RICH DAD

8 rich dad scams

CHALLENGE YOUR THOUGHTS!

"8 Financial Scams Disguised as Wisdom"

A **RICH DAD** FIELD GUIDE

INTRODUCTION

A Quick Note from Robert

Throughout history, cultures have tightly grasped their dearly held beliefs so commonly accepted, so religiously observed, that to question them is sacrilege. They are so sacred that to call these beliefs scams is to doom oneself to isolation and abuse. When it comes to money, these scams have toppled every past fiat government in history.

Our culture is no different. Our beliefs are no less sacred. The beliefs and scams are so sacred and hold so much power that when they are wrong their damage is immense. These scams assisted in the crisis of 2007.

When the global financial crisis began in 2007, many people clung even more tightly to their sacred beliefs and their jobs in the hope of not being one of those who were laid off. Millions held on tightly to their homes, even though they could not pay the mortgage. Most cut back on their spending and saved more, even though the federal government was printing trillions of dollars, destroying the purchasing power of their savings. Workers stuffed even more money into their retirement plans, even though the stock market had crashed, wiping out their prior gains. And school enrollments boomed, as more people headed back to school, even though unemployment was soaring. The faith in the scams held strong. What else could people do?

The crisis did not have the effect of causing people to question the causes and the beliefs that created the crisis. Instead people clung to the lies, their job and the system-wide scams that created the problem. Rather than let go, most people clenched their fists tighter and waited for the crisis to pass, praying that their political leaders could solve the global crisis and that happy days would return.

The problem is that this decade (2010–2020) will prove to be the most volatile, world-changing in history.

Unfortunately, the people clinging to the relics of the past—relics such as job security, savings, a home, and a retirement plan—will be those who are most ravaged by the coming global financial storm.

A few know they must make changes. Yet without a strong financial education, they do not know what to do or how to change.

The Rich Dad Company's vision has always been to provide comprehensive financial education with quality, free resources to as many people as possible. The goal of this eBook is to take you from the established mindset about money to the enlightened mindset, to put a bullet to the head of bad financial advice, and to help you take charge of your financial future.

Comprehensive financial education is still the surest way to financial freedom, both personally and as a society. Together we can make a difference.


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Chapter One

SCAM #1: HIGHER EDUCATION

The "School = Success" Scam

When I was young, my poor dad always told me the best path to success was to go to school. He felt that was the best way to get a good job. The problem was that my poor dad was one of the most educated people I knew, but he was always complaining about money and how unhappy he was with his work.

My rich dad, on the other hand, didn't have a college degree. Yet he was very successful and very wealthy. Rich dad said, "School teaches you to be an employee. If you want to be rich, don't count on school."

From a very young age, I learned that higher education did not translate into success and it was one of the biggest scams around. This scam is the foundation upon which the other scams are built. So, I decided to begin this eBook by challenging one of the pillars of most people's beliefs.

Going to School Doesn't Make You Financially Smart

I'm outspoken against the school system and it often brings accusations that I am anti-education. Nothing could be further from the truth. Unfortunately, "go to college" is one of those things people point at as a way of being successful without ever stopping to think if it's true.

The scam that school is essential to achieving success is perpetrated everywhere and all the time. What will make you successful is not going to school but rather financial education—learning how money works and how to make it work for you—is what will make you successful. Unfortunately, you can't get that in school.

When it comes to money, going to school won't make you smart.

Understanding Value

This doesn't mean that education isn't important. The basic education you get in your K-12 years is important to everything that comes after. If you want to be a teacher, a lawyer, or a doctor, then obviously you're going to need to go to college.

In spite of all those years of school, it's unfortunate that you won't learn how money works. Education, particularly in America, doesn't teach students how to live or be self-sufficient. Instead, it teaches us to be employees instead of our own bosses. It makes us workers instead of innovators. That's a big reason why we call school a scam. In fact, the ultra-rich use school to keep poor people poor.

Different Types of Intelligence

One of the worst things about school is that it recognizes only one type of intelligence—book smarts. If you aren't book smart, you are very quickly labeled stupid. As a child, I was not book smart, and I was labeled stupid. I wasn't stupid; I was just interested in different things and I was bored. For instance, no one could tell me when I'd ever use calculus in my real life! Yet, I was told to comply and learn. I was being trained to be an employee.

