The Richest Man in Babylon Book Summary and Review: 10 Lessons To Learn

The Richest Man in Babylon by George S. Clason is a timeless classic parable I have known about it since the early days when I first got into the world of self-help and wealth creation.

If you are not familiar, it is a must-read if you want the essential truths of wealth creation. They first appeared as financial management pamphlets and were eventually compiled into a book. Even to this day, the book is still well known because of its timeless principles on wealth creation. These laws will not change now, nor will it 500 years from now. It's a short read of 144 pages so it's not too bad. Here is my book summary and book review of the book:

Book Summary

The book tells a story set in Babylon during ancient times. It's a parable (a story with lessons in it, like the Bible). Basically, a young man asks a rich person to mentor him. This wealthy man slowly teaches him the rules to wealth, which are timeless and that anyone can apply. He scolds the young man when he makes mistakes, but eventually the boy gets rich.

Here are the top lessons I learned from the book:

1. Spend Less Than You Make. Save and Invest The Difference.

Sounds so obvious but common sense isn't so common. Most young people I meet have openly admitted that they spend every bit of what they make every paycheck.

This is one of my pet peeves that annoys me most. I know secretly that they will not get rich if they make more money (like they often complain and wish for) because they will just spend more and return down to zero in the bank account.

2. Use Saved Money To Make More Money

> "Make thy gold multiply."

This is probably one of the golden truths of wealth creation that is voiced in many classics like Rich Dad Poor Dad. Kevin O'Leary of Shark Tank explains this well. He imagines every dollar like little soldiers. Everyday, his mission is to capture more soldiers and get those soldiers to work to capture even more soldiers.

Most people are using that money on things that rust, rot, or deteriorate to a net worth of zero. These include houses, cars, boats, clothing, watches, jewelry, or any merchandise. You're making someone else rich by doing that.

What are the smart people doing? They're taking every dollar they save and spending that on something that will make them MORE money. Usually, it's on something that they're skilled at or can understand: a basketball player might spend it on basketball lessons, a programmer might spend it on an exclusive programming in-person training, a businessman might spend it on a small business that will make him more money.

Warren Buffett did this ever since he was a baby. He bought soda in a store and sold it to people in the summer for multiple times the price. He eventually worked his way up to buying pinball machines and setting them up in restaurants. He split the profits 50/50 with the restaurant owners. He slowly worked up to bigger and bigger businesses until he became the richest man in the world.

3. Only Take Advice From People Skilled In That Field

> "Gold clingeth to the protection of the cautious owner who invests it under the advice of men wise in its handling."

This law is a less frequently voiced law of wealth and business but so crucial. Why? Because if you invest in investments that sound too good to be true, they usually are. If you invest with people who tell you what you want to hear but know close to nothing about the industry, they will lose the money. If you invest foolishly, your money is as good as gone.

Only take advice from the best people in a field. Be careful of any other advice that comes your way. Everyone loves giving advice. The book illustrates this with a story of the main character investing his money with foreign jewel traders that promised to bring back rare jewels for cheap. He was scammed and brought back fake jewels. He also tried investing his money in the shield business with a man who worked as a cloth maker (and clearly didn't know a thing about the shield industry). Guess what happened? Need I say more?

An example would be listening to advice from the tailor on jewelry or business. What does this guy know about either of these things? NOTHING! That's why he's a tailor. Find an expert at business or jewelry who has made a lot of money (and can prove it).

Sounds simple but you'd be surprised how many people listen to anyone's advice. A lot of successful people do listen to advice, but it's not as stringent as it should. They will listen to anyone who sounds successful or looks rich or is on a fairly famous podcast or has made at least 6 figures.

Lately, I've become more and more stringent with who's advice I listen to. I apply a test of high relevancy, credibility, and results to who I listen to. A millionaire who made his money in real estate should not be giving me advice about the shoe industry.

