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(SUMMARY OF RICH DAD POOR DAD BY ROBERT KIYOSAKI)

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1. SUMMARY OF THE LESSONS LEARNT FROM RICH DAD POOR DAD BOOK BY ROBERT KIYOSAKI

1.1 About the author

Robert Kiyosaki has challenged and changed the way tens of millions of people around the world think about money. With perspectives on money and investing that often contradict conventional wisdom, Robert has earned an international reputation for straight talk, irreverence, and courage and has become a passionate and outspoken advocate for financial education.

The author of more than 19 books, including the international blockbuster Rich Dad Poor Dad, Robert has been a featured guest with media outlets in every corner of the world—from CNN, the BBC, Fox News, Al Jazeera, GBTV and PBS, to Larry King Live, Oprah, People's Daily, Sydney Morning Herald, The Doctors, Straits Times, Bloomberg, NPR, USA TODAY, and hundreds of others—and his books have topped international bestsellers lists for more than a decade. He continues to teach and inspire audiences around the world. His most recent books include Unfair Advantage: The Power of Financial Education, Midas touch, the second book he has co-authored with Donald Trump, and Why "A" Students Work for "C" Students.

1.2 Motivation of the book.

When growing up, Robert Kiyosaki had two dads advising him: one of whom was a Stanford-educated PhD who followed traditional career thinking, he was allergic to risk, and was financially illiterate. This is the Poor Dad, his biological father. The second was a high school dropout who later built a business empire worth many millions and employing thousands. This is the Rich Dad, his best friend's father.

The Poor Dad represents the traditional view on work and money - go to school, get a good job and climb the ladder, prize stability over independence, buy a house, and spend money without a clear long-term plan. Most people adopt the Poor Dad view of finances and life.

The Rich Dad represents what was then a more contrarian view - work for salary only if you have to, but aim for financial independence; have your money generate more money; and take calculated risks boldly.

2. LESSONS LEARNT FROM CHAPTER ONE.
(The Rich Don't Work For Money).

Most of the poor and middle class people are trapped in poverty because of two conditions. One of the conditions is fear of bills and the other is greed. Because of the fear of bills, they are forced to work hard and when they get their paycheck, they pay their bills and the cycle continues.

The poor continue working for money for all their lives. The poor also think their financial problems will be solved by being offered a pay raise but when the pay is raised, they increase their expenditures and continue struggling financially. This is what the author refer to as the **Rat Race**

The rich don't get rich merely by being paid higher salaries. Though this is a great help, the rich get richer by owning things that make them more money.

People who don't become rich either spend all their income on expenses, or buy liabilities that increase their expenses but don't add income.

The key to financial independence is having your money make more money. You want your money to make enough money that you don't have to work anymore.

3. LESSONS LEARNT FROM CHAPTER TWO.

(Why Teach Financial Literacy).

Millions of educated people are poor because they leave school without financial skills. Though they pursue their education successfully, what is missing in their education is how to spend the money they get. This is called financial aptitude.

People in schools are taught how to work hard but not to have their money work for them.

When children go to school, they are encouraged to get good grades, follow set procedures. This limits their creativity and this is the reason schools produce most of the employees and less employers.

You can only become rich by using your money to buy things that generate income. These are called assets. You do not have to buy things that lose money over time or make you incur large expenses. Such things are called liabilities.

You must know the difference between assets and liabilities and then acquire more assets. An asset brings money into your pocket and liabilities take money out of your pocket.

Because of the failure to recognize the difference between assets and liabilities, people end up buying liabilities like expensive homes instead of starting an investment and this impact them in one of the following ways.

- Loss of time during which other assets could have grown in value.
- Loss off additional capital which could have been invested instead of paying for high maintenance expenses related to liabilities like a house.
- Loss of education about investment that they would have acquired if they had started an investment portfolio.

Real assets are businesses that don't require your active management; stocks, bonds, and other securities; income-generating real estate; and intellectual property generating royalties.

