

# Bad News is Good News

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When you look at the CASHFLOW Quadrant below, there is much more than meets the eye.



Each person in each quadrant is very, very different. In other words, on the surface, we all look like human beings. But once you go beneath the skin, the core differences between an E (employee) and an I (investor) or an S (self employed or small business owner) and a B (big business owner over 500 employees) are extreme. While changing Quadrants is possible, the change is not always easy, simply because the core make-up of the person in each Quadrant is so very different.

### **The Investor Quadrant**

The Quadrant I want to focus on for this article is the Investor Quadrant. Why focus on the I Quadrant? The reasons are because, today, most of us need to be investors and because the person who is successful in the I Quadrant is often very different from the people in other Quadrants.

Why is the person in the I Quadrant different? Because the true I is a person who looks for bad news, not good news. A true I, a person like Warren Buffet, is most excited when times are at their worst. When times are good, they move on – looking for bad news in other sectors, searching for bargains, investments with high value low prices, and a trend that is about to take an upward turn.

Why is knowing about this core difference so important? There are several reasons. They are:

*Reason #1:* Most people live in fear of bad economic news, which makes them bad investors. This fear of something bad happening is what causes many people to cling to job security, a bad relationship, a bad investment, or an unfulfilled (often boring) life.

*Reason #2:* When times are bad you have the best opportunity to get rich. Just before the war in Iraq started, the stock market was low and the real estate market was, and continues to be, in a mania bubble. In the last two years, it seems that everyone I met was suddenly in the real estate market. People who had never bought an investment property were suddenly flipping properties for quick cash. Financial planners, who were once selling mutual funds during the stock market boom, were suddenly transformed into mortgage brokers or real estate brokers, selling the gospel of real estate to the newly enlightened.

In 2002, when the stock market was down, Kim and I invested heavily in the stock market. While we continued to invest in real estate during this period, more or our investment dollars went into paper assets. Why? Because the stock market was nothing but bad news and real estate was the good news.

So reason #2 is that people who fear bad news, waiting only for good news, often arrive late to the wrong party and pay the cover charge.

*Reason #3:* Your life is more exciting. Rather than living in fear of bad economic news you look forward to the next economic catastrophe. To me, this is the best reason of all.

As stated in reason #1, most people live in fear of bad economic news. If you are truly from the I Quadrant, this fear – a fear that runs most people’s lives – is turned from fear into excitement. If you can learn to live with excitement rather than fear, my experience is that life is more fun, stimulating, and fulfilling. The more I hear about bad news, the happier I get. To me, being happy and getting richer in good times and bad is a great way to live life.

### **The Next Big Deal**

While there are many financial storm clouds on the horizon, the storm cloud I am watching is the continuing decline of the U.S. dollar. For over 40 years, the U.S. dollar has been the currency of choice of the world. Due to excessive debt, both nationally and as a people, the mighty U.S. dollar will come under even greater attack as the world realizes how weak the dollar is.

Recently, the Prime Minister of Malaysia, Mahathir Mohamad, urged a room full of Saudi Arabians to not sell their oil for dollars. Instead, he urged them to sell oil for gold. He said, “The price of oil is \$33, but the U.S. dollar has declined by 40% against the euro so you’re effectively getting \$20...so you’re being short changed.” Now you may understand why Kim and I invested heavily in gold and gold shares seven years ago, when gold was bad news.

While it may be almost too late to invest in gold, because gold at around \$400 an ounce is now the good news, there is a lot more bad news ahead. Today, many people are living in dread about the rising price of gas at the pumps. Rather than join them in their fear, I suggest you begin to think about the ripple effect higher gas prices and a weaker dollar will have worldwide. Begin dreaming about a real estate crash or a banking failure due to excess credit. When you can see the opportunity in what other people fear, you will begin to see the brightness and excitement of the future ahead.

### **Rose-Colored Glasses**

To me, the best thing about the I Quadrant is that I really do get to see the world through rose-colored glasses. All you have to do to get your own pair of rose-colored glasses is be able to see bad news as good news... stop living in fear and live a life of excitement.