My rich dad wasn't book smart either. Yet, he was very smart. He had street smarts, which he used to become very wealthy. School doesn't teach you to be street smart. I had to learn that from my rich dad. My poor dad thought school was incredibly important, and he was very book smart. But what did it get him? He struggled financially most of his life.

That's another reason why we label higher education a scam. The so-called experts tell you that you need it. They tell you it's important. The unfortunate fact is it doesn't actually do anything for you except make you a good employee.

"But I studied money in college!"

Tom Wheelwright, my Rich Dad Advisor on taxes, went to school to be an accountant and got straight A's. He will also gladly tell you that he got no practical financial education. He learned what was needed to do a job but not how to successfully manage his own finances. This is absolutely laughable since he went to school to learn about money!

People often say they learned about money in school. You may learn how to balance a checkbook or what a P/E ratio is in school, but you won't learn how money really works. That's not an accident; it's a scam.

The ultra-rich use school to train us to be good employees. We start out being told what to do and we are rewarded for compliance. It's very easy to transition from a school to a company where you're told what to do. That leads us to trust and hand things off to the government and the ultra-rich bankers who handle our 401(k). The ultra-rich use education to make themselves richer and keep you poor. When you realize that, it's not hard to see why it's listed as one of our scams.

Think for Yourself

The people who fall for scams are typically those who are conditioned not to think for themselves. Unfortunately, the first scam on our list, Higher Education, robs us of the independence to think for ourselves, to think like an entrepreneur, an innovator, and an investor. It instead teaches us to be dependent.

You need to learn to speak the language of money to be successful. That takes financial education, which opens up a whole new world, a world where you can succeed on your own terms. Unfortunately, our schools don't teach that language. They teach you the basics, and then they either teach you a specific trade or skill, or they simply train you to be an employee.

Today, it's time to start thinking for yourself. Don't fall for the scam of higher education. Instead, start your financial education today, and begin your journey to financial freedom.

Chapter Two

SCAM #2: GET A JOB

We see scams every day. Sometimes they are easy to see and call out, like spam emails that promise riches in exchange for your bank information. But some scams are a lot harder to spot. From my rich dad, I learned financial smarts, which taught me how to spot scams—and how to not be taken in. Unfortunately, without those financial smarts, it can be very easy to be taken in by scams, especially the scams that the ultra-rich use to keep the poor in their place.

To break away from those scams you usually need someone else to warn you that you're being duped, to tell you that you're being taken advantage of, and to tell you what you can do about it.

The Big One: You Need a Job

When I was young, my poor dad always told me that I needed to go to school so that I could get a good job. To my poor dad, getting a good job was the most important thing in life. My poor dad worked very hard, but he was always worried about money. Yet, he never got ahead. His job was one of the things that actually kept him from succeeding. He toiled away working for others, often getting raises only to keep up with the cost of living and paying a high percentage to the government in taxes.

On the other hand, my rich dad never had a "real" job, and he was very successful and very wealthy. My rich dad understood that the sentiment, "Get a job," was a scam. Rather than get a job, he created jobs. Rather than work for someone else, he worked for himself. Rather than pay high taxes, he used the tax code to become wealthy.

How the Scam Works

"Get a job" is a scam because you have no control over your income and it makes you poorer due to having to pay the most in taxes.

Guess who isn't paying a lot in taxes (as a percentage)? The owner of the business you work for. The scam gets even worse when you look at it long-term. If you do well at your job, if you claw your way up the ladder, what is your reward? A small increase in pay and a bigger increase in taxes.

It gets even worse if you work for yourself. You pay the highest taxes in the form of self-employment taxes.

The only way to avoid this is to be the owner of a big business or to be an investor and put your money to work for you. That's where the wealthy work and live. The system is set up to benefit the ultra-rich so they can keep their money while making sure you keep getting taxed.

The Tax Scam

When you realize that taxes are a way of keeping you in your place, you can see that this scam is really just an extension of the scam, "Go to School." It's in school that you learn to be a good employee, that if you work hard you can succeed. In reality, you can't, not on those terms.

