



THE POWER OF GOOD ADVICE

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WHY PAYING MORE MEANS GETTING RICH

Two men went to dinner together. They were old friends and wanted to catch up. One of the men was a successful real estate investor. The other friend was a middle manager at a corporation. During the course of dinner, they inevitably got onto the subject of investing.

"I could never do what you do," said the middle manager to his friend. "It takes too much risk. I'm glad you're successful, but I could never do that."

"Sure you could," said his real-estate-investing friend. "All it takes is a change in mindset and a little help. I've spent many years studying money and real estate, and I have a great real estate broker who helps me find and make great deals."

"I don't have the time for all that studying," said his middle manager friend. "I work too much. And the idea of working with a broker gives me the heebie jeebies. What crooks! Why should I pay them so much money to do practically nothing?"

"A good broker is worth good money," said the real estate investor. "I like to pay my broker well...if he's good at what he does. I consider it part of the cost of investing."

After more back and forth, the friends decided to agree to disagree. When the check came, the men had a friendly argument over who was going to pay. The middle-manager friend won out and took the check.

As he was signing, he said, "What a great server today! I'm going to tip well."

The real-estate-investor friend looked as his friend wrote out the tip and noticed that he gave a generous tip of 22 percent. They said their goodbyes and each went back to their lives.

The story above illustrates a general truth about good advice: *when it comes to assets, the poor and middle-class are cheap, but when it comes to liabilities they often spend too much.*

I find it funny that the poor and middle-class insist on tipping well at restaurants—sometimes even for bad service—but complain about paying brokers three-to-seven percent for their services. The poor and middle-class enjoy tipping people in the expense column and stiffing people in the asset column. That is not financially intelligent.

FOR SALE BY OWNER?

Sometimes I see people posting a sign in front of their house that says, "For sale by owner." Or I see people on TV claiming to be discount brokers. One of today's biggest trends is electronic trading with low fixed trading costs. You do all the work, they cash in on your transaction. The point is that there are a lot of people looking to save money in investing by not paying professionals.

My rich dad taught me the opposite approach. He believed in paying professionals well, and I do too. Today, I have expensive accountants, attorneys, real estate brokers, and stockbrokers. Why? Because if, and I do mean if, the people are professionals, their services will make me money. And the more money they make, the more money I make.

THE VALUE OF GOOD INFORMATION

We live in the Information Age, and information is priceless. A good broker should be able to provide you with information that will make you rich, as well as take the time to educate you. I have several brokers that do that for me. Some taught me great information when I had little or no money, and I am still with them today.

What I pay my brokers is tiny in comparison to the kind of money I make because of their great investing advice and the information they provide me with. I love it when my brokers make a lot of money because that usually means I do too.

THE VALUE OF SAVED TIME

Good brokers also save me time. They are my eyes and ears in the market. They're there everyday so I don't have to be. I'd rather be playing golf.

Those who like to do their own investing without professional help must not value their time. Why would I want to save a few bucks when I could use that time to do what I'm good at to make more money or to spend some time with those I love?

NOT ALL BROKERS ARE EQUAL

It's important to remember, however, that not all brokers are created equal. Unfortunately, many brokers are only salespeople. They sell, but they don't own. There is a huge difference between a broker who sells houses and a broker who sells investment properties and invests himself. The same is true for stock, bond, mutual fund, and insurance brokers—those who call themselves financial planners.

When I look for good brokers, I find out how much property or stocks they personally own and what percentage they pay in taxes. That applies to my tax attorney and accountant as well. The answers tell me a lot about their financial intelligence and whether they can really help me—not just sell to me.

Most important, find a broker who has your best interests at heart. Many brokers will spend significant time to educate you, and because of that, they could be one of your most valuable assets. Be fair to them, and most of them will be fair to you. If you don't want to pay for good help, then why would they give it? You wouldn't work for free, and neither should they.

What type of information are you listening to: **good advice** or bad advice?