Rich Dad, Poor Dad by Robert T. Kiyosaki & Sharon Lechter

A Summary of Its Key Principles

"Do not let this Book of the Law depart from your mouth; meditate on it day and night, so that you may be careful to do everything written in it. Then you will be prosperous and successful." Josh 1:8 NIV

Lessons

Introduction - There is a need

1. Getting a good education and making good grades no longer ensures success, and nobody seems to have noticed, except our children. There is no job security anymore.

2. The Rat Race - the place where you work harder and harder for your company's owners, the government, and your creditors.

3. The only way out of the Rat Race is to master accounting and investing.

4. Our school system is antiquated and fails to teach you what rich people know. The rich teach their children at home, around the dinner table.

5. Today, the most dangerous advice you can give a child is "Go to school, get good grades, and look for a safe, secure job."

6. Taxes are your greatest expense - Most families work from January to mid-May to pay their taxes.

7. Money is one form of power. But, what is more powerful is *financial education*.

Chapter 1 - Rich Dad, Poor Dad

1. Rich Dad gave him insights into the power and effect of one's thoughts on one's life.

2. Poor Dad said, "I can't afford it." Rich Dad asked himself, "How can I afford it."

3. Poor Dad said, "play it safe, don't take risks with money." Rich Dad said, " learn to manage risk."

Chapter 2 - The Rich Don't Work for Money

1. You are poor only if you give up.

2. If you learn life's lessons, you will do well. If not, life will just continue to push you around.

3. Most people want everyone else in the world to change but themselves. Let me tell you, it's easier to change yourself than everyone else.

4. The poor and the middle class work for money. The rich have money work for them.

5. True learning takes energy, passion, and a burning desire.

6. Most people, given more money, only get into more debt.

7. The "tax man" is not your friend. You are taxed when you earn. You are taxed when you spend. You are taxed when you save. You are taxed when you die.

8. The main cause of poverty or financial struggle is *fear* and *ignorance*, not the economy or the government or the rich.

9. Unfortunately, for many people, school is the end, not the beginning.

10. American schools all too often train employees who are sophisticated bean counters who do nothing but fire people and raise prices.

11. Learn to use your emotions to think, not think with your emotions.

12. A *job* is only a short-term solution to a long-term problem.

Chapter 3 - Why Teach Financial Literacy?

1. *Intelligence* solves problems and produces money. Money without financial intelligence is money soon gone. If you want to be rich, you need to be financially literate.

2. *Accounting* is possibly the most boring subject in the world. It also could be the most confusing. But, if you want to be rich, long term, it could be the most important subject.

3. Rule #1 for financial success, the only rule: you must know the difference between an *asset* and a *liability*, and buy assets. Rich people acquire assets. The poor and the middle class acquire liabilities, but they think they are assets (ie your personal residence is a liability).

4. *Assets* put money in your pocket and *liabilities* take money out of your pocket.

5. The #1 expense for most people is taxes with Social Security being the highest tax.

6. There is great power in the *sword* (weapons), the *jewel* (money), and the *mirror* (self-knowledge).

7. An intelligent person hires people who are more intelligent than they are.

8. The pattern of treating your home as an investment and the philosophy that a pay raise means you can buy a larger home or spend more is the foundation of today's debt-ridden society.

9. Focus on keeping liabilities and expenses down.

10. *Wealth* is a person's ability to survive so many number of days forward.

11. The rich buy assets. The poor only have expenses. The middle class buys liabilities they think are assets.

Chapter 4 - Mind Your Own Business

1. Ray Kroc, the founder of McDonald's said that he is not in the hamburger business but in the real estate business.

2. There is a big difference between your profession and your business. To become rich you need to acquire businesses that do not require your presence, stocks, bond, mutual funds, income-generating real estate, notes (IOUs), royalties from intellectual property such as music, scripts, patents, etc., and anything else that has value, produces income or appreciates and has a ready market.

3. Minding your own business is simply building and keeping your asset column strong. Once a dollar goes into it, never let it come out. The rich buy luxuries last.

