

RICH DAD®



The Three Cash Flow Patterns

Written by Robert Kiyosaki | Tuesday, December 24, 2013

Read time: 2 min

13973

Using financial and emotional intelligence to work smarter, not harder

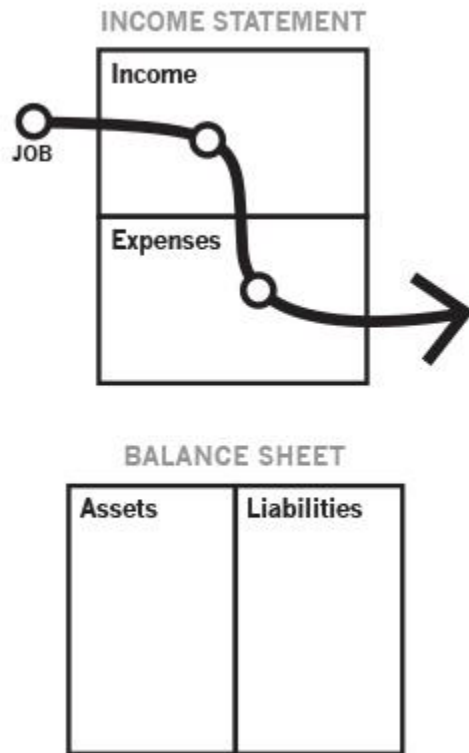
A common question people ask is, "Where did all my money go?" Sometimes it is a joke, but often it is a serious one. The reason why people ask this question is because they do not fundamentally understand how cash flow works. They do not really control their money. Rather, it controls them.

In my book, *Rich Dad Poor Dad*, I talk about three cash flow patterns: one for the poor, one for the middle class, and one for the rich. Understanding these cash flow patterns and why they are different will help you to answer the question of where your money goes.

Cash flow pattern of the poor

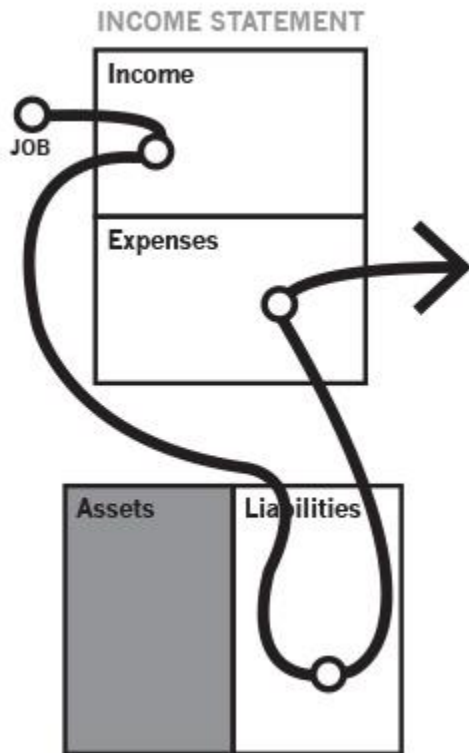
You'll often hear those who struggle mightily when it comes to finances say, "I'm living paycheck to paycheck." The unfortunate reality for those who are poor is that they make hardly enough to pay their monthly expenses. They are hard workers, often doing two jobs just to make ends meet, but they have a hard time getting ahead because they are simply treading water.

The cash flow pattern of the poor looks like this:



Cash flow pattern of the middle class

The middle class also often live paycheck to paycheck, but for different reasons and in a different way. This is the cash flow pattern of the middle class:



This cash flow pattern is considered typical and smart by our society. After all, the people who have this pattern probably have high-paying jobs, nice homes, cars, and credit cards. This is what my rich dad called the "working-class dream."

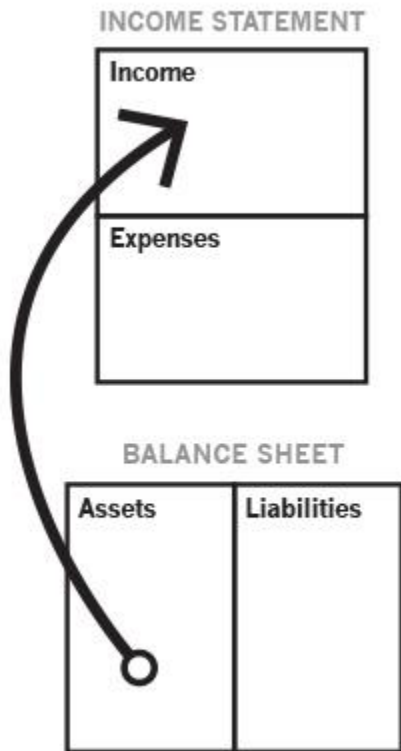
After putting aside some money into a 401(k), the middle class cash flow pattern involves using spare money for all sorts of toys and liabilities that don't put money in your pocket but instead take money out. It is the Rat Race.

Over time, you build a lifestyle that must be maintained by either getting a higher paid job or working longer hours. And if you get fired or laid off, everything comes crashing down.

Often, when people play my *CASHFLOW* board game, they see this for the first time. As they struggle through the game because they are learning financial literacy for the first time, they begin to realize that they are in financial trouble, even though they look wealthy from an outsider's perspective. After playing the game, some people begin to change their thinking patterns about money to that of the rich.

Cash flow pattern of the rich

This is the cash flow pattern of the rich:



This is the thought pattern rich dad wanted his son and me to have as young children. He never wanted us to become addicted to the idea of a high-paying job. He wanted us to develop the thought pattern of thinking only in assets and income in the form of capital gains, dividends, rental income, and residual income from businesses and royalties.

Work smart, not hard

If you want to be successful in the Information Age, the faster you develop your financial and emotional intelligence, the faster you will feel more financially secure and find financial freedom. In a world with less and less job security, this cash flow pattern makes much more sense to me. And to achieve this pattern, you need to see the world from the perspective of a business owner and investor, not an employee or self-employed person.

I call this the Information Age financial statement because the income is generated strictly from information, not hard work. Today, when people say, "Don't work hard, work smart," they do not mean to work smart as an employee or self-employed. They actually mean to work smart as a business owner or investor.

That is Information Age thinking, which is why financial and emotional intelligence are vital today and will be even more so in the future.