are a unique breed. They are willing to venture out on their own and take complete responsibility for their success and failure.

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In taking on that responsibility, the ones that really succeed are the ones that have learned to think like the rich. They understand that breaking from the shackles of the E (Employee) and S (Self-Employed) quadrants necessitates a new way of thinking.

The great thing, however, is that anyone can train himself or herself to think like a successful real estate investor.

In this section, we explain five secrets to help you think about the art of real estate investing like those who have gone before you and successfully exited the Rat Race.

Real Estate Secret #1 – Be Clear on What You Want to Accomplish

More people know what they “don’t want” rather than what they “do want.”

They know they don’t want to work for someone else. They know they don’t want to live paycheck to paycheck. They know they don’t want to spend another day in the Rat Race. However, when asked what they do want and how exactly they intend to get it, they only offer blank stares and shoulder shrugs.

Successful real estate investors, on the other hand, know exactly what they want to accomplish and how they are going to go about it.

Instead of knowing they do not want to live paycheck to paycheck, they know how much money they need per month to cover their current expenses. They have developed a detailed plan to generate that amount—and then some—over a definitive timeframe through investing in a specific property type or types. In fact, they have determined the exact number of properties they will need to purchase. They also know when and how they will roll their portfolio over into a larger cash flowing property that—according to their calculations—will produce enough passive cash flow to cover all their expenses. They can even show you the spreadsheets that map out their anticipated cash flow on a monthly and yearly basis along with the number of investment properties required to support those numbers.

Now whether or not someone could accomplish this is beside the point. The point is that there is a detailed plan. Maybe an assumption or two is off and it takes six years instead of five. On the other hand, perhaps halfway into investing they learn how to cut their remodeling expenses, thereby increasing their cash flow, and are able to hit the target in three and a half years. The plan evolves. It is fluid. As markets change and education increases, the new reality is incorporated into the plan. Nevertheless, you can’t revise something you don’t have.

So what is it EXACTLY that you want to accomplish in real estate? Do you know how much you need and how you will get it? How long will it take you to get there? The answers to these questions and a whole host of others are what you need to know if you are going to think like a successful investor.

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Real Estate Secret #2 – Invest for Cash Flow, Not Capital Gains

Not too long ago, you couldn't turn on the television without seeing a show where a couple of guys, a married couple, or whoever were buying a property for a steal, fixing it up, and selling it for huge profits (all in less than an hour).

Now stop and think of how many shows there were where the star of the show would walk out of the house to the mailbox, take out the rent checks, and walk back into the house? Not exactly must-see-TV, but if this show was on, you would have a better look into how a successful real estate investor thinks.

Robert Kiyosaki has always extolled the virtues of investing for cash flow as opposed to capital gains. If a property happens to appreciate while you own it, great; however, if the sole reason you are purchasing a property is because you hope and pray that the value will go up, then you aren't a true investor—you're a gambler.

A true investor understands that while the thrill of receiving tens of thousands of dollars for a fix-and-flip may sound appealing, by selling the property, they are cashing out an asset that can put money in their pocket for years to come. Appreciation is just the frosting but not the cake itself.

One can look no farther than the recent crash to see the wisdom in investing for cash flow. When a property has a positive cash flow, the investor is covered. Regardless of whether the value goes up or down, the positive cash flow is there to cover all the costs and put money in the owner's pocket. However, if an investment's entire return hinges on the price going up, what happens when the market goes down? Just ask the "investors" who lost everything when the real estate bubble burst.

Real Estate Secret #3 – Hope for the Best, Plan for the Worst

No one ever invests with the intent to lose money. Unfortunately, it happens to even the best investors. The secret to putting the odds in your favor is learning how to minimize the potential risks that could derail your success. You do this through conducting due diligence before you purchase any property.

"Conducting due diligence" is a term that has been so overused that it has fallen into the MBA-speak lexicon along with "creating a win-win," "right-sizing," and "thinking outside the box." All that aside, it does not change the impact and necessity of the process. Thoroughly examining a potential investment will help minimize risks and determine whether an investment still makes sense for you.

A beginning investor may naively think that as long as rents cover the debt services, then all is well. However, if vacancy rates, repair costs, replacement values, and a number of other contingencies aren't factored in to the final analysis, then an asset can quickly turn into a liability with the owner wondering, "Why didn't I think of that earlier?"