The government gives tax breaks to those people they identify as creating jobs: entrepreneurs and big business owners. They want the private sector to develop real estate, start companies, and generate wealth. The government rewards that. In return, the government expects employees to pay taxes that cover things like Medicare and Social Security.

Some people argue that employers pay these taxes too, but really what they are doing is using money that would otherwise pay you to pay their share of the taxes.

False Security

The idea that a job is an important part of your personal security is a big part of scam #2, "Get a Job". The reality is that having a job does not make you secure. You only need to look at the state of our economy or turn on the news to see that people are losing their jobs or are underemployed. In an economy where people are losing their jobs, the more secure position is to own the company that is firing people.

Stepping Away

My poor dad, just like most people, was conditioned and taught from the day he was born to be an employee. My rich dad broke away from that thinking and was an entrepreneur. He put his money to work. He was on the side of the rich, the side protected by the government. But how do you get there?

The first answer is simple. You do it by increasing your financial education and thinking like an entrepreneur instead of an employee. When you do that, you break out of the rat race. You realize that everything you've been taught about getting a job and finding success is a lie, and that there is another way—a better way that actually works. And that's the secret the ultra-rich don't want you to know.

Chapter Three

SCAM #3 WORK HARD

People often talk about a scam as a con. Con is short for confidence. A con man can only dupe you if you put your confidence in him. When I talk about the scams designed by the ultra-rich to keep you poor, one of the hardest things to get past is that so many of us have been taught to believe with conviction and confidence that these scams are true. And the conning started so young that we never had a chance to think differently.

That's the difference between thinking like my poor dad, who did what he was told and died poor, and thinking like my rich dad, who was financially educated and grew rich based on his knowledge of how money worked.

This chapter is about one of the biggest, most-ingrained scams: If you work hard, you will be rewarded.

Don't Work Hard

My poor dad worked hard all his life. He went to school because he was told to. He got a job because he was taught that was what you have to do. He worked hard because that was what he was supposed to do. Yet, he struggled financially his whole life, and often he was not happy.

When it came to working hard, my rich dad liked a story from Mark Twain's *The Adventures of Tom Sawyer*. Tom runs a con job on the kids in his neighborhood. His job is to paint a fence, and he makes it look like so much fun that all the other kids offer to pay him to do the work.

Rich dad said, "Rather than work hard, I work smart. Smart work is getting others to not only do but also want to do hard work for you. And smart work is also getting money to work for you, not the other way around."

Why Hard Work Doesn't Work

It seems like a simple math equation: effort=reward. You work hard, you earn more, you get more for your effort, and it seems like it should work. Once upon a time, it may have worked that way.

But now, there are two problems. One, as I wrote about in scam #2, "Get a Job," if you're an employee, working harder may get you more money but it also means you'll be taxed more. So working harder can actually result in you being punished financially. That's why we created the Rich Dad Scams series, so that you can see them for the lies they are.

The second problem is that you're working hard for something in particular: Money. And that money is worth less and less every day.

During the 21st century, average income after inflation has fallen. And continues to fall. If you've been working hard at your job for ten years, the money you're making now is actually worth less than it was when you earned it. Practically speaking, that probably means you're either making the same amount now as a few years ago, or maybe even making less! Rather than work hard for money, you should be working smart by having money work hard for you. That is what the rich do.

Working Differently

Every week most people just hold on until Friday because they hate their job. When Sunday rolls around, they're miserable because they know they have five days of work to look forward to.

It's a lousy way to live, but it's not the only way. We've just been trained to think it's the only way.

I love my work, but I'm also never far from it. Like most entrepreneurs, I'm at it almost 24/7, but it doesn't make me miserable—and it certainly doesn't feel like work. It's more like a game that I love to play. It's challenging. It's fun. It's rewarding. Best of all, I don't have to work. If that sounds attractive to you, the first step to get there is recognizing the "work hard" scam that it is. Stop working hard for others and start working smart for yourself.

Chapter Four

SCAM #4
LIVE BELOW YOUR MEANS

One of the most challenging things about the scams I'm highlighting in this eBook is how ingrained they are. If you weren't lucky enough to have a rich dad to teach you about them like I did, these scams probably make up your ideas and attitudes toward money. They feel built in. Most people believe they must be true because they've heard them all their life.

