

Building a Healthy-Wealthy Society with Reference to 'Rich Dad, Poor Dad'

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ABSTRACT

'Rich Dad, Poor Dad' (RDPD) written by Robert Kiyosaki and Sharon L. Lechter has stories that make sense and disseminates invaluable messages especially in teaching people on how to be millionaires. If western commentators recommend this book as providing information on enriching wisdom of staying rich, the writers on the other hand, are more interested in digging out some values that could be considered and practised by all. However, the concern here is to focus only on the Malay society. This article provides some wake-up calls to the Malays, to move forward with passion and responsibility to build a healthy-wealthy race in order to strengthen the economic wealth for the religion and country. Only certain points were extracted from RDPD. Nevertheless, it is hoped that readers would be continuously inspired to expand their knowledge on financial freedom after reading this article.

Introduction

There are a lot of people who have made a fortune quickly and destroyed much their wealth quickly too. How and why does this happen?

Mahathir (2001) claimed that one weakness of the Malays is they are impatient to become rich. Sadly, this is quite true, and not only that, the Malays are also impatient to over spend when they have become rich. Besides, they are many of us like giving excuses such as 'money is not everything' or 'no need to be so money-faced', 'money

will not buy us happiness' as well as practising anti-wealth advices to justify the spending behaviour. Lacking financial education may be one of the reasons following to this behaviour. This negative behaviour may not happen if they have learnt a great deal from training, be free from traditional educational system and become their own financial advisor.

Issues on Being Healthy-Wealthy

'Healthy-wealthy' in this context does not imply 'filthy rich'. The word healthy is used to show how a scholastic person added with financial skill, conscientiously, would be able to invest into safe investment portfolios. For example, when deciding to invest, a Muslim person will observe and decide to invest into any green investment (Islamic) counters at Kuala Lumpur Stock Exchange (KLSE) to ensure that whatever yield returns are clean and within the guide of Islamic doctrine, while another may invest into prospective businesses after having analysed the risks and returns of a firm. On the other hand, gambling or investing in 'Pak Man Tello' is extremely not a good idea for investment and generally people know this but some still do not. Therefore, people need financial education to invest healthily.

The other word focused is 'wealthy' or rich. Do you think that a person's wealth relates to how much he earns? By the clothes he wears? The house he lives in? And by the way he lives? The answer is no. According to Khoo (2006) a person's wealth is defined by three things, namely: (1) his monthly expenses, (2) his liquid assets, and (3) his passive income.

However, the writers believe that the earmarked level of wealth for an individual is subjective. Anyone can freely choose or claim their level of wealth. Some people may not have million of dollars but are living wealthy lives because they manage to spend less than what they earn. They are free from debts. An ideal state of being rich is when you have more assets than liabilities: 'Rich people

acquire assets. The poor and middle class acquire liabilities, but they think they are assets' (RDPD). Thus, people are always mistaken into thinking that their liabilities as assets. They must understand that the house that they have purchased through loan is not their asset yet, until they have fully settled the loan. Until then, the house is still a liability.

Issue on Malays

Issues on how Malays are being far left behind in all aspects have triggered the writers to only focus on this particular race. The percentage of Malays out of the total number of population in Malaysia is 63% (Mingguan Malaysia 31st July 2005). This contributes more than half of the total population but still the pie is not big enough to help spread the economic wealth.

To add to the problem, efforts to redistribute business opportunities to Bumiputera, which started in 1970 through New Economic Policy that is to increase the economic share of 30 percent, have not been very successful. After 35 years of struggling through, the Malays' percentage of the business economic share hardly reached 12% (Utusan Malaysia 14th October 2005). In addition, income per capita too is stated to be lower compared to other races.

Much to the disappointment, after 48 years of independence the status of the Malay is still considered as weak. Malays are also far behind in the economic wealth. Do Malays want to be servants in their own country?

Lessons from 'Rich Dad, Poor Dad'

Some of the essential points extracted from RDPD include giving our children new ideas and different education, changing the mind set, teaching our children the value of money, and educating ourselves with financial intelligence.

Lesson 1: Sparkling ourselves and children with new ideas and different education

Kiyosaki (2001) in his book, *'Cash Flow Quadrant, Rich Dad Guide to Financial Freedom'*, states that there are four sources of livelihood and divided them into four quadrants as shown below:

1. Employee	3. Entrepreneur
2. Self-Employed	4. Investor

Figure 1: Sources of Livelihood

For many years, since the day of our great-great grandparents to the day we live, we have advised our children to 'study hard, get good grades, and find a safe job or career'. Out of this advice, we need not be surprised to find that our children or even ourselves falling into the category of quadrant 1 and quadrant 2. What does this show? We learn nothing about making money except from working hard all our lives. This goes on from generation to generation.

