Rich Dad and Poor Dad Summary

Lesson #1: The Rich Don't Work for Money

- People's lives are forever controlled by two emotions: fear and greed.

- So many people say, "Oh, I'm not interested in money." Yet they'll work at a job for eight hours a day.

- It's just like the picture of a donkey dragging a cart with its owner dangling a carrot just in front of its nose. The donkey's owner may be going where he wants to, but the donkey is chasing an illusion. Tomorrow there will only be another carrot for the donkey." "You mean the moment I picture a new baseball glove, candy and toys, that's like a carrot to a donkey?" Mike asked.
  "Yes, and as you get older, your toys get more expensive—a new car, a boat, and a big house to impress your friends," said rich dad with a smile. "Fear pushes you out the door, and desire calls to you. That's the trap." "So what's the answer," Mike asked.
  "What intensifies fear and desire is ignorance. That is why rich people with lots of money often have more fear the richer they get. Money is the carrot, the illusion. If the donkey could see the whole picture, it might rethink its choice to chase the carrot."

- Look, school is very important. You go to school to learn a skill or profession to become a contributing member of society. Every culture needs teachers, doctors, mechanics, artists, cooks, businesspeople, police officers, firefighters, and soldiers. Schools train them so society can thrive and flourish," said rich dad. "Unfortunately, for many people school is the end, not the beginning."

LESSON #2: Why Teach Financial Literacy?

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

- Rich people acquire assets. The poor and middle class acquire liabilities that they think are assets.

- Rule #1: You must know the difference between an asset and a liability, and buy assets.
    - An asset puts money in my pocket. A liability takes money out of my pocket.
    - Assets appreciate
    - Assets do both

Conversely, liabilities take money out of your pocket because of the costs associated with them. When *Rich Dad Poor Dad* was first published back in 1997, Kiyosaki created a lot of controversy with this statement.

That's because by definition, a personal residence isn't an asset unless it appreciates enough to offset the costs of ownership. On the other hand, rental property is an asset because it can generate enough passive income to exceed the expenses of operating and financing the real estate.

As Kiyosaki writes in lesson 2 of *Rich Dad Poor Dad*, "Want to grow rich? Concentrate your efforts on buying income-producing assets – when you truly understand what an asset is. Keep liabilities and expenses low. You'll deepen your asset column."

Lesson #3: Mind Your Own Business

There are two key messages in this lesson.

- First, pay off your debts and start investing in income-producing assets as soon as possible.
- Next, stay financially healthy by spending your time (instead of your paycheck) and investing as much of your money as possible in assets.

Kiyosaki notes in lesson 3 of *Rich Dad Poor Dad* that most people confuse their profession with their business. In other words, they spend their entire lives working in somebody else's business and making other people rich.

One of our favorite quotes from this section is:

"The primary reason the majority of the poor and middle class are fiscally conservative is that they have no financial foundation. They have to cling to their jobs and play it safe. They can't afford to take risks."

Lesson #4: The History of Taxes and the Power of Corporations

When reading this lesson, it's important to keep in mind that Kiyosaki wrote *Rich Dad Poor Dad* as a motivational book, not to provide expert financial or tax advice.

For example, Kiyosaki writes about the time he bought a Porsche and treated it as a business expense, using before-tax dollars. Buying a high-end luxury car when a much less expensive make and model would do could put an investor on the fast track to an IRS audit.

But putting the Porsche aside, the points made in this lesson discuss how to play the investment game smart. The rich understand the power of company structures and the tax code and use every legal means they can to minimize their tax burden.

Compare how business owners and investors with corporations such as C Corps, S Corps, or LLCs pay taxes to how most people pay tax:

Business owners with a corporate structure:

1. Earn
2. Spend
3. Pay taxes

Employees who work for corporations:

1. Earn
2. Pay taxes
3. Spend

Notice that employees who work for somebody else spend their money post-tax, while business owners earn and spend before paying tax.

lesson 4 of the book also covers the four main components of what Kiyosaki calls “Financial IQ”: Accounting, Investment Strategy, Market Law, and Law.

As *Rich Dad Poor Dad* reminds us, understanding the legal and tax advantages significantly contribute to building long-term wealth:

“For instance, a corporation can pay expenses before paying taxes, whereas an employee gets taxed first and must try to pay expenses on what is left. Corporations also offer legal protection from lawsuits. When someone sues a wealthy individual, they are often met with layers of legal protection and often find that the wealthy person actually owns nothing [in their own name]. They control everything, but [personally] own nothing.”

Lesson #5: The Rich Invent Money

Inventing money means finding opportunities or deals that other people don’t have the skill, knowledge, resources, or contacts for.

In lesson 5, Rich Dad Poor Dad explains there are two types of investors:

Investment packages are bought by people who entrust their money to a developer or fund manager. This is the way that most people invest, such as buying shares of an ETF or putting money into a real estate crowdfunding venture.

Professional investors look after their own investments, research the market to find deals that make sense, then hire professionals to manage the daily oversight. Professional investors have three things in common:

Identify opportunities that other people have not found
Raise funds for investment
Work with other intelligent people

Here's one of our favorite closing thoughts from this lesson:

"Some people argue that there aren't real estate bargains where they are, but there are prime opportunities everywhere that are overlooked. Most people aren't trained financially to recognize the opportunities in front of them."

Lesson #6: Work to Learn – Don't Work for Money

Poor Dad was intelligent and well educated and worked for money because job security meant everything to him. Rich Dad became a millionaire by working to learn.

As Kiyosaki writes:

"I recommend to young people to seek work for what they will learn, more than what they will earn. Look down the road at what skills they want to acquire before choosing a specific profession and before getting trapped in the Rat Race."

In fact, that's exactly what Kiyosaki did. He joined the Marines after graduating from college and learned the essential business skills of leading and managing people. After serving his country, Kiyosaki joined Xerox, overcame his fear of rejection to become one of the top five salespeople in the company, then left the corporate world to form his own business.

lesson 6 of *Rich Dad Poor Dad* then discusses the synergy of management skills needed for success in business:

- Cash flow management
- Systems management
- People management