

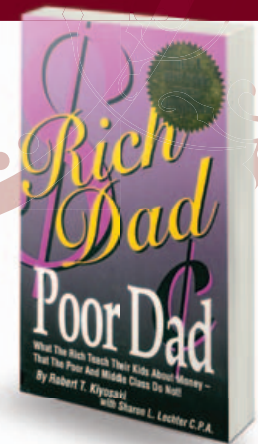
Rich Dad, Poor Dad

What the Rich Teach Their Kids About Money— That the Poor and Middle Class Do Not!

by Robert Kiyosaki, with Sharon L. Lechter, C.P.A.

The Rules Have Changed

Teach Your Kids to Win in
Today's Economy



QUICK OVERVIEW

In *Rich Dad Poor Dad*, financial expert Robert Kiyosaki tells the story of the two father-figures in his life. One man, his biological father, had multiple degrees and worked as part of the government education system. The other “Dad,” his best friend’s father, taught Robert about business and wealth-building.

Rich Dad Poor Dad contrasts the different attitudes people hold toward money. Kiyosaki addresses the fact that within our middle- and lower-economic classes, money is an emotionally charged, often taboo subject. He notes that the rich openly discuss money and pass down business savvy to their children through frank conversations about creating, or as he likes to say, “inventing” money.

The book challenges readers to adopt a “Rich Dad” attitude toward money and exhorts parents to equip their children with the financial education they may have missed out on themselves. In *Rich Dad Poor Dad*, Kiyosaki teaches six financial lessons that the rich share with their children.

- The Rich Don’t Work for Money
- Financial Literacy Isn’t Optional
- Mind Your Own Business
- Taxes and Corporations
- Inventing Money (Financial Intelligence)
- Work to Learn, Don’t Work for Money

In this summary, we’ll take a look at the two approaches to finances, and then review three of the six lessons Robert shares.

Warner Books

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Kiyosaki and Sharon L. Lechter

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SUCCESS Points

In this book you’ll learn:

- To fail your way to success
- To determine what your real assets are, despite what your banker thinks
- How the rich invent money
- The prevailing attitudes of abundance and poverty

SUMMARY

Rich Dad, Poor Dad

APPLY AND ACHIEVE

Move Toward Stronger Financial Literacy

Kiyosaki challenges readers to be aware of what their personal balance sheet and income statement looks like. These are the first steps to financial literacy.

First, create your own Income Statement (also called Profit and Loss Statement) using this model:

Next, create your personal Balance Sheet.

Note: An asset is anything that creates income. A liability is anything that depletes income.

When you are finished, be sure to review these honestly. Most people have some work to do to create a stronger income from assets. So don't be discouraged!

The financial intelligence acquired from completing this exercise can help move you toward true wealth.

<i>Income</i>
<i>Expense</i>

<i>Assets</i>	<i>Liabilities</i>

Will Your Child Survive and Thrive?

Does school prepare children for the real world? "Study hard and get good grades and you will find a high-paying job with great benefits," my [Sharon Lechter's] parents used to say.

The world has changed, but education has not changed with it. According to Robert, children spend years in an antiquated educational system, studying subjects they will never use, preparing for a world that no longer exists.

"Today, the most dangerous advice you can give a child is, 'Go to school, get good grades and look for a safe secure job,' " he likes to say. "That's old advice, and it's bad advice."

It's bad advice, he believes, "because if you want your child to have a financially secure future, they can't play by the old set of rules. It's just too risky."

"It's foolish to simply say to a child, 'Get a good education,'" he said. "It is foolish to assume that the education the school system provides will prepare your children for the world they will face upon graduation. Each child needs more education. Different education. And they need to know the rules. The

different sets of rules.

"There are rules of money that the rich play by, and there are the rules that the other 95 percent of the population plays by," he said. "A child today needs a more sophisticated education, and the current system is not delivering the goods. I don't care how many computers they put in the classroom or how much money schools spend. How can the education system teach a subject that it does not know?"

This book offers ideas that are probably too far-fetched and radical for most parents today. But in light of our changing times, as parents we need to be open to new and bold ideas.

Robert claims that the rich teach their children different ideas about money than the poor and middle class do.