Chapter 5 - The History of Taxes & the Power of Corporations

1. The real reality is that the rich are not taxed. It's the middle class who pays for the poor, especially the educated upper-income middle class.

2. In 1874, England made income tax a permanent levy on its citizens. In 1913, an income tax became permanent in the United States with the adoption of the 16th Amendment to the Constitution. The taxes were originally levied against the rich, but the rich have the resources to ultimately out-maneuver the taxing authorities.

3. It is the knowledge of the power of the legal structure of the *corporation* that really gives the rich a vast advantage over the poor and the middle class. Suggested reading Inc. and Grow Rich

4. Financial IQ is made up of knowledge from 4 broad areas of expertise: accounting, investing understanding markets, the law.

5. The rich using corporations *earn, spend, and pay taxes*; the people who work for corporations *earn, pay taxes, and spend.*

Chapter 6 - The Rich Invent Money

1. Your financial genius requires both technical knowledge as well as courage.

2. The person who has the most timely information owns the wealth. In this Information Age, a few people get ridiculously rich from nothing other than *ideas* and *agreements*.

3. Your single most powerful asset is your mind.

4. The author primarily uses *real estate* and *small-cap stocks* to achieve financial growth.

5. Remember to have fun. Winners are not afraid of losing. People who avoid failure also avoid success.

6. There are two kinds of investors: The 1st and most common type are people who buy packaged investment. They invest through real estate companies and stock brokerages. The second type are professional investors who create investments. If you want to be the second type of investor, you need to develop three main skills: how to find an opportunity that everyone else has missed, how to raise money, and how to organize smart people.

Chapter 7 - Work to Learn --- Don't Work for Money

1. In school and in the workplace, you are encouraged to "specialize"; rich dad's encourage their kids to "know a little about a lot."

2. If you are *specialized* make sure you are *unionized*.

3. The main management skills needed for success are: the management of cash flow, the management of systems (including yourself and time with family), and the management of people.

4. GIVING money is the secret to most great wealthy families. "Give and you shall receive." (Lk 6:38)

Beginnings

Chapter 8 - Overcoming Obstacles

1. There are five main reasons why financially literate people may still not develop abundant asset columns: fear, cynicism, laziness, bad habits, arrogance.

2. Every investor eventually loses some money.

3. One of the wonders of the world is *compound interest*.

4. "I always tried to turn every disaster into an opportunity." John D. Rockefleller

5. Failure inspires winners. And, failure defeats losers.

6. The cynic is really a "chicken little" who insists that "the sky is falling."

7. A great property manager is the key to success in real estate. Finding a good manager is more important than the real estate.

8. A "stop" is a computer command that minimizes your losses and maximizes your gains in the stock market.

9. Arrogance is *ego + ignorance*.

10. Don't time the markets,

Chapter 9 - Getting Started

1. There are 10 steps to awaken your financial genius: you need a reason greater than reality (ie. love), you choose daily (invest first in your financial education), choose your friends carefully (don't listen to poor or frightened people), master a formula for success and then learn a new one (you become what you study), pay yourself first, pay your brokers well, be an "Indian giver' (ROI - return on investment is extremely important), let your assets buy your luxuries, have some heroes, teach and you will receive.

2. Rich dads pull their original dollar amounts from an increasing investment and stop worrying about the fluctuations of the market.

Chapter 10 - Still Want More?

1. Some "to dos" for getting started: stop doing what you're doing (never change a winning game; always change a losing game), look for new ideas, befriend someone who has done what you want to do, take classes and buy tapes, make lots of offers, jog, walk, or drive a certain area once a month for ten minutes, read Peter Lynch's book <u>Beating the Street,</u> remember that when the stock market crashes, it is the equivalent of a *sale* at the supermarket, act now!

2. All of us were given two great gifts: our minds and our time.

"Beloved, I pray that in all respects you may prosper and be in good health, just as your soul prospers."
3 John 2 NAS