It can be difficult to remember that the scams I've identified are lies, but it's vital to know that they are. This chapter is going to handle one of the big ones: "In order to be rich, you have to live below your means."

On the surface, "Live below you means," seems to make sense, but the only people who live below their means are poor people. The rich don't live below their means. Rather, they increase their means.

A Poor Mindset

My poor dad said, "We can't afford that."

My rich dad said, "Rather than live below my means, I make more money to get what I want. Rather than say, 'I can't afford that,' I ask, 'How can I afford that?'"

"Live below your means" is a poor mindset because it teaches you to think too narrowly. Rather than teach you to be creative in making more money, it teaches you to be frugal and restrictive with what you spend your money on. You balance the dollars you bring in from your job against your needs and wants. No one likes finding things you can live without so you can afford something else. It's awful.

When Kim and I want to splurge on something, we don't look at where to cut costs to afford it, we acquire an asset to offset the cost of what we want. So, instead of always looking for what we can cut to afford something, we're always looking to expand our wealth to cover the cost of what we want. It's a completely different mindset, and it's the way my rich dad taught me to think.

For instance, some years ago I wanted to get a new Bentley. I could have easily paid cash for the car, but I didn't want to do that for a liability. Instead, I invested in assets that would provide enough cash flow to cover my new toy. It took a little longer but six months later my investments were creating enough cash flow to pay for my car—and then some. In the process, I got my fun car *and* built my wealth.

This is the core of thinking like rich dad instead of poor dad. Think like an investor or an entrepreneur; identify what you want and work out a plan to get there in a smart way through assets. If you live within your means, you can never add assets, so you'll never break the chain of cutting costs and budgeting to afford something.

Change Your Thinking

If you want to think like rich dad instead of poor dad, begin asking, "How can I afford that?" rather than saying, "I can't afford that." In the process you'll go from a poor mindset to a rich one—and you'll also break out of the pattern set by scam #4, "Live Below Your Means."

Chapter Five

SCAM #5
SAVE MONEY

The scams I've identified are, very simply, the things you are taught about money that are wrong. They keep you from becoming rich. They are the ideas the ultra-rich have built into society to keep you poor and them rich. Unfortunately, they're so driven into our minds that it can be hard to recognize them as lies. One of the most ingrained ideas on money is the scam, "Save Money."

Time and Money Changes

"If you save money, you will have money." "Save money for a rainy day." "A penny saved is a penny earned." These are common lessons parents teach their kids about money. Unfortunately, there's one big problem with them; they're lies.

The big problem with the scam of "Save Money," is that it used to be true. A generation or two ago, saving money paid off. You could set aside a certain amount of money and retire on it. Your parents or your grandparents might have done just that, and it worked. But what worked for them cannot work for you in today's economy. To understand this, you must understand the history of money.

In 1971, Richard Nixon took the United States off the gold standard, the system where every dollar in the US economy was based on a dollar's worth of gold that the country owned. When Nixon did this, it destabilized the economy and kick-started inflation and a number of other factors that affect the purchasing power of your dollar. Before 1971, money was money, backed by the value of gold. If you saved 10 percent of your income every year, it could turn into enough to retire on. After 1971, the US dollar became a currency that could go up and down in value with nothing of value backing other than the good faith and credit of the United States. That is why there have been so many fluctuations, peaks and valleys, in the economy.

Real Money

Money is something that holds its value, which is a different concept from currency, which is a representation of that value. When the US went off the gold standard, US dollars really stopped being money and became a currency. Money is something that keeps its value. Currency fluctuates in value, and the US dollar has continued to lose its value since 1971.

Today, savers are losers. Why? The bank pays you a lower interest rate on your savings than the inflation rate. In essence, this means that the dollars you have in the bank loses more value than it gains over time. It's a losing proposition to save. The dollar you save today will be worth less a year from now.

However, if you put that dollar to work for you like an entrepreneur or investor does, then you have a chance at a return that is much higher than inflation. You have an opportunity to make money instead of losing it.