We need to advise our children to have a greater degree of sophistication about finances, and to develop their financial IQ. If today you are a gardener or a janitor or even unemployed, you have the ability to educate yourself and teach those you love to take care of themselves financially. Remember that financial intelligence is the mental process by which we solve our financial problems.

ROBERT'S TWO DADS: TWO VIEWS OF FINANCIAL WELL-BEING

I [Robert] had two fathers, a poor one and a rich one. The financially challenged dad was highly educated and intelligent; he had a Ph.D. and completed four years of undergraduate work in less than two years. He then went on to Stanford University, the University of Chicago, and Northwestern University to do his advanced studies, all on full financial scholarships. My rich dad never finished eighth grade.

Both men were successful in their careers, working hard all their lives. Both earned substantial incomes. Yet one struggled financially all his life. The other would become one of the richest men in Hawaii. One died leaving tens of millions of dollars to his family, charities and his church. The other left bills to be paid.

Both men were strong, charismatic and influential. Both men offered me advice, but they did not advise the same things. Both men believed strongly in education but did not recommend the same course of study.

Rich Dad, Poor Dad

As a young boy, having two strong fathers both influencing me was difficult. I wanted to be a good son and listen, but the contrast in their points of view, particularly where money was concerned, was so extreme that I grew curious. I began spending long periods of time thinking about what each was saying, wondering, “Why does he say that?”

In doing so, I gained valuable insight into the power and effect of one’s thoughts on one’s life. For example, one dad had the habit of saying, “I can’t afford it.” The other dad forbade those words to be used. He insisted I say, “How can I afford it?” One approach lets you off the hook; the other forces you to think. The second approach doesn’t advocate buying everything you want, but does teach you to exercise your mind.

In fact, my two dads had opposing views on several subjects.

a wise, wealthy and happy young man. If you don’t, you will spend your life blaming a job, low pay or your boss for your problems. You’ll live life hoping for that big break that will solve all your money problems.”

“Lecturing is how they teach you in school,” he said. “But that is not how life teaches you, and I would say that life is the best teacher of all. Most of the time, life doesn’t talk to you. It just sort of pushes you around. Each push is life saying, ‘Wake up. There’s something I want you to learn.’”

“If you learn life’s lessons, you will do well. If not, life will just continue to push you around. People do two things. Some just let life push them around. Others get angry and push back. But they push back against their boss, or their job, or their husband or wife. They do not know it’s life that’s pushing.”

Poor Dad

The rich should pay more in taxes to take care of the less fortunate.

Study hard so you can find a good company to work for.

The reason I’m not rich is because I have you kids.

When it comes to money, play it safe, don’t take risks.

Our home is our largest investment and our greatest asset.

Paid his bills on time, paid his bills first.

A company or the government should take care of you and your needs.

Know how to write a strong résumé to get a good job.

Struggled to save a few dollars.

Rich Dad

Taxes punish those who produce and reward those who don’t produce.

Study hard so you can find a good company to buy.

The reason I must be rich is because I have you kids.

When it comes to money, learn to manage risk.

My house is a liability, and if your house is your largest investment, you’re in trouble.

Paid his bills on time, paid his bills last.

One should be completely self-reliant financially, and therefore, financially competent.

Know how to write a strong business plan to create jobs.

Created investments.

Although both men had a tremendous respect for education and learning, they disagreed in what they thought was important to learn. One wanted me to study to earn a degree and become a professional. The other encouraged me to study to understand how money works and have it work for me. “I don’t work for money,” he would repeat over and over. “Money works for me!”

GETTING PUSHED AROUND

Rich Dad stood and shut the creaky old wooden window that needed repair. “If you learn this lesson, you will grow into

He continued. “Life pushes all of us around. Some give up. Others fight. A few learn the lesson and move on. They welcome life pushing them around so that they will learn.”

THE RICH DON’T WORK FOR MONEY

Rich Dad is adamant. “When it comes to money, most people want to play it safe and feel secure. They are directed by fear.”

More money will not solve their problems, is Rich Dad’s philosophy. “Many people go to school to get an excellent education, so they can get a high-paying job. But they still

have money problems because they never learned anything about money at school. On top of that, they believe in working for money.”

Robert asked, “And you don’t?”

“No, not really,” said Rich Dad. “If you want to learn to work for money, stay in school. That is a great place to learn that. If you want to learn how to have money work for you, then I will teach you.”