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This goes beyond the financials too. For example, suppose an investor through an analysis of the property's financials determines that an investment will cash flow. He closes on the deal, has tenants lined up, and then finds out that according to the CC&Rs (Covenants, Conditions, and Restrictions) of the property, the homeowner's association will not allow the property to be rented. What now?

None of this is meant to scare anyone from investing in real estate, but to point out the need to be thorough in evaluating a potential investment. Now, for some, they will misinterpret this to thinking they need to know everything before they can invest. While a noble pursuit, it is completely unrealistic. For those who understand the Rich Dad philosophy, they will build a team of advisors who they can count on to ask them the question, "Have you thought about this?"

Real Estate Secret #4 – Know How to Attract and Retain Tenants

Have you ever ridden in a friend's brand new car and then got back in your car? What was your first thought? If you are like most people, it was, "My car sucks. I need a new car." A car that seemed fine just moments ago is suddenly unacceptable. Why is that? The reason is you became aware of something better.

So what does this have to do with investing in real estate? When it comes to attracting and retaining tenants, you need to make them aware of "something better."

Now before discussing this, please take this caveat to heart—improve your properties, but don't OVER-improve your properties. While everyone loves granite countertops, installing them in what will be a Section 8 rental is probably not your best investment of time and money.

So where do you draw the line and what will give you the most bang for your buck? First, keep in mind that more often than not, you will be showing the property when it is empty. This means that every chip in the paint or stain on the carpet will stand out like a sore thumb. Consider repainting your property every time old tenants move out. This will provide a clean and fresh look to prospective renters. Now while there may not be a need to install new flooring with each tenant, objectively evaluate the remaining life expectancy of the flooring and at the very least have the carpets cleaned before showing the property.

Another way to think when deciding what to replace or upgrade, is to consider the Broken Window theory. Social scientists James Q. Wilson and George L. Kelling, who first introduced the theory, put forth that a broken window left unattended increases the likelihood of additional windows being broken by vandals. If not corrected, eventually over time further vandalism escalates.

Successful real estate investors follow the Broken Window theory, but in the reverse. They understand that a few upgrades on a property help tenants see the property more as a "home" instead of a place they are just renting. They become more

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inclined to take a care of the property than they would if the property had discount appliances and builder-grade carpet. This in turn helps keep maintenance and repair costs lower as well as increases how long tenants stay in the property.

While there is no definitive answer to how much or how little to upgrade, you will need to understand the rental market in your area and what is considered standard. By understanding your competition and listening to the feedback of prospective renters, you will get a good sense of what will help you attract and retain tenants.

Real Estate Secret #5 – Always Be Looking

Successful investors know that real estate is a numbers game—the more properties they find, the more offers they submit; the more offers they submit, the more deals they will do; the more deals they do, the more money they make.

In order to help get the numbers in your favor, you always have to be looking. However, you are only one person and regardless of how hard you work, you can only cover so much ground. If you really want to expand your reach, you need to establish multiple ways of finding opportunities. Better still, if you can set it up so the opportunities come to you, then you will be even more efficient. One way to have opportunities come to you is by using a “birddog.”

A birddog—when it comes to real estate investing—is just what the name implies: an individual that hunts for and brings back investment opportunities.

So who might be a birddog? Friends, family, neighbors, or co-workers might be potential birddogs. Anyone who is out in residential neighborhoods on a regular basis is a good option too. Examples here would be mail carriers, pest control workers, home inspectors, landscapers, house cleaners/maids, companies that prepare foreclosure properties for sale, etc.

When recruiting a birddog, you will want to take some time to educate the individual on exactly what you are looking for, how to find it, and what you are willing to pay. You will want to cover the following:

- **Potential properties** – Emphasize that you are only looking for properties **without** a “For Sale” sign in the yard. (The reason being is that you can find “for sale by owner” and agent listed properties on your own.) Of particular interest to you are vacant properties with a real estate agent’s lock box on the property but no “For Sale” sign. Typically, banks own these properties through foreclosure and have yet to list them on the Multiple Listing Service (MLS). Finding these properties before banks list them can give you a leg up on your competition.
- **Telltale signs** – Explain how to spot vacant houses: fresh snow with no footprints, tire tracks, or plowed driveway. Boarded up windows. A pile of newspapers in the driveway or on the front porch. Mail stuffed in the mailbox.

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Broken windows and doors. No curtains or blinds. Over grown or dead grass. Missing electrical meter.