On the contrary, Kiyosaki (2001), emphasised that people who successfully make good fortune come from quadrants 3 and 4. This is undeniably true. The people projected onto these quadrants are innovators, opportunists and risk takers. If we apply this on the Malaysian setting, it is clear that those venturing into these quadrants are the Chinese in majority.

Naturally, Malays practise Islam. Hence, some brief introduction about Islamic entrepreneurship is necessary here. During the Prophet Muhammad's (P.B.U.H) era, the existing secularistic market place was run by the non-Muslim practising *riba* (usury) and cheating. The Prophet (P.B.U.H) then set up Madinah Market practising the teachings of Islam. Consequently, the market prospered and the secularistic had to be closed down. In Islam, entrepreneurs have to have objectives that

are compliant to the ultimate objective of getting the blessings from Allah. It also means that it is an obligatory duty or *fardhu kifayah* for a muslim to indulge himself in business; unless and until there is an entrepreneur in a community, the entire community is deemed to be sinful (Adnan Alias 2004). This shows how seriously Islam recognises and encourages entrepreneurship.

There is also a citation from the Prophet Muhammad (P.B.U.H), “Adalah dikehendaki ke atas kami perniagaan kerana padanya 9/10 daripada rezeki” (Imam Al-Ghazali 1957). With this, parents should then rephrase the old saying, ‘study hard, get good grades, and find a safe job or career’ to ‘study hard, get good grades, and be an entrepreneur’.

As it is today, entrepreneurs are the movers of the economy. They are individuals who actively form their own business, cultivate and nurture them to grow and prosper. They organise factors of production or economic resources and create job opportunities for others. The key success of these businessmen who are also investors is always ensuring that the cash flowing in from their business and investment projects is greater than cash flowing out.

Lesson 2: Changing the mind set

The writers believe that most of us parents have spent a fortune to make sure our children receive the best education available. At the same time hoping our children to get good grades and subsequently find a high paying job with lots of other benefits. Traditionally, (just as in lesson 1) our mind set is, if our children do not get good grades, they would not be able to find any good jobs and sadly they could not be rich as hoped. The phrase sounds as though it is a dead end.

As parents we have to accept that presently the world around us has changed. Smart parents would accept this change and will encourage their children to face this new challenge. They realise, too, that getting good

education and making good grades no longer ensures success. Some parents are so lucky that they may have their own children waking them up from this old school of thoughts. But the unlucky ones will have to change their mind set.

Let us start changing our mind by accepting entrepreneurship as a challenging career that would help to create wealth. Even though education is important, let us change our mind set too that it is not the double degree, or MBA or PhD from the best universities that could actually double our assets. Let us as parents hope that there will at least be one of us in the family who will become an entrepreneur to create unlimited wealth for us in the future. Let us help to turn around the negative thoughts and excuses about money to positive thoughts. Let us be the ones to think broadly and expand our knowledge and skills, especially on financial education. If we do not start to make a difference now, then we never will.

Lesson 3: Teaching our children the value of money

The writers would like to share a story about a young Chinese man named Ah Fai, 25 years old and working as a supervisor in a computer shop at Imbi Plaza, Kuala Lumpur. He is a Degree holder. Besides his normal work, he also has a part time job that pays him for any graphics or animation art work sought by students. With this extra money he intends to pursue his second degree in Australia. In fact, what fascinated us was how he started working so hard to earn money when he was younger. At 16, he would wake up as early as 6.00 a.m. to collect bundles of daily newspapers and get them delivered to the neighbouring houses before going to school at 7.00 a.m. Friends in school agitated him that this was not necessary for his parents were rich. Can you guess what he answered? His reply was that his parents were, but not him.

How many of our children would have taken such

initiative to do like what Ah Fai did at the age of 16? And as parents, would we have allowed our children to do so? We can see nowadays parents giving high allowance and letting their children spend unnecessarily. Some parents even provide their children with credit cards for their convenience. By right, parents should not just be telling their children how important education is; they too should teach and show their children how difficult it is to make money.

Children watch and they learn from us. If children see us careless with money they will assume that it is alright for them to be as careless. If you have children who seem serious with money then this is a good sign. Your priorities will also become theirs.

Not teaching our children about the value of money is just like not caring whether they eat or not. Teach them the way we think about money, how we manage expense, how we save and where we invest.

We have to tell them also that having money is not necessarily the sign of greed but it is an important element for survival. In fact, if we do not teach them now about money then who will?

Lesson 4: Educating ourselves with financial intelligence

Practically, the subject ‘money’ is never taught in schools or universities. They only focus on scholastic and professional skills, not financial skills. Most of us learn about money from our parents. So what can poor parents tell their children about money? It is back to the usual, “Study hard, get good grades and get a secure job”. Later their children may graduate with excellent grades but without financial programming mind-set. Hence, this explains how our excellent doctors, accountants, bankers would still struggle financially despite possessing safe jobs.