4. LESSONS LEARNT FROM CHAPTER THREE.
(Mind Your Own Business).

Most people work for everyone but themselves. They work first for the owners of the company, then for the government through taxes, and finally for the bank that owns their mortgage. Financial struggle is often the result of people working all their lives for someone else.

Most people confuse their profession with their business. For example working in a bank is a profession but owning a bank is a business.

To become financially secure, a person needs to mind their own business. Your business revolves around your asset column, not your income column. The number-one rule is to know the difference between an asset and a liability, and to buy assets.

As your cash flow grows, you can indulge in some luxuries. An important distinction is that rich people buy luxuries last, while the poor and middle class tend to buy luxuries first. Buying a luxury on credit often causes a person to eventually resent that luxury because the debt becomes a financial burden.

A true luxury is a reward for investing in and developing a real asset. For example, Robert Kiyosaki said "when my wife Kim and I had extra money coming from our apartment houses, she went out and bought her Mercedes. It didn't take any extra work or risk on her part because the apartment house bought the car"

The rich focus on their asset, while everyone else focuses on their income statements. According to Kiyosaki real assets include businesses that do not require your presence, Stocks, Bonds, Income-generating real estate, Notes, Royalties from intellectual property such as music, scripts, and patents, and Anything else that has value, produces income or appreciates, and has a ready market

5. **LESSONS LEARNT FROM CHAPTER FOUR.**
(The History of Taxes And The Power Of Corporations).

The knowledge of the legal corporate structure gives the rich a vast advantage over the poor and the middle class. A corporation is merely a legal document that creates a legal body without a soul. Using it, the wealth of the rich was once again protected. It was popular because the income-tax rate of a corporation is less than the individual income-tax rates.

Robert Kiyosaki thinks that financial IQ is made up of knowledge from four broad areas of expertise:

1. **Accounting.** Accounting is financial literacy or the ability to read numbers. This is a vital skill if you want to build an empire.
2. **Investing**. Investing is the science of "money making money." This involves strategies and formulas which use the creative right-brain side.
3. **Understanding markets**. Understanding markets is the science of supply and demand. You need to know the technical aspects of the market, which are emotion-driven, in addition to the fundamental or economic aspects of an investment.
4. **The law**. A corporation wrapped around the technical skills of accounting, investing, and markets can contribute to explosive growth. A person who understands the tax advantages and protections provided by a corporation can get rich so much faster than someone who is an employee or a small-business sole proprietor. The difference is profound when it comes to long-term wealth.

- Tax advantages. A corporation can do many things that an employee cannot, like pay expenses before paying taxes. Employees earn and get taxed, and they try to live on what is left. A corporation earns, spends everything it can, and is taxed on anything that is left.
- Protection from lawsuits. The rich hide much of their wealth using vehicles such as corporations and trusts to protect their assets from creditors. When someone sues a wealthy individual, they are often met with layers of legal protection. They control everything, but own nothing. The poor and middle class try to own everything and lose it to the government.

6. LESSONS LEARNT FROM CHAPTER FIVE.

(The Rich Invent Money).

According to Kiyosaki "Often in the real world, it's not the smart who get ahead, but the bold." There are lots of poor people that are extremely talented and many rich people with relatively little genius at all. We tend to think that more money comes along with being more educated, more talented, or adding more value to society.

Land was wealth 300 years ago. So the person who owned the land owned the wealth. Later, wealth was in factories and production, and today, wealth is in information. And the person who has the most-timely information owns the wealth.

The single most powerful asset we all have is our mind. If it is trained well, it can create enormous wealth. It is not gambling if you know what you're doing but it is if you're just throwing money into a deal and praying.

Making money is a talent in and of itself. And it's one that can be learned just like any other skill. However, most people don't take the time to learn financial skills because it scares them, it bores them, or they just hope if they work hard and save what they can, with a little luck their money situation will work itself out.