Currency Collapses

Historically, once money becomes a currency and it isn't based on something of intrinsic value, like gold, its days are numbered. Once your money is simply a piece of paper that really only represents debt, a currency, how can it sustain itself? It can't.

My team and I are all big believers in diversifying into gold and silver, real concrete representations of money, not currency. Precious metals have been the true measures of wealth for thousands of years. If we learn from history, we see that currencies collapse. Gold is consistent. It is truly money.

Making Your Money Work

So, if you can't put your money in the bank, what can you do? The answer is to get active. Putting money in the bank is passive. Putting your money out in the world is putting it to work. Why put your money in the bank where it will lose value when you can put it to work for you in assets where you can turn your money into more money? That sounds like a better idea to me. Rather than believing the scam #5, "Save money," I encourage you to instead invest your money in cash-flowing assets. That is the true path to wealth.

Chapter Six

SCAM #6
YOUR HOUSE IS AN ASSET

It seems like every financial "expert" says, "Your house is your biggest asset." When I wrote *Rich Dad Poor Dad*, I said that your house was a liability. That was like spraying water on a hornets' nest. The so-called experts lambasted me. At the time, the real estate market was skyrocketing. Everyone called me a contrarian, out to sell books. Today, after one of the worst housing crashes in US history, they aren't laughing anymore.

Money In, Money Out

Your financial planner, real estate agent, and accountant all call your house an asset. But in reality, an asset is only something that puts money in your pocket. If you have a house that you rent out to tenants, then it's an asset.

If you have a house, paid for or not, that you live in, then it can't be an asset. Instead of putting money in your pocket, it takes money out of your pocket. That is the simple definition of a liability.

This is doubly true if you don't own your home yet. Then it's the bank's asset, and it is working for them, but it's not earning you anything.

So What is an Asset?

In business terms, assets are your pros and liabilities are your cons. You need assets to offset your liabilities. Once you understand the scams you've grown up with, it's easier to think in those terms—to think like an entrepreneur. But what exactly are assets?

The simple definition of an asset is something that puts money in your pocket. This is accomplished through four different categories, one of which is real estate. When I say real estate, I don't mean your personal residence, which is a liability. What I mean is investment real estate, which is a great investment because it puts money in your pocket each month in the form of rent.

There are three other primary assets: business, paper, and commodities. If you are an entrepreneur or a business owner, your business is an asset. Paper assets are stocks, bonds, mutual funds, and so on. Finally, commodities include gold, and other resources like oil and gas, and so on.

Kim and I started out making our money in real estate, putting our money to work in properties that we could rent them out and see ongoing returns. After that, we diversified, so now we have some money in all four asset classes.

Invest for Cash Flow, Not Appreciation

The scam that your home is an asset was prevalent when I first wrote *Rich Dad Poor Dad*. That was in 1997, and everyone's home values were climbing. It was easy to assume that your house was an asset because it was potentially making money for you in the long run through appreciation. People bought into the scam hook, line, and sinker, taking out home equity loans to buy cars, vacations, TV's, and more. Today, those same people are so underwater that many of them are defaulting and going into foreclosure. Most people aren't saying their home is an asset any longer.

A lot of Americans got a fast, ugly financial education when the real estate market turned down. They realized very quickly that their homes were not assets.

The difference between my poor dad and my rich dad was a financial education. It wasn't an education found in traditional school; it was a nuts-and-bolts, street-smart education and a way of looking at money that is true and that works—not just what the ultra-rich want you to believe.

Rather than invest for appreciation, my rich dad taught me to invest for cash flow and to treat appreciation like icing on a cake. I encourage you to do the same.

Chapter Seven

SCAM #7
GET OUT OF DEBT

As you've been reading this eBook, you may see some patterns in the scams I've discussed. Several of them go together, and they all come from the same mindset. Saving money, living below your means, and the scam I'm about to go into, "Get Out of Debt," all come from one place: Being afraid of money.

Just like all the other scams, the idea that you have to get out of debt and stay out of debt to be successful is a lie, and it gets repeated because people don't have a financial education. They simply don't really understand what money is, how it works, and how to put it to work.

Isn't Debt Bad?

The scams we identify are the ways the ultra-rich stay rich and make sure the poor stay poor. That can be counterintuitive, especially when some of the scams, like getting out of debt and saving money, seem like they would help you get rich. Again, they're just scams.

