Ranching For Profit

Healthy Land, Happy Families & Profitable Businesses

By Dave Pratt

Whenever I do a workshop I cite ideas from several books, including the *E-myth*, *Built to Last*, *The Seven Habits of Highly Effective People*, *Cash Flow Quadrant* and *Rich Dad Poor Dad*. Before diving into the principles I want to highlight and build on from each of these books, I ask anyone in the audience who has read the book to raise their hands. In an audience of 40 or 50 producers attending one of these workshops, it is rare that more than 2 or 3 have read any of them.

At the fall Executive Link meetings we gave all of our EL members a copy of Robert Kiyosaki's best selling book, *Rich Dad Poor Dad.* We also gave a copy of the book to everyone attending our November, December and January Ranching For Profit Schools. We asked them to read it prior to the Winter EL meetings. For our continuing education program at the meetings, we reviewed and applied the core principles from the book. One member, who had not read a business book in years, got so switched on with reading *Rich Dad Poor Dad* that he not only finished it, but read two more books and had started another all since the November meeting! That's just what we were hoping for. This newsletter is a brief synopsis of some of the key principles in *Rich Dad Poor Dad*.

Rich Dad Poor Dad

The principles in Kiyosaki's book, *Rich Dad Poor Dad*, represent a huge paradigm shift for most people about money and wealth. He begins by describing his two dads. His "poor dad" is his real father. He was a respected professional, and had a much different attitude about money than his "rich dad." His rich dad was his best friend's father and had a much different background.

For example, his poor dad had a PhD from Stanford. His rich dad didn't finish high school. His poor dad struggled financially, while his rich dad was wealthy. His rich dad left a big inheritance. When he died, his poor dad left unpaid bills.

While the backgrounds of his two dads were very different, there were even bigger differences in their attitudes and beliefs about money. His poor dad believed that the love of money was the root of all evil. His rich dad believed that the lack of money was the root of all evil.

When it came to buying something expensive, his poor dad would say, *"I can't afford it."* His rich dad would ask, *"How can I afford it?"*

His poor dad would say, *"Study hard so you can get a good job with a good company."* His rich dad would say, *"Study hard so you can buy a good company."*

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His poor dad believed that their home was their biggest asset. His rich dad called it a liability and believed that if their home had been their biggest asset they would be in big trouble financially.

The result of this different paradigm about money was that Kiyosaki's poor dad always had to work for his money. His rich dad made his money work for him.

When Is An Asset A Liability?

Kiyosaki says that rule number one in creating wealth is to understand the difference between an asset and a liability. The classic definition of an asset is something you own that has value. The classic definition of a liability is something you owe. But Kiyosaki looks at assets and liabilities differently. He says an asset is something that *puts money in your pocket*. A liability is something that *takes money out of your pocket.*

Using Kiyosaki's definition, your home and your car, which your banker includes in the asset column on your balance sheet, are liabilities because they take money out of your pocket (e.g. repair and maintenance costs, insurance, interest).

Kiyosaki says the critical difference between the rich and the poor and middle classes is that the rich acquire assets, things that put money in their pockets. The poor and middle classes acquire liabilities, believing they are assets. He goes on to describe the balance sheets of the poor, the middle class, the rich and the soon to be rich. Let's take a look:

The balance sheet of the poor is simple. They earn income from a job. All of the income goes to pay expenses.

The balance sheet of the middle class is only a little different. They earn income from a job, they have some expenses too, but they take some of the income to buy liabilities (e.g. a home, cars). These liabilities add to their expenses.

The balance sheet of the soon to be rich has a significant difference. They earn money from a job, they have expenses, but they take a portion of their income and buy income-earning assets. Those assets put more money in their pockets.

The balance sheet of the rich has a fundamental difference. Their income doesn't come from a job. It comes from their assets. They use some of this income to buy more assets. They use some of the income from assets to buy liabilities.

The key is that income from a job should go to the purchase of assets, things that will put money in our pockets. Once we have enough income from our assets to support our lives and our future wants and needs, the job becomes unnecessary for our income. The income from assets pays for liabilities.

Mind Your Own Business

Kiyosaki makes a distinction between your profession and your business. He says that someone in the banking profession isn't in the banking business unless they own the bank. He goes on to explain that your business is defined by the assets you own, not by your jobs.

Using Kiyosaki's definition of an asset, one would have to question whether most ranches are assets (things that put money in your pocket) or liabilities (things that take money out of your pocket). After all, there are a lot of expenses involved in keeping a ranch.

It is a healthy challenge to look at the "layers of value" that contribute to the overall value of your ranch. Which values actually put money in your pocket? Which don't? Those that do are your real assets. Those that don't are at best neutral and more likely liabilities.

How can you concessionize (create cash flow from) the values that don't currently create income? How can you capitalize (sell) the ones that you can't concessionize? And, whether you are capitalizing or concessionizing, how can you use the income or liberated capital to buy income- generating assets?

Don't Work For Money

Earlier I explained that the rich don't work for money, they make money work for them. But that doesn't mean the rich don't work. They don't work for money, they work to learn. Kiyosaki believes it is more important to know a little about a lot than to specialize in one particular area so that you know a lot about a little. Knowing a little about a lot will prepare you to see and understand more opportunities when they arise.

Learn About Money

With all of the time we spend in school it is remarkable how little time we spend learning about money. The Ranching For Profit School is a good place to start your education. Reading *Rich Dad Poor Dad* and the sequel, *Cash Flow Quadrant,* would be a great next step. You and your children's future will be determined by the choices you make today. The sooner you begin on the path to creating wealth, the easier and more rewarding the journey.

The 7 Habits Of Highly Effective People Classes In Edmonton & Billings

"*Life changing!*" "*Transforming!*" This is how Ranching For Profit School alumni completing our 7 *Habits of Highly Effective People* course are describing the experience.

I'll be teaching *7 Habits Of Highly Effective People* classes June 2-4 in Edmonton, Alberta and September 4-6 in Billings, Montana. Enrollment is limited and we expect these courses to fill quickly, so please enroll ASAP. Enrollment will be handled on a first come-first served basis. For enrollment information contact Sally Silvia at sally@ranchmanagement.com or call our office: 707-429-2292.

If you struggle with time management, delegation, holding others accountable and staying focused on the big picture when you are inundated with WITB, you'll find practical tools that you can apply immediately. Learning and living the 7 Habits will improve your personal effectiveness. The result will be more balance in your life and more rapid progress in building your business.

UPCOMING RANCHING FOR PROFIT EVENTS		
7 Habits Of Highly Effective People Course		
June 2 – 4, Edmonton, AB ● Register by May 5th ● Info: sally@ranchmanagement.com		
September 4 – 6, Billings, MT ● Register by Aug. 4th ● Info: sally@ranchmanagement.com		
Ranching For Profit Schools	***Isn't it time you repeated the school?***	
Pierre, SD ● Sept. 7 – 13		
Sacramento, CA ● Sept. 14 – 20 (tentative)		
Executive Link Meetings	**Summer**	**Fall**
Far West Chapter ● Boise, *ID*	July 17 - 19	Nov. 6 - 8
Colorado Chapter ● Colorado Springs, CO	July 21 - 23	Nov. 3 - 5
High Plains Chapter ● Billings, MT	July 14 - 16	Nov. 13 - 15
Canada West Chapter ● Edmonton, AB	July 28 - 30	Nov. 10 - 12
Central Canada Chapter ● Regina, SK	July 24 - 26	Oct. 23 - 25

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We are in the business of putting profit into agriculture!

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