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THINK RICH, PINOY!

Larry Gamboa, PhD

# THINK RICH, PINOY!

By Larry Gamboa, PhD

An Exposé on Why Most Pinoy's Are Poor While Others Are Rich.

"The ultimate purpose of wealth is to help others."  
— Bo Sanchez

## Introduction

This book is all about getting rich by investing in the Philippines. It's easy and it's being done. Easy doesn't mean no work. Of course becoming rich and staying rich involve work. Hard work. But it's only difficult the first time and for a limited period of time. Then it becomes easy.

First, let us agree that our country is rich. Let's begin with cash. The latest headlines reveal that most bosses at BIR, Customs and the DPWH are multi-millionaires. They are poorly paid but are multi-millionaires. Some of them may be financial geniuses who know how to invest their savings in businesses that made piles of money. Others may have the cunning of the fox in a hen house. The point is: There are millions of pesos to be made.

Example No. 2. The government recently ran after operators of pyramiding scams. One good-looking and glib-talking woman fleeced a few billion pesos from thousands of gullible investors including a few generals.

Pundits say there are more pyramids in the Philippines

today than in Egypt. The bigger operators are said to have pocketed more billions than the woman who was caught did. Obviously, there is a lot of hidden savings waiting for the next swindler.

This belies government figures that Filipinos are poor savers. If the pyramid scams are any indication, savings are in the billions of pesos.

Proof No. 3 — that there is much money to be made — is backed by official figures. Overseas Filipinos send \$7 billion to their relatives back home each year, the Banko Sentral says. I am more inclined to believe the estimate of former finance czar Bobby de Ocampo that the figure is closer to \$10 billion a year — counting the money sent through courier services, friends coming home and other informal routes.

Using the de Ocampo estimate and a parity of P57 to the dollar, OFWs remit no less than P570 billion a year — more than half of what the entire government spends in a year. In sum, a lot of money is flowing around.

Money, of course, is not the real measure of how rich a country is. In this age, the best asset is knowledge — or brains. A nation that has deployed seven million people around the globe must be very rich with brain power. Host countries that import our brain and brawn agree.

The simple truth is, the genius inside those coconut shells has not been unlocked. The prevailing system in the country has not allowed it. *Think Rich, Pinoy!* offers a key to crack open that hard coconut shell so that genius can be unleashed.

# THINK RICH, PINOY!

By Larry Gamboa, PhD  
EDITED BY COYLEE GAMBOA



## **THINK RICH, PINOY!**

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Are you an overseas worker who knows what it's like to go back to the salt mines again and again because all your savings got spent and there's no money left?

Are you a professional, a dentist or a doctor who can't retire because you'll have no money to pay the bills?

Are you a young rising star caught in a rat race, breaking your back for higher pay and yet another promotion to make it to the top of the ladder?

Are you the successful networker who hasn't yet transformed income into assets?

Are you poor, desperate, or down and out, and have nowhere to turn?

If you're holding this book and you have a desire to become rich,

**THIS BOOK'S FOR YOU.**

## Foreword

*By Bo Sanchez*

I've been a lay missionary for 26 years.

Nineteen of these 26 years were done as a single man.

During those bachelor years, I never thought about money. St. Francis of Assisi was my model, and poverty was my goal.

But in 1998, I got married and two years later had a baby.

Overnight, money became very important. Instead of prayer filling my mind, I was thinking of the rising costs of diapers.

That's when it hit me that if poverty remained my goal, I'd be committing sin against my wife, my baby, and my God who gave them to me.

So I wrestled with my attitudes towards money and realized that some were horribly wrong. In my subconscious mind, I saw money as evil—and to be rich was the epitome of evil—since you had so much of it.

I had to exorcise these destructive beliefs from my mind.

And I had to open myself to the idea that money could be a very good thing *if one resolves that the ultimate purpose of wealth is to help others.*

This is where Larry Gamboa came into my life.

After being a fledging entrepreneur for three years, I was itching to become an investor. And I also learned that the best investment was in Real Estate. But how?

So for one year, I read everything I could on Real Estate. And for that whole time, I prayed that God send me a mentor who would teach me how I could earn *passive income* from Real Estate. (Passive income means money that you earn while you're playing badminton or swimming in Boracay or doing missionary work in Africa.)

One day, while browsing through a bookstore, I bumped into Larry Gamboa, an old friend I hadn't seen in a long time.

I asked, "What keeps you busy these days?"

As if he was casually talking about the weather, Larry said, "Oh, I buy foreclosed properties and earn passive income."

**KABOOM!** It was as though lightning had struck from the heavens, and I immediately recognized it as one of those pivotal moments in my life. I somehow knew I was entering into a new world.