- **Property specifications** - What information do they need to submit? You will want specifics such as type of property, property address, city, state, and zip, and approximate square footage of the house. (Birddogs can estimate the square footage by simply measuring the length of their stride, stepping off the property and making an educated guess.)
- **Property assessment** – Have your birddog include an assessment of the condition of the house. Is it “Good,” “Bad,” “Really Bad,” or “Awful?” Give examples and define how you would classify the descriptions so the birddog and you are using the same evaluation system.
- **Photos** – Request six or more digital pictures of the property that show the front, back, both sides and the house on both sides of the subject property. The more pictures they provide the better. In addition, you also need pictures of the garage if detached and any other buildings.

Just imagine expanding your finding efforts exponentially. Birddogs are a great way to further your reach and “always be looking” so you can find deals before your competition.

Successful real estate investors do not think like most people and chances are if you are reading this, neither do you. A desire to control one’s destiny and attain the financial education to see opportunity where others only see risk are the hallmarks of those who separate themselves from the pack.

Learn to incorporate the secrets contained here and you will be well on your way to making money in real estate.

The Secrets to Positive Entrepreneurial Cash Flow

It is no secret that in order for your business to be successful, you have to make money. How one goes about accomplishing that though can leave you feeling more lost than when you started.

However, countless others have gone before you. By understanding those who have been successful, you can focus your time and attention on the activities that will provide the best return and make your business the achievement it was meant to be.

Entrepreneurial Secret #1 – You Can’t Make Money If You Don’t Know How to Sell

While this might not be a unique insight, many entrepreneurs easily forget it. Some focus on the development and manufacturing of their product, others pour money into marketing, and others are worried about simply looking the part of a successful entrepreneur. However, the bottom line is that if you cannot sell, you will not make money.

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When Robert first returned from Vietnam and decided to become an entrepreneur and investor, rich dad simply told Robert, “If you want to enter the world of business, you must learn how to sell.” Taking rich dad’s advice to heart, Robert got a job at Xerox. He did so, not for the paycheck, but for the opportunity to learn. He recognized that if he could overcome his own fears and doubts by learning how to cold call, make a presentation, and close a deal; he would possess a skill set that would allow him to negotiate with business partners, secure funding for investment opportunities, and lead with authority.

If you are an entrepreneur—or considering becoming one—you must honestly evaluate your ability to sell.

One of the keys to evaluating your sales skills is to consider how well you communicate with others. If you can effectively communicate with others, you will be well on your way to master the art of selling.

The first step in becoming a master communicator is learning how to listen. Most people pretend to listen, but are actually thinking about what they will say the moment the person they are listening to shuts up. As a result, they make responses and statements that often have little to do with what the buyer was talking about in the first place. If you are anxious for the person to whom you are presenting to be quite so you can get to your pitch, odds are that you will end up missing the mark.

Too often salespeople offer a solution (the product or service) without even listening to the problem or goal of the buyer. They are focused on making a sale. They see the buyer more as an obstacle to overcome than an individual to serve. Rich dad taught Robert, “True selling means being passionate about your company’s product or service and being *compassionate* with the wants, dreams, and needs of your fellow human beings.”

Learn to listen and serve and you already know how to sell.

Entrepreneurial Secret #2 – Pursue Your Passion

Being an entrepreneur is hard. Typically, when starting out, you wear all of the hats. Your business card may say “Founder and CEO” but you are also the janitor (and, there is nothing wrong with that). Many people are drawn to entrepreneurship because they like knowing that the success or failure of the venture lies solely with them.

Where the problem lies is when the day-to-day grind of collecting payments, keeping the doors open, and handling complaints begins to make you lose sight of why you signed up for all of this in the first place.

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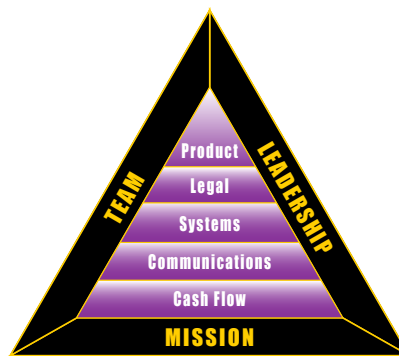
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If you are not careful, you can easily become disconnected from your passion and once your passion is gone, your days are numbered.

Most entrepreneurs become detached from their passion because they get caught up in the “thick of thin things.” In other words, by spending so much time, energy, and effort on the administrative activities of the business, they have little, if anything left over to devote to the visionary activities.

