# Common Sense For Real Estate Investing

Robert Kiyosaki, Author of the "Cash Flow Quadrant" book, says his "Rich Dad" asserts that real estate investing is not rocket science. He suggested it was just a matter of wisdom. But we all know that logic is not, in fact, terribly common.

Kiyosaki also says, the "worst" investors are those who simply have not studied the process. They adopt the viewpoint that real estate investing is either a scam or just too risky. Others skip their do-diligence and wind up losing money.

The smarted advice anyone can give you concerning investing is just to educate oneself. If, in your rush to make money, you take action without an education, you'll be doing yourself a great disservice. Time is your most valuable resource and if you waste that, you'll often find that your money will come next - money you have in hand that you wind up squandering, money you could have made if you'd just taken the time to figure out the techniques of successful investors.

"That's just fine and dandy," you may say. You most likely accede that education is always a smart thing. After all, information is power. But "what type of instruction should I get?" might be your first question. Your second question is probably going to be, "How do I get it?"

The 1st thing you should do is learn some essential accounting, which is not as nebulous as it sounds. Accounting is the language of finance. If you are planning on investing in a business or a piece of property (or whatever), you'll need to be able to check in on it to see if it will be a benefit (earn you income) or a burden (lose your money). It sounds like common wisdom when you ponder it, doesn't it? But in order to be able to establish those things, you'll want to be able to evaluate your accounting-statements.

There are four basic kinds of financial statements: balance sheets, income statements, cash flow statements, and statements that express changes in share-holder equity. The latter is fairly self explanatory, and addresses the difference surrounded by equity at 2 different windows of time. Shareholder equity is it's total assets minus it's total expenses, essentially the net worth of a business.

The cash flow statement is a document that depicts the cash used in making a company function properly, plus where the money came from. Wikipedia compares a company to a large container of liquid that holds more of the water and has lines pouring out of it - into the investor's pockets and others to whom the business owes money to. The cash flow statement aspires to explain the displacement of the water – or in other words the movement of that money.

The income (or profit-and-loss statement) keeps track of a company's income and losses due to expenditures over a period of time, while the balance sheet provides accounts for the same thing for one single time-period and presents your assets and liabilities.

It may seem very straight-forward until you think about "Rich Dad's" advice on telling your assets and your liabilities apart from one another. He said that your bank, for instance, will declare your property of residence as an asset. It sounds rational. After all, it is some thing you own, right? But as stated by Kiyosaki's rich dad's statement of assets and liabilities, your house is generally a liability. It's a liability because it will eventually cost you money in dues and repairs. It definitely is not making income for you, and until it begins doing that (say, you change residence and are able to charge enough rent to make a profit), at this point the property is not an asset on your balance sheet.

The bank isn't really lying to you outright. The house you are living in is an asset on their balance sheet because it is making money for them.

That's the kind of thing you can decide for yourself and ascertain whether you are losing or making money on an investment property, if you take the time to educate yourself education. Don't forget: Knowledge is POWER.

## About the Author

About The Author: Alex Anderson Will Often Search Minnesota MLS Online Listings To Locate Minnesota Land For Sale. Get A Free Copy Of "The Investors' Rental Guide" At www.GreatInvestmentProperty.com

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