So for some year now, I've been learning from Larry Gamboa. And in that same year, through partnerships, I've bought over twenty apartments—all the while using *other people's money.*

Because I didn't have any! (And lest you think I'm now an overnight millionaire, I want you to know this game *doesn't* work that way. No quick rich scheme here. Today, my profits come in tiny trickles. Some years down the road, they'll become a steady stream. And when I retire, a roaring river.)

Many more stories like this fill up this book.

It's therefore my joy to introduce to you my friend and mentor, Larry Gamboa, and his very practical book, *Think Rich, Pinoy*.

The ultimate purpose of wealth is to help others, and that is what he wants to do.

May Larry's book help you receive financial blessings.

More importantly, may Larry's book make you a rich blessing to others.

## Preface

*By former Central Bank Governor Jose Cuisia, Jr.*


*Think Rich, Pinoy!* by Larry Gamboa is an interesting and useful guide for young entrepreneurs, overseas Filipino workers and real estate investors who wish to learn the secrets of how one makes money work for you rather than you working for money.

In this book, Larry has applied what he initially learned from reading the book *Rich Dad, Poor Dad* by Robert Kiyosaki, and applied it effectively to a Philippine setting, using his own experiences as well as experiences of his partners and friends to demonstrate that the concepts expressed by Robert Kiyosaki do work not only in a developed economy like the United States but also in a less-developed economy like the Philippines.

This book will undoubtedly serve as a useful guide in learning financial literacy as Larry explains the difference between passive or residual income as against earned income or portfolio income, computing return on investment or ROI, and cash on cash returns on real estate investments.

Through this book, Larry Gamboa will be making a significant contribution to the practical education of young entrepreneurs and business students who may see the attractive opportunities in real estate investments as more banks aggressively divest their repossessed properties.

On the other hand, this could help banks lighten up their holdings of non-performing assets through their disposition of repossessed real estate properties via the innovative approach employed by Larry Gamboa and his partners.

A handwritten signature in black ink, appearing to read 'Jose Cuisia, Jr.', with a large, stylized initial 'J'.

Jose Cuisia, Jr.  
President & CEO  
Philippine American Life  
and General Insurance Company

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To Herb Schneider, SJ, and Vic Gutierrez, of Ligaya ng Panginoon, and Frank Padilla, of Couples for Christ, who pushed me beyond my comfort zones.

To Noli Galvez, I will always remember you my friend, now in this life and in the next. Your advice and, most of all, your support kept me believing in myself at my lowest moments. To my men's group, Dodie Naguiat, Tony Umali, Paquito Tanjangco, Rogie Singson, Ding Abellera, Greg Anievas, who stood by me through thick and thin.

To Bill Byham and Washington Sycip, my first business

partners. To Mac and Rhoda Bradshaw and Stewart and Corrie de Boer, investors par excellence. To Vic Ordoñez, Ernie Ordoñez, Gerry Anigan and Abe Bellena, my mental and technical sparring partners. To the La Salle Brothers, Brother Andrew Gonzalez, Brother B. Richard and Brother Benedict, and Henry Feenstra, my first mentors in life and learning especially since my father died so young. To Russ Allen, who convinced me that business was OK.

To Bobby Gamboa, Charlie Gamboa and Reggie Gamboa, Maribel Montemayor and Ditas Milne, my brothers and sisters, who challenge me unceasingly. To JB, my son. I enjoyed your drawings; they give life to an otherwise formal book. To Marie, Victor and Claudine, my biggest fans and critics. You bring me delight. To Priscy, for bringing out the best in me.

To the Wednesday night Think Rich People, led by Dinna Revilla, Kuya Jun Revilla, Nanay, Bo Sanchez and Corie Veloso. And all those who joined us for Cashflow 101 & 202 and partnered in real deals on bank foreclosed properties through the last 12 months.

To Gina Dejas and Bill Ty of the Alicia Tan Ty Foundation, for so generously sponsoring Cashflow. To Allan Torres who introduced me to John Burley's book *Money Secrets of the Rich*, who made rent to own come alive in my mind. To Carlos Legarda, PSI facilitator in training, who brought me to play Cashflow 101 and meet my mentor. You are a great connector, sir!

Above all, I thank Him, for making it all come together.

This book is dedicated to all parents everywhere,  
a child's most important teachers. I know.  
Mine are Isabel and Regino.





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## Prologue

Stupid is as stupid does.

*Forrest Gump*

*Why don't Filipinos want to be rich?*

You think that's a stupid question? Take a look at numbers. Poor Filipinos far outnumber rich Filipinos. What other conclusion can you draw?

So let me ask you again: *Why don't Filipinos want to be rich?*

It's the educational system, Stupid! Our schools have trained us to think poor instead of thinking rich. Now, *that's* stupid!

Along with too much wrong education is the psychobabble in our mind, the persistent voice that says, "You can't do it."

The school system, our parents and our inner voice have made us fear failure. Yet success is all about failure after failure after failure after failure. You get the picture? Successful people fail all the time until success comes.