“Wouldn’t everyone want to learn that?”

“No, because it’s easier to learn to work for money, especially if fear is your primary emotion when the subject of money is discussed. Fear keeps most people working at their jobs. Fear of not paying their bills, not having enough money, fear of starting over,” Rich Dad responded.

The main cause of poverty or financial struggle is fear and ignorance, not the economy or the government or the rich. It’s all self-inflicted fear that keeps people trapped. By not giving in to your emotions (like fear or greed) you can delay your reaction to a situation and think it’s important for you to control your emotions and thereby control your thinking. Search for information and knowledge of oneself so you can discover all your financial options.

BE FINANCIALLY LITERATE

If people are prepared to be flexible, keep an open mind and learn, they will grow richer and richer through the changes in the world. If they think money will solve problems, I am afraid they will have a rough ride. Intelligence solves problems and produces money. Money without financial intelligence is soon gone.

In the long run, it’s not how much you make, but how much you keep and how many generations you keep it.

So when people ask me, “Where do I get started?” or “Tell me how to get rich quick,” they are often disappointed with my answer. I simply say to them what my rich dad said to me back when I was a little kid. “If you want to be rich, you need to be financially literate.”

If you are going to build the Empire State Building, the first thing you need to do is dig a deep hole and pour a strong foundation. If you are going to build a home in the suburbs, all you need to pour is a six-inch slab of concrete. Most people, in trying to get rich, are trying to build an Empire State Building on a six-inch slab.

Everyone Is a Salesperson

“Someday I would like to be a best-selling author like you,” said the young female reporter interviewing me for a newspaper in Singapore.

I’d read her articles. “You have a great style,” I said in reply. “What holds you back from achieving your dream?”

“My work doesn’t seem to go anywhere,” she said quietly. “Everyone says that my novels are excellent, but nothing happens. Do you have any suggestions?”

“Yes, I do,” I said brightly. “A friend of mine here in Singapore runs a school that trains people how to sell. He runs sales-training courses for many of the top corporations here and I think attending one of his courses would greatly enhance your career.”

She stiffened. “Are you saying I should go to school to learn to sell?”

I nodded.

“You aren’t serious, are you?”

Again, I nodded. “What’s wrong with that?” I was now backpedaling. She was offended by something, and now I was wishing I had not said anything.

“I have a master’s degree in English literature. Why would I go to school to learn to be a salesperson? I am a professional. I went to school to be trained in a profession so I wouldn’t have to be a salesperson. I hate salespeople. All they want is money. So tell me why I should study sales?” She was now packing her briefcase forcibly. The interview was over.

On the coffee table sat a copy of an earlier best-selling book I wrote. I picked it up as well as the notes she had jotted on her legal pad. “Do you see this?” I said, pointing to her notes.

She looked down at the notes. “What?” she said, confused.

“It says ‘best-selling author,’ not best ‘writing’ author.”

Failing Your Way to Success

Great opportunities are not seen with your eyes. They are seen with your mind. Most people never get wealthy because they are not trained financially to recognize opportunities right in front of them.

I am often asked, "How do I start?"

In the last chapter of this book, I offer ten steps that I followed on the road to my financial freedom. But always remember to have fun. This is only a game. Sometimes you win and sometimes you learn. But have fun. Most people never win because they're more afraid of losing. That is why I found school so silly.

In school we learn that mistakes are bad and we are punished for making them. Yet, if you look at the way humans are designed to learn, we learn by making mistakes.

We learn to walk by falling down. If we never fell down we would never walk. The same is true for learning to ride a bike. I still have scars on my knees, but today I can ride a bike without thinking.

The same is true for getting rich. Unfortunately the main reason most people are not rich is because they are terrified of losing. Winners are not afraid of losing. But losers are. Failure is part of the process of success. People who avoid failure also avoid success.

Learn these definitions:

An asset is something that puts money in my pocket.

A liability is something that takes money out of my pocket.

If you want to be rich, spend your life buying assets. If you want to be poor or middle class, spend your life buying liabilities. It's not knowing the difference that causes most of the financial struggle in the world.

Quick Test:

Is your home an asset or liability?

Most bankers will tell you it's an asset.

But is it putting money *in* your pocket or taking money *out* of your pocket?