4. Only Invest Your Money In Industries and Skills You Are Very Familiar With Or You'll Lose Your Money

> "Gold slippeth away from the man who invests it in businesses or purposes with which he is not familiar or which are not approved by those who are skilled in its keep."

Along a similar theme as the last point, you only want to invest in industries that you are familiar with. For example, let's say you don't know much about real estate. Investing money in it is like throwing it out the window because it's easy for people to mislead you or for factors you didn't consider to deplete your investment.

Just like you shouldn't try to do heart surgery with no knowledge or experience with surgery, you should not waste your hard earned money on areas you aren't familiar with.

5. Don't Wish For A Lump Sum of Cash. Work To Achieve A Consistent Cash Flow Instead.

People wish that they get lucky and win a lottery. But any lump sum of cash you win will eventually go to zero and you'll be broke again. In fact, many lottery winners go through their whole winnings within a year. And their happiness levels go back down to zero.

The craziest part is that usually, they're no better of than when they started: their fashion, standard of living, and everything else is surprisingly the same. They weren't smart with their money or have a money-mindset and therefore they bought things that will depreciate to zero value.

Let's say you win $1 million. A couple cars and 1 house can blow through half or most of it. People overestimate their winnings and start buying everything their friends and family asked of them.

Rather than this, you want to work towards having a consistent and growing system that constantly makes you more money. **It's not how much you have, it's how much you keep and how much you keep making in the future**.

> "Gold laboreth diligently and contentedly for the wise owner who finds for it profitable employment, multiplying even as the flocks of the field."

If you still have doubt that something someone said decades ago still applies, I have a perfect example for you:

I was watching Shark Tank and one of the millionaire businessmen on there, Kevin O'Leary started yelling. Another foolish wantrepreneur had admitted to how he had lost all of his money. Kevin starts explaining how he thinks of money. He says that he treats every dollar as a soldier. He sends his soldiers out to war to "bring back prisoners" (more dollars). Every night he wants to have more soldiers than he had the night before.

It sounds so simple but most people never consider to do this. They spend their money on stuff that will **never** bring them more money, like clothes, candy, or food. Instead, invest in yourself, your skills, or worthwhile business or income generating opportunities.

Treat your money like solders that will bring you more money.

6. You Will Lose Money If You Put It To Foolish Use

Here's the actual quote for this Law:

> "Gold flees the man who would force it to impossible earnings or who followeth the alluring advice of tricksters and schemers or who trusts it to his own inexperience and romantic desires in investment"

What this basically means is that if you invest or use money in businesses you aren't familiar or people who aren't good at a task, you will lose it. If you push it too hard to earn money in a near-impossible way, you will lose it. If you buy into scammers, you will lose the money. If you spend or use money based on your own inexperience or emotional urges, you will lose it.

7. Put Away 10% of your Earnings and You Won't Even Notice A Difference in Quality of Living

Pay yourself first. This means that before you spend any of your earnings, put aside 10% for saving and investing.

Your money is not truly yours to keep because you immediately give it away by spending it on rent, food, or items you don't need.

The book makes a profound point:

If you start with 10% tucked away, you will not even notice the difference. Your quality of life will have no noticeable difference. You surprisingly will learn to live without it.

8. Invest in Your Ability To Earn More

What the heck does that mean?

It means you should spend your time (or money) to improve your skills, knowledge, and ability to earn more money. I truly think is a golden truth to wealth that is *most important,* yet overlooked constantly, so pay attention:

Most people quit learning at the age of 21 when they finish school. Others are lifelong learned. Until they die at 90 years old, they keep learning and improving. This gives them a huge advantage over time. While the average worker, goes home after work to watch TV, does nothing to improve himself, and rots his or her brain, you can get ahead by improving yourself a little each day.

I read a book called 21 Secrets of Success and Happiness by John Templeton, one of the greatest investors in history, and this was one of his secrets as well.