The rich carry debt. They generally carry a lot of debt. They have assets that more than make up for the debt the carry. In fact, the rich not only carry debt, they use it to get richer. The difference between the rich and poor when it comes to debt is understanding the difference between good debt and bad debt.

Good Debt vs Bad Debt

Bad debt is debt that makes you poorer, such as credit card debt, car loans, and more. This is the type of debt used to buy liabilities.

Good debt is debt that makes you richer, such as a loan for investment property or to purchase equipment for your business that will make you a return. This is the type of debt that is used to buy assets.

An easy example of good debt is my real estate holdings. By getting a loan from the bank, I can purchase a property with only a small percentage out of my pocket. I then rent that property and my tenant pays the cost of the debt while putting money in my pocket.

Business is the same as the real estate example. You have good debt that pays for itself. The cash flow of your business covers the debt and generates income. That income can be turned into more good debt to create more cash flow.

We've been taught to think of debt as a four-letter word. It doesn't have to be, especially when you have the financial education to understand how it can work for you, not against you.

How Money Works for You

I have an excellent example of how the good debt concept works. Say I have $100,000. I can put it into a mutual fund, which might be better than saving it. The return on it would be a bit more than just putting it in savings, but it won't be a lot.

However, if I use that $100,000 as a down payment on a $500,000 investment property, then I've actually bought $500,000 in value with just $100,000! The difference of $400,000 is good debt.

This is exactly what Kim did on a smaller scale with her first investment. She bought a $45,000 house with a $5,000 down payment, acquiring $40,000 in good debt, and she put that property to work. The tenants paid the mortgage and the taxes on it for her. Her investment property was generating a positive cash flow of $25 a month. It wasn't a lot, but it was a start. She used the same practice over and over again, and she kept putting her money to work. Today, she invests millions of dollars using the same concept.

Today, rather than buy into the lie of scam #7, "Get Out of Debt," I encourage you to instead increase your education and begin learning how you can make good debt work for you.

Chapter Eight

SCAM #8
INVEST DIVERSELY IN THE LONG TERM

The scams I'm writing about in this eBook are the "rules" the ultra-rich want you to follow that will keep you an employee and keep you poor while they continue to get richer.

The reason why so many people buy into these scams is because some of them, like working harder and saving money, used to be viable. If you followed them, there was a reward, but not anymore.

As we've seen in other scams like paying off debt, living within your means, and saving your money, the scams I've identified keep you from truly putting your money to work. They keep you from turning your money into more money. In other words, they keep you poor.

The Investment Illusion

If there's anything to be learned from the financial mess of the past five or six years, it's that nothing is guaranteed.

It's worth noting that financial planners didn't exist until about forty years ago, when people were forced to take control of their own retirement funds through vehicles like the 401(k). Financial planning is an industry created by the banks to make money off the financially illiterate. It takes only thirty days of training to become a financial planner. You have to go to school for more than a year just to become a massage therapist.

Nearly every financial planner will tell you that in order to be financially secure, you must diversify. By this they mean to invest in stocks, bonds, and mutual funds. Unfortunately, this is not true diversification. Rather it is diversification in only one asset class, paper assets—the class where banks make big money in the form of fees. True diversification, which is investing in the four asset classes of real estate, business, commodities, and stocks, is ignored.

The Diversification Trap

But, you say, my financial planner helped me plan wisely. We invested in lots of different things, so that if one company's stock or one mutual fund takes a hit, there are others that will go up. This is one of those scams that makes sense on paper. Of course, the more spread out you are, the more protected you are from losing money.

Except for the fact that everything you're invested in is still on paper, it's based on the same fragile economy and the same investment model. When the stock market goes down, it goes down everywhere, not just in certain places. Investing in Microsoft and McDonald's won't make any difference if the market tanks and everything goes down. Widely investing in different mutual funds spreads that risk around even more, but the risk is still the same and the hit will be the same when things go south.

True diversification is investing across different asset classes, not different stocks. This holds true with any of the asset classes. If I'm invested in condos, apartments, and houses, my portfolio looks diverse, but they're all still real estate assets. So I have real estate assets, commodities assets like gold and silver, business assets like my companies, and yes, I have some paper assets as well.