There are two kinds of investors:

1. The first and most common type is a person who buys a packaged investment. They call a retail outlet, such as a real estate company, a stockbroker, or a financial planner, and they buy something.

2. The second type is an investor who creates investments. This investor usually assembles a deal in the same way a person who buys components builds a computer. This type of investor must have three types of skills, finding an opportunity that everyone else missed, raising money and organizing smart people.

7. LESSONS LEARNT FROM CHAPTER SIX.

(Work To Learn — Don't Work For Money).

Job security means everything to the educated people while learning means everything to the rich people.

Workers work hard enough to not be fired, and owners pay just enough so that workers won't quit.

Instead of simply working for the money and security, which are important, you should take a second job that will teach them a second skill.

The most important specialized skills are sales and marketing. The ability to sell—to communicate to another human being, be it a customer, employee, boss, spouse, or child—is the base skill of personal success. Communication skills such as writing, speaking, and negotiating are crucial to a life of success.

The main management skills needed for success are:

1. The management of cash flow
2. The management of systems (including yourself and time with family
3. The management of people.

In addition to being good learners, sellers and marketers, we need to be good teachers as well as good students.

To be truly rich, we need to be able to give as well as to receive.

8. LESSONS LEARNT FROM CHAPTER SEVEN.

(Overcoming Obstacle).

The primary difference between a rich person and a poor person is how they manage fear.

Once people become financially educated, they still face some obstacles to become rich. In particular, Robert Kiyosaki enumerates 5 obstacles

1. Fear.

Everyone fears to lose money. Rich dad recommended Kiyosaki to think like a Texan when it comes to fearing losing money: they think big, and they're proud when they win and brag when they lose. For most people, the reason they don't win financially is because the pain of losing money is far greater than the joy of being rich". In essence, they play not to lose, not to win.

2. Cynicism

As rich dad told Kiyosaki, "cynics never win". They criticize, and winners analyze. Colonel Sanders lost his business at age 66 and started to live off a Social Security check. He went around the country and over more than a thousand rejections, he finally became a multi-millionaire, after selling his fried chicken recipe.

3. Laziness

A "little greed" is the solution to laziness, the third obstacle. Although we are raised thinking of greed as bad, as Kiyosaki reports, that greed is what really makes us tend laziness off.

4. Bad habits

Our lives are a reflection of our habits more than our education

5. Arrogance.

Rich dad lost money whenever he was arrogant. People are arrogant to hide ignorance. If you're arrogant in a subject, start educating yourself by finding an expert or reading a book.

9. LESSONS LEARNT FROM CHAPTER EIGHT.

(Getting Started).

Finding great deals is easy like riding a bike. The hard part is learning to ride the bike in the first place. You fall down, you get hurt, and sometimes you think you might never get it, but once you do, it becomes easy. Learning about money and investing works the same way. Our culture has "failed to teach us how to have money work for us." However, let's not let that stop us! We can overcome with the self-discipline to invest in our own education:

- Personal self-discipline is the number-one delineating factor between the rich, the poor, and the middle class.
- Invest first in education. …Each of us has the choice of what we put in our brain once we're old enough. You can watch TV, read golf magazines, or go to ceramics class or a class on financial planning.
- You become what you study. In other words, be careful what you learn, because your mind is so powerful that you become what you put in your head. When it comes to money, the masses generally have one basic formula they learned in school and it's this: Work for money. In today's fast-changing world, it's not so much what you know anymore that counts, because often what you know is old. It is how fast you learn.
- Choose friends carefully: the power of association. I've noticed that my friends with money talk about money. They don't do it to brag. They're interested in the subject. So I learn from them, and they learn from me. I also learn from my friends who struggle financially. I find out what not to do.
- Poor people have poor habits. A common bad habit is innocently called "dipping into savings." The rich know that savings are only used to create more money, not to pay bills.
- Teach and you shall receive: the power of giving. If