9. You Will Lose Money If You Let Greed Cloud Your Judgement

There is a difference between having big dreams versus letting your greed influence your decisions. You can build a multi-billion dollar business with a small $1000 investment. It's been done before. Crazier things have been accomplished.

But that does not mean you buy into a promise of someone offering you a "magic return of millions with a one time investment." That's a scam. Often, a lot of billionaires I have studied, like Sam Walton and Warren Buffett, were always very conservative with their investments. They would rather build slowly versus rushing into an opportunity with risky down-side.

> "Gold flees the man who would force it to impossible earnings or who followeth the alluring advice of tricksters and schemers or who trusts it to his own inexperience and romantic desires

> in investment."

Be cautious when someone promises you something with absurdly good returns that seem too good to be true. It's not always a scam, but it often is.

10. What You Earn Is Not Yours To Keep Until You Invest It Properly

The book mentions a concept called "what you earn is not yours to keep." It basically means that just because you earned $100 bucks doesn't mean it's really yours because you immediately turn and spend it on items (rent, toys, clothes, etc.). So in reality, it's *their's* to keep.

Instead, immediately take 10% off the top and set it aside into a income-generating system (like a Lemonade stand or McDonald's) that you own forever and keeps generating you money for you to keep.

11. People Who Take Action Get Luckier Because They Make Their Own Luck

Don't interpret this to mean, "if you gamble more, you will make more money." What he's actually saying here is that people who actually take what they learn and use it (rather than keep it in their head), tend to be more "lucky." If you are doing everything you can to bend all your odds in your favor, you will have more chances and appear to others to be more lucky.

There is a great quote from one of the world's best golfers I found that fits well with this. He said:

> "The harder I practice, the luckier I get." -Gary Player

The Book Summarized in Two Sentences

Save and invest 10% of what you earn with people and businesses that are skilled at their craft so you earn more money. Think of every dollar you make as a worker that works for you; make sure it works to earn you *more* money, not less.

Book Review

The book was written in the style of olden times. Therefore, some of the words and phrases used are a bit confusing, old-sounding, and feel like they came out of the Bible. Despite the strange words, it's pretty easy to tell what the main message is in the story and it does work together with the story to set the mood and setting. You sometimes have to read between the lines to get the lesson from the fable.

I can understand why this book as stood the test of time: because the principles are spot-on. Well, at least most of them are…

What I Did Not Like

I do not agree with his advice that "real estate is the best investment of all time" because it's not. There are plenty of investors and businessmen who made more money focused on businesses other than real estate. Plus, it conflicts with his other point on not investing in something you don't know. And even if you do know real estate like the back of your hand, I wouldn't go so far as to say it's the best investment. It really depends on if you have a talent for it, found a niche in real estate that is overlooked, or found a way to be better than everyone else at it. There are thousands of different industries and skills out there to succeed on.

This raises the question of why should I trust George Clason, the author? What makes him credible to give advice? Upon research, it turns out the book was *not* actually written during the old era displayed in the book. In fact, George wrote it in 1926, a couple years before The Great Depression.

There is not much information on George Clason other than he lived to 82, divorced twice, started two businesses, served in the Army, and wrote financial success pamphlets (this book being his most famous one). This brings up a bit of healthy skepticism as to how much I can trust his advice. What I do know is that he was not one of the richest people during his time because business tycoons like Carnegie, Ford, and Rockefeller lived during those times, and I know how wealthy *they* were.

What I Did Like

That does not mean his principles are wrong though. Based on what I have seen a lot of other millionaires and billionaires say about wealth, most of his principles are right on-point.

The only other recommendation I have is that you should probably start to increase the amount you put away and invest from the 10% the book tells you to if you can. You can get there a lot faster by saving and investing more than 10% of your earnings. 10% is a good starting point though because psychologically, it can be too hard to stay consistent saving more.

Many of his points about setting up systems to earn more and improving your ability and knowledge are timeless pillars of wealth that most millionaires echo.