But, have you noticed? Nobody has praised you for failing. Nobody has encouraged you by saying, "Good boy, Larry! You have fallen three times. How about trying

a hundred times more?” So, instead of learning the joy of failure, we’ve learned that failure sucks!

As if that wasn’t enough, imbedded in our subconscious is the warning: “Be careful. Money is the root of all evil.” This implies that rich people are bad people and who wants to be a bad person? Certainly not me! Now guess where the idea that money per se — not the love of it — is evil, came from? Could it be our religious and cultural upbringing?

Then someone comes along and says, “The lack of money is the root of all evil.” And you’re shocked!

I was shocked...at least, until I played the game Cashflow 101 and stumbled on the path of *Think Rich, Pinoy!* This book is about my journey as I discovered the answer to that nagging question, “Why do people choose to be poor when they can choose to be rich?” Or, to make it personal, “Why am I now slowly becoming rich, when before I was poor? What brought about the change?”

It all started with the X variable — triggered by a book, a game and a woman. Plus an opportunity.

## CHAPTER 1

# From Widow to Winner

Whatever you can do or dream you can, begin it.  
Boldness has genius, power and magic in it.  
Begin it now!

*Goethe*

Isabel was a high school graduate. She married young, had six children and lost her husband. With no business background, very little capital and a sheltered Filipino upbringing, the young widow was destined for a lifetime of poverty.

But Isabel refused to let poverty, hardship or intimidation by richer relatives get the better of her. Instead, she found a niche. She leveraged that niche and put all her six children through school.

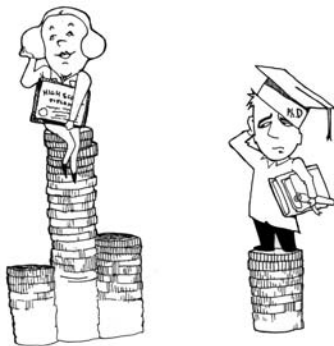
Her eldest earned a PhD in Business from the University of Michigan in the United States. Her next two sons got their MBAs abroad. Her two daughters became professionals with advanced degrees. One son finished college and then dropped out of the Asian Institute of Management.

Isabel is my mama. I'm that eldest son. And here's what hit me.

## Is Being Rich and Being Highly Educated Inversely Correlated?

Interestingly, next to Mama, the least educated among us siblings is the wealthiest member of the family. You know, the one who dropped out of AIM.

Isabel did not only survive; she became wealthy. Isabel's niche? Real Estate. Build and hold. Rental Income. Today, 40 years later, Isabel, the high school graduate, owns a 16-door apartment, a beautiful house in Urdaneta Village, a house in Ayala Alabang and a commercial property in Sta. Cruz.



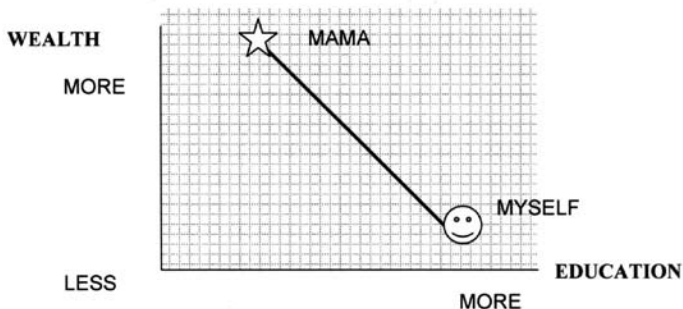
Her net worth is greater than the net worth of all her children (PhD, MBAs, etc.) combined. The second-richest member of the family is my brother, the college graduate and AIM dropout. While doing OK, neither one of my two MBA brothers is as rich as he is. Where does that leave me, the PhD? You guessed it. At the bottom of the heap!

Reflecting on the sample population of my family, it would seem that the higher the educational degree, the less wealthy the family member becomes. Our experience seems to suggest that wealth is inversely related to educational achievement.

Is it surprising then that John Gokongwei, Henry Sy and Lucio Tan — three of the most successful entrepreneurs in the Philippines — are all college dropouts?

That's why, when I look for a culprit as to why many Filipinos are poor, I am forced to conclude, "It's the school system, Stupid!"

Visually, that would suggest this:



Does this mean then that the lower the formal educational attainment, the greater the chances of becoming wealthy?

Even among entrepreneurs, the higher the educational degree, the lower the degree of entrepreneurial success. Is there something about the traditional school system that inhibits and even stifles and squelches entrepreneurial thought and behavior?

Could Robert Kiyosaki, author of *Rich Dad, Poor*

*Dad*, be right when he said, “Schools train people to be employees, not entrepreneurs?”

Can *Rich Dad* be applied to our situation? Do Kiyosaki’s insights apply to a Third World country like the Philippines?