The key to overcoming this obstacle is to schedule time for your passion. (It should be noted that while it is good to be passionate about your product or service, this is only a small part of a successful business. True entrepreneurial success lies when the entrepreneur is passionate about the entire business.)

Using the B-I Triangle as your guide, schedule time to work on each component. For example, you could schedule two hours on a Tuesday afternoon to work on “Team” or “Cash Flow.” The key is not to use this time to handle the to-do’s of these areas, but to determine ways that you can reimagine or improve them. The idea is to be creative and break with the status quo. Thinking critically about each area of the B-I Triangle will help you become passionate about making your business the best it can possibly be.



Entrepreneurial Secret #3 – Don’t Be Afraid to Ask for Money (a.k.a. Know the Value of Your Product)

Selling your product or service short—and yourself—is what you do every time you wonder if you are charging too much. Even if you do it subconsciously, your lack of confidence is conveyed to the consumer loud and clear.

Nowadays, there are low-cost and in some instances a free version of just about every product out there. Because of this, you may be tempted to follow suit and price your product solely on what is cheaper than your competitor’s is. Here is what you need to remember: If people love your product or service, they will be willing to pay top dollar for it. Think about Apple products for a minute. People are willing to pay hundreds of dollars more for computing devices that are essentially the same as their competition. Macs and PCs both can surf the Internet. They both can edit pictures and play media. They both are basically the same thing. However, if any die-hard Apple disciples were to read that last statement, they would come back with a litany of why Macs are better than PCs. And THAT is the point. Steve Jobs knew—and believed—in the value of his product and wasn’t afraid to ask consumers to pay more for not only what the product could do, but also for the experience it brought.

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Robert Kiyosaki understood this principle too with the CASHFLOW board game. Most board games sell for \$20 or so and provide an evening of fun with friends and family. You are entertained for a couple hours and then done. However, Robert knew CASHFLOW wasn't just about being entertained. It was about educating and getting people to question their beliefs about money and investing. It wasn't about entertaining for a couple of hours.

It was about providing an experience that could change lives. As such, people gladly pay \$50 for the CASHFLOW board game because of the value of the experience.

You can do the same.

Entrepreneurial Secret #4 – Know Your KPIs

If you want your business to make money, you had better know which activities truly drive your business's success and how to measure them. This is where KPIs come in to play.

KPI stands for Key Performance Indicator. Every industry has their own and if you expect to compete with them, learning why each KPI is important and what levers you can pull to better them can often be the difference between success and failure.

For example, you may want to consider tracking "lead response time" or how quickly your company responds to a potential customer's request for additional information. You could measure "rate of contact" if your business does outbound prospecting. Alternatively, maybe you track the "click-through rates" of your marketing emails.

Two things to keep in mind though, do not measure something just for the sake of having something to measure. You need to understand how what you are measuring affects your success or failure. And that doesn't mean whether or not you can explain it to someone. You need to be able to prove it with numbers. Even then, you can run the risk of the correlation of your KPI and success being coincidental. This is why identifying your true KPIs in the beginning may be an experiment of trial and error.

The second thing to remember is just because you can measure something doesn't mean you should. Try to limit the number of KPIs that you are monitoring to the most essential ones. If you begin tracking too many they will create noise and take away from your ability to analyze the health of your business.

Develop the habit of measuring what you expect from your business and you will always know where it stands.

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Entrepreneurial Secret #5 – Fail Fast, Fail Often

Most entrepreneurs and investors are not risk adverse. If they were, they would still be playing it “safe” in their 9-to-5 jobs. However, in order to make money, you need to experiment, take chances that may frighten you, and even be willing to lose money.

As an entrepreneur, if you have hopes of not making any mistakes, then you have already made your first mistake. Do not look at mistakes as something to be avoided at all costs, but as unique learning opportunities custom-tailored to you, your circumstances, and your business. The more lessons you can learn from, and the quicker you can learn them, will help shorten your learning curve and place you in a position to grow your business.

By adopting the mindset of “fail fast and fail often,” you begin to leverage the power of iteration—the process of repeating and refining a process in order to meet a goal.

The ultimate goal for your business is to make money and to thrive. In order to accomplish this goal, you must iterate until you find the “breakthrough” that makes your business a self-sustaining entity.

When you are starting a business, speed is critical for success. The tighter you can run experiments and the faster you can iterate, the more chances you will provide yourself to find that winning combination. That winning combination helps you become scalable. And scalability is what allows you to realize your big dream.