Financial intelligence is the mental process via which we solve our financial problems. There are actually

many books written by experienced authors that readers may be able to find in the market to help out with financial education. However, remember that we can not learn to ride a bicycle by reading. Thus, practice is essential.

The writers would like to highlight some simple basic rules that we can practise immediately before we can start something mega. Here are some rules:-

- Rule No. 1: Pay yourself first
- Rule No. 2: Manage your money and reduces expenses
- Rule No. 3: Have money work for money

People with wealthy mindset adopt **rule no. 1**, that is, 'pay yourself first' or in other words 'earn (i), save (ii) and spend (iii)' habit of managing their cash. They set a specific target of how much they want to save every month, usually between 10% - 20%. They deduct this savings from their income first and then spend the rest. Unlike the middle class mindset, they adopt the common habit of 'earn, spend, and save'. They deduct the monthly expenses from income first then they will save the difference.

The next rule to remember by people who wish to stay wealthy is to stick to **rule no. 2**, that is, manage your money and reduce expenses. Many people think that as their income increases, their wealth also increases. Unfortunately, this is a myth. There are people out there who earn RM 2,000 a month who are broke and there are also people earning RM 20,000 who are still broke. The reason is because when we do not manage the money we earn, our expenses will reach up to our level of income and sometimes more. Wealthy people become rich not because of how much they earn, but how much they are able to save and invest.

Finally, by increasing income and reducing expenses, people with wealthy mindset will accumulate

surplus funds. The use of surplus funds is to build your fortune. Through the power of compounding, you will be able to take small sums of money and build it into huge returns over time. You need to do this because no matter how hard you work and save, you will never be able to create wealth unless you learn how to let your money work for you. This is the application of **rule no. 3**, that is, having money work for money. The beautiful lesson here is also you have learnt to avoid becoming the slave to money. After all, money is just numbers. It is only when you allow your money to make money then that substantial wealth can be created. In addition, the best way to achieve massive increase in income, to magnify and multiply the money you have is by starting a business based on your passion and ideas.

All these can be best captured in the following figure.

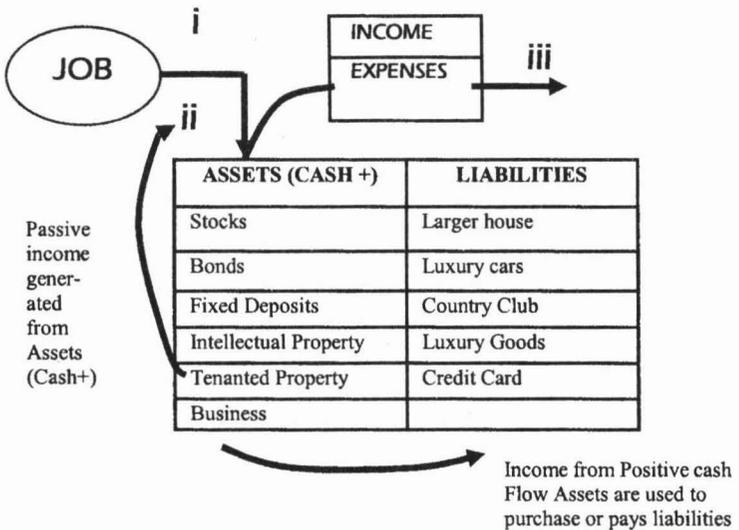


Fig. 2: Cash Flow Management of Financial Educated People

Conclusion

Although some people may be pessimistic with what have been discussed and suggested, the writers sincerely feel that it can help people understand that the creation of wealth will eventually help to build a stronger society, religion and nation.

The writers believe that everyone has a role and responsibility to play with in order to achieve success. A person with a lot of knowledge could skillfully use the right instruments to create wealth so that they will not be drifted away from the righteous path of life. The recitation from al-Qur'an, Surah Al-Hadid verse 7, which means:

Believe in Allah and His Messenger (Muhammad, P.B.U.H), and spend of that whereof He has made you trustees. And such of you as believe and spend (in Allah's way), theirs will be a great reward.

As long as we do not forget our role as the vicegerent of Allah's wealth, fulfilling our obligatory duty and responsibility to our religion, fair to all mankind, Allah will protect us.

In Islam, the *doa* (prayer) which is recited daily, emphasising us to balance ourselves between the world and the hereafter is a great reminder to us so that we do not get carried away in looking for wealth. This is stressed in Surah Al-Baqarah verse 201, which means:

"Give us good in this world and good in the Hereafter"

Therefore, once again, the writers would like to conclude this article with, 'take the responsibility of your financial affair, in preparation to build a healthy-wealthy Malay society'.

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