Note: There's nothing wrong with owning a home (or home mortgage.) But be honest with yourself. In most cases, a home is not a financial asset.

THE RICH INVENT MONEY

Financial Intelligence is simply having more options. If the opportunities aren't coming your way, what else can you do to improve your financial position? If an opportunity lands in your lap, and you have no money and the bank won't talk to you, what else can you do to get the opportunity to work in your favor?

If your hunch is wrong, and what you've been counting on doesn't happen, how can you turn a lemon into millions? That is financial intelligence. It's not so much what happens, but how many different financial solutions you can think of to turn a lemon into millions. It is how creative you are at solving financial problems.

Most people only know one solution: work hard, save and borrow. If you increase your financial intelligence, you can create your own luck. You can take whatever happens and make it better.

Financial Intelligence is made up of four main technical skills:

Financial literacy. The ability to read numbers.

Investment strategies. The science of money making money.

The market. Supply and demand. Seizing opportunity; someone buying and someone selling.

The law. The awareness of accounting, corporate, state and national rules and regulations. I recommend playing within the rules.

It is this basic foundation, or the combination of these skills, that is needed to be successful in the pursuit of wealth, whether it be through buying of small homes, large apartments, companies, stocks, bonds, mutual funds, precious metals or baseball cards.

Personally, I use two main vehicles to achieve financial growth: real estate and small stocks. I don't recommend anything that I do. The examples are just that, examples. If the opportunity is too complex and I do not understand the investment, I don't do it.

Simple math and common sense are all that is needed to do well financially.

SUMMARY

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CONCLUSION

Today, we need greater financial intelligence to simply survive. The idea that it takes money to make money is the thinking of financially unsophisticated people. It does not mean they're not intelligent. They have simply not learned the science of making money.

Education and wisdom are important. Start early. Buy a book. Go to a seminar. Practice. Start small. I encourage you to learn because it's not that hard. In fact, it's kind of easy once you get the hang of it!

➔ ACTION STEPS

Get more out of this SUCCESS Book Summary by putting what you've learned into action. Here are a few questions and thoughts to help you get started.

1. Know why you want to build wealth. What drives you to succeed?
2. Make daily choices that support your dreams.
3. Choose your friends carefully, remembering the power of association.
4. Master one financial skill, then move on to learn another.
5. Pay yourself first, before you pay bills or purchase luxuries.
6. Seek financial advice from experts—those who have the income and success you desire.
7. Use assets to purchase luxuries, rather than using paychecks.

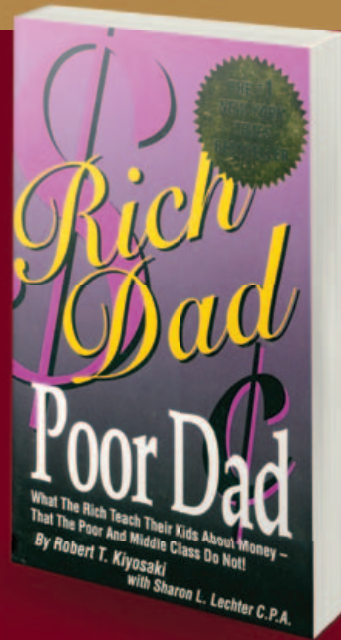
Recommended Reading

If you enjoyed this summary of **Rich Dad Poor Dad**, check out:

The CASHFLOW Quadrant by Robert Kiyosaki

As a Man Thinketh by James Allen

The Richest Man in Babylon by George S. Clason



About the Author

Robert Kiyosaki catapulted to fame with his controversially titled book *If You Want to Be Rich and Happy, Don't Go to School*. As an education advocate, he agrees that the title is obnoxious, but knew, too, that it would be a selling point.

Later, *Rich Dad Poor Dad* captured the imagination of those eager to equip their children for financial success. Since the publication of that book, Kiyosaki's *Rich Dad Poor Dad* has become a franchise with several books and a popular board game. He went on to pen a book with real-estate mogul Donald Trump. His latest book, *The Business of the 21st Century*, is also on best-seller lists.

Although he achieved extraordinary financial success and was able to retire at 47, Kiyosaki came out of retirement to live his passion: teaching others how to achieve financial literacy, and with it, financial success.

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