Taking Control

The real issue here is that by buying paper assets at all, you're putting control of your money in someone else's hands. A CEO makes a bad decision, and you're left holding the bag for his mistake when the stock drops. The only control you have over paper assets is to sell them. Holding on to them, you're just playing a waiting game and crossing your fingers. It's even worse if you put those paper assets into a 401(k), you have even less control, they're locked in, and you're penalized for taking those funds out or borrowing against them.

True diversification requires financial intelligence, which comes from financial education. If you don't have the desire to increase your financial intelligence, then by all means continue using your financial planner and investing in only paper assets, as those investments are set up so that even a monkey could do them. If, on the other hand, you want to be rich, I encourage you to ignore scam #8, "Invest for the long term in a diversified portfolio of stocks, bonds, and mutual funds," and instead increase your financial education and begin working towards true diversification.

IN CONCLUSION

Have we been financially brainwashed? I believe we have. The primary reason why most people cannot see the truth is because we have been financially programmed to mindlessly repeat mantras that cost us our wealth.

As I've said, words have the power to make us rich—or keep us poor. Our school system does a good job training people to be employees. During our formative years, our families and our schools teach us to repeat what they believe to be words of financial wisdom, but in reality they are words that train us to steal from ourselves. These words are mantras drilled into our subconscious, conditioning us to submissively surrender our hard-earned money to those who are investors and big business owners. Without a solid financial education, you remain a prisoner of the employee mentality.

Our leaders don't encourage us to change or to seek ways to move from the employee mindset to the investor mindset. Rather, our leaders teach us to live below our means instead of expanding our means. In my opinion, living below your means kills your spirit and that's no way to live.

As you already know, those trapped in the employee mindset lose their wealth via taxes, debt, inflation, and retirement. The following are examples of how our words relate to those forces and cause us to steal from ourselves.

Taxes

"Go to school to get a good job." These words program a child to be an employee who pays the highest percentage of his income in taxes. When you advise a child to work hard to make more money, you inadvertently push that child into a higher tax bracket and sentence him or her to work for the highest taxed income: earned income.

Those educated in the mindset of the investor and big business owner operate by a different set of tax rules and can earn a lot more money and pay much less taxes.

Debt

"Buy a house. Your house is an asset and your biggest investment." Advising most people to invest in a home is training them to go to the bank and get into bad debt. A house is a liability because it only takes money out of your pocket. Often, your house is not your biggest investment; it is your biggest liability. It does not put money into your pocket. That truth has been painfully revealed over the last five or six years.

Those with the investor and big business owner mindset use debt to purchase cash-flowing assets like apartment buildings—assets that put money into their pockets, not take money out of them. People with the investor and big business owner mindset know the difference between good debt and bad debt.

Inflation

When people save money in a bank, they unwittingly increase inflation, which ironically devalues their savings. Due to the fractional reserve system of banking, a bank can take a person's savings and lend it out multiple times, charging much more interest on the loans than the saver receives for his or her savings. In other words, savers cause further erosion of the purchasing power of their own savings. The more they save, the more inflation increases.

Some inflation is better than deflation, which is very destructive and hard to stop. The problem is that the bailouts and quantitative easing may not just stop deflation but the government may print so much money that we go into hyperinflation. Then savers will truly be the biggest losers.

For every dollar you save, you give the bank license to print more money. When you understand that concept, you can see why those with financial education have an unfair advantage.

Retirement

Invest for the long term in a well-diversified portfolio of stocks, bonds, and mutual funds. This bit of wisdom makes investors on Wall Street very wealthy for the long term. It does not make you wealthy. You must absorb all the risk associated with these investments while they make money through fees, whether your investment goes up or down. Ask yourself, "Why give all my money to Wall Street when I can legally 'print' my own money using my financial knowledge and intelligence?"

In Summary

By keeping financial education out of our schools, people have been turned into slaves to money. Just like us, our children are being taught that these scams are absolute truths. The fear and greed of money rule our actions and our thoughts. If you want to change your life, change your words. Adopt the vocabulary of the wealthy. Your unfair advantage is your financial education.

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