So do not be afraid of making mistakes. Fail fast, fail often, and learn even quicker. You have to try, make mistakes, learn, and try again. If you try, make a mistake, and give up, you will never be the success you could have been.

Being an entrepreneur is hard, but the reward that comes from being successful is true freedom. It is freedom to do what you want, when you want, with whom you want, all while making money for yourself.

By carefully considering and implementing the entrepreneurial secrets listed here, you can become more successful in building a business. Selling, having passion, believing in your product, knowing what activities bring success, and a willingness to learn from mistakes will all make you better than you are today and help your business to be profitable.

You just need to go do it.

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The Secrets of Positive Paper Asset Cash Flow

One of the hallmarks of the Rich Dad message is based around a person's context or the meaning one gives to information he or she receives.

Their context comes from the messages they have received from friends, family, schools, mainstream media, etc. Over time, it becomes like a broken-in shoe or well-worn pair of jeans—something so comfortable that there can't be anything wrong with it.

One context the poor and middle-class have accepted as an undisputable truth is that investing is risky. As a result, either they stay out of investing altogether or they blindly hand their money over to “experts” who assure them that the investments they sell (usually mutual funds) are the safest place to put your money.

A person's context is really what keeps them from or allows them to make money—not the market.

So how do you change your context? How do you shed the messages you have received repeatedly and develop the mindset possessed by the rich? You begin to poke holes in the old contexts that have been holding you back. You force yourself to think differently than the mainstream. You do this through educating yourself.

As you educate yourself on financial matters, it becomes obvious as to what is truth and what is lazy thinking. As the truth becomes more apparent, new contexts begin to develop that lead you to approach investing in a different manner—a manner radically different than the millions of people that keep buying mutual funds and dumping money into their 401(k), paycheck after paycheck after paycheck.

So, if you are ready to expose the flawed thinking that keeps people stuck in the Rat Race and unaware of the secrets of positive cash flow, keep reading.

Paper Asset Secret #1 – You Don't Know Everything and That's Okay

Believing in your ability to invest successfully in paper assets is good. Crossing the line and thinking you are infallible is bad.

As a rule, most people think they are smarter or more competent than they actually are. While being optimistic is a good outlook to have in life, when it comes to investing, that same outlook can hurt you when you begin to think you know more than the market.

Remember, the market is not a person or even a thing. It is a collection of opinions. Some of the opinions are informed and some are misinformed, but they all come together to establish market price. When you think you know more than collective opinions of all investors, you cross the line and believe your opinions are infallible.

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This thinking leads you to take greater risks, make trades more often than you should (bringing on additional trading costs which eat into your return), and become lazy in your research by relying more on tips and hunches than on actual information.

All of which points to the importance of being comfortable with knowing you don't know everything. Knowing that you do not—and cannot—know it all leads you to never stop learning. You dig a little deeper in your research. You ask more questions. You listen. Most importantly, you learn from your mistakes, which leads us to the next mindset.

Paper Asset Secret #2 – Remember Your Mistakes, No Matter How Painful They Are

Poor investors only remember their great trades—a habit that compounds the problem of overconfidence. Successful investors, on the other hand, remember their mistakes not because of the mistake itself, but for the lesson it contained.

It is human nature to block out mistakes, gaffes, and oversights, especially when we are the cause of the blunder. Nevertheless, if you take a moment to understand “how” the mistake was made as opposed to “who” made it, then a wealth of learning is at your disposal.

Keeping an investing journal is one of the best tools to help remedy the problem of dismissing your mistakes. An investing journal forces you to clarify the facts of the trade gone wrong and not the opinions. Whether it is a spreadsheet, notebook, or folder, an investing journal is your designated repository for the details of your investing decisions.

By recording why you made your buy and sell decisions, you become able to spot trends over time. Was there a particular piece of information you failed to consider? Did you violate your investing rules with this order? Or, did you fall in love with the company/tip even though the data didn't back up the decision?

Just like the professional golfer breaking down his or her swing moment by moment, your investing journal will help you learn from your mistakes so you are not doomed to repeat them indefinitely.

Paper Asset Secret #3 – Know When Enough is Enough

When looking at their portfolio, average investors are more inclined to focus on investments that are losing money regardless of how many of their other investments are in the black. They fixate on these problem children hoping they will “turn around.” Successful investors on the other hand are willing to take a loss as opposed to hoping and praying for a stock to make up lost ground.