### **My Rich Dad Was My Mama**

Let’s look at Isabel — how she moved from widow to winner. Some lessons stand out.

**First**, Isabel found a niche, namely real estate. Papa had made her responsible for collecting rentals of Lola’s apartment at MH del Pilar, where we lived, rent-free of course. The experience opened her eyes to the possibilities of real estate, more specifically rental real estate, as a vehicle of choice.

**Second**, Isabel used leverage. Asking around, she learned she could borrow from Government Services Insurance System to fund the construction of a new apartment building on a Taft Avenue property that my Papa had bought. She demolished the decrepit building that stood there and built a four-story building. Later, she added two more stories to make it a six-story building. Then she advertised, got tenants and began collecting rental income. In effect, Mama pursued a build and hold strategy using leverage — that is, borrowed money — to fund her first building project.

**Third**, she used “out of the box” thinking to: obtain a GSIS loan, get a good architect to design the building, supervise the construction, market the apartment units and

slowly build up a stream of passive income.

The rental she got was passive income because, after the initial effort to build the asset, she didn't have to actively work to obtain the money. She simply sent her cook Ernesto every month to collect rent from the tenants. Most afternoons, she played mahjong for "therapy." How more out of the box can anyone get than that?

**Fourth**, she did her homework on how to become a successful property manager without knowing how to fix toilets or *posonegros* (septic tanks). She was not ashamed to ask for help and advice. Her love and dedication to her family drove her. Always she would say, "If I did not act, who would? No one, not even my in-laws, much less my own brother and sisters, helped me. Either I did it or I was dead financially."

**Fifth**, she was efficient. She learned how to do more with less. She never let fear, lack of education or intimidation stop her. With only her common sense and her high school education, she set a course, persisted and succeeded in paying the monthly amortization required to pay off the building so, once paid, the income could then flow into her pocket.

**Sixth**, she made use of the principle of lag so that, in time, she reaped what she sowed. She always kept a tight hold over expenses. "I myself opened and closed the *bodega* where materials like cement were stored," she said, recalling how tight she was. In fact, she had an accident in the storage area. *Nahulugan siya ng semento!* (Cement bags fell on her!)

Then she always paid her amortization first. Before necessities such as food and clothing, she set aside money to pay that amortization. Instinctively, she knew the bank would be merciless and foreclose if she fell behind her amortizations. She never did.

She made sure that her properties were always fully rented. Whenever a tenant left, she put out a *paskel* (for rent sign) announcing a vacancy and made sure the vacancy didn't last long. As a result, her income flow was not disrupted and she had enough for the necessities. In time, her passive income started to grow.

**Seventh**, her timing was impeccable. She saw her window of opportunity — build and hold rental property — and went for it.

**Eight**, she acted. Probably because of her minimal exposure to the school system, she never suffered from analysis paralysis. She might have taken some time to decide. But, once she made up her mind, she acted. The building at Taft was the stellar example. Nothing — not lack of money, not discouragement from relatives, not even ignorance about construction — stopped her from putting up the building.

**Ninth**, she networked by consulting or contracting key people to help her each step of the way, namely: Chito Castillo, her architect; Kong Eleng Dizon, her lawyer; Ernesto, her cook and rent collector; and her *barkada* (support group) of consultants referred by her friends.

**Tenth**, she always turned to the Lord for help (God does hear the cry of the widow), but she never let her

faith stop her from taking action when action was necessary.

### **“Don’t Ask Me How I Did It!”**

Mama never “explained” business to us. She just did it. “Larry, don’t ask me how. I just did. If I did not act, who would?”

While she made decisions and took steps that led to greater and greater wealth, never did I feel she was neglecting us, her children. Don’t ask me how she managed her time. I only teach time management. She applied it.

How to explain her success?

Perhaps she was successful because she ran a home-based business, thus keeping her overhead very low. Or because she didn’t let low educational attainment make her feel unworthy of being rich nor did it stop her from creating a stream of passive income. Or because her back was against the wall. She knew she had nothing to fall back on, no rich relative or parents to bail her out. Either she made it or she was dead financially.

So, like it or not, I was exposed to one of the most fascinating and successful business gurus any person can have — my mama. Regretfully, it took me 58 years to find out! I know, I know. I’m a slow learner.

I was unconsciously incompetent (stupid). I needed a jolt to move to becoming consciously incompetent (aware of my stupidity) to being consciously competent (acting to attack my stupidity).

Even getting us out of the house early was part of her school of entrepreneurship. She used charity (giving us money to bail us out) sparingly — only as a last resort and only when she saw us do more than 70% of the work. Sure, she helped us, but not at the start. Only when we had done most of the work required.

As Mama moved ahead, what was the reality of her surrounding environment? What mindsets existed that perpetuated the cycle of poverty and the rat-race mentality? How did being poor become a habit for many Filipinos?