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An unwillingness to accept defeat and move on can drag down returns for stubborn investors. In fact, Philip Fisher wrote in *Common Stocks and Uncommon Profits* that, “More money has probably been lost by investors holding a stock they really did not want until they could ‘at least come out even’ than from any other single reason.”

Paper Asset Secret #4 – Revisit Your Research

Things change. Stocks go up and stocks go down.

Smart investors know that they cannot rely solely on their initial research when holding a stock. By focusing—or fondly remembering—what a company has done, people tend to look past what a company is doing today. As a result, they hold on to a stock way beyond when they should have sold it.

Successful investors continually ask the question, “Would I buy this investment today?” They then know that if the answer is “no,” they must think long and hard as to why they continue to own it.

Paper Asset Secret #5 – Understand Both Sides

Everyone likes to be right and when we can find evidence that justifies our opinion, we like that even more. The problem here is when we begin to discount information because it does not justify what we think to be right.

In other words, if someone enjoys drinking wine with dinner, he or she is much more willing to accept medical studies that show a benefit associated with that behavior. Any information that contradicts that behavior is dismissed or ignored.

All of this means that successful investors have developed the ability to be open to information that differs from their opinions. They do not feel threatened by the possibility of being wrong. In fact, they welcome the challenge because it forces them to think more thoroughly about their investment strategies.

They understand that by not holding too tightly to their ideas, they can benefit in three ways. First, they are able to control their emotions and invest with solid information. Second, when they see the error of their conclusion, they do so before they invest instead of after they invest. They avoid buying a stock that does not perform as it should have. Third, if they are able to disprove differing opinions, their conviction to own or sell a stock holds up that much better amid the volatility of the market.

Paper Asset Secret #6 – Money Is Money Regardless of How You Got It

Often, when people get money they were not expecting, there is a tendency to treat it differently than money they have had to work for to obtain.

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Nowhere is this more apparent than in the casinos. Watch people gambling and those on a roll will begin to take more risks and place larger bets. Their rationale is that the money is in fact “house money” so if they lose it, they really have not lost anything.

Because of the freedom that “house money” represents, some investors can be prone to take the earnings from a successful investment and be more aggressive than they normally would be on their next investment opportunity. They trick themselves into thinking they are investing with someone else’s money.

Successful stock investors know investing is not gambling and recognize that any profit from an investment is a result of their research, diligence, and discipline—in other words, their hard work. They also understand that money is money regardless of the source. As a result, they stick to their investing rules and invest every penny as if they earned it and not as if they found it.

Paper Asset Secret #7 – Don’t Follow the Lambs to the Slaughter

When it comes to making investment decisions, there is a lot of information available. So much so, that some investors look for anything to cut through the glut of information and provide an easier path to wealth.

Because of this desire, they place an undue premium on recommendations, leads, and tips from varying sources of credibility. They begin to sell solid portfolio holdings with the hopes of bigger and better returns from a broker’s “tip.”

Unfortunately, these “insiders” circulate this information because of a stock’s previous performance. As more people succumb to the siren call of a quick buck, they quickly find themselves trapped in the opposite of the cardinal rule of investing. They have bought high and eventually will only be left with the option of selling low.

Successful investors are able to block out the hype and spin. They recognize when they are being sold and when the advice they receive is from a credible source. They know that temporary comfort received from investing with the masses or following a talking head from TV will eventually lead to poor returns. Instead, their comfort—and returns—come from their financial education.

Just as the rich think differently than the poor and middle class, successful stock investors think differently than average investors.

Successful investors understand how to think about their research, investment decisions, and the market. They create a mental framework that keeps them grounded in the facts as opposed to emotion that comes with investing.

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By developing the same mindsets in your stock investing, you too can develop a more objective sense of what is a worthwhile investment and what is not worth your time.

The Bottom Line

Whether you choose to invest in real estate, start and run a business, or try your hand in the stock market, using the positive cash flow secrets outlined here will help you on your way to financial freedom and exit the Rat Race.

SPECIAL OFFER:

Take Control of your Financial Destiny and Increase Your Cash Flow by Working with a Certified Rich Dad Coach.

ACT NOW and Receive 6 Months of Coaching Absolutely Free!

Discover the power of working one-on-one with your own certified Rich Dad Coach to help you invest smarter, build and protect your wealth, and create the cash flow you need to live the life you desire. Remember, Robert's Rich Dad was his first coach and helped him become successful by teaching him how to make his money work for him, who's helping you? Get your free introduction to Rich Dad Coaching and learn how a Rich Dad Coach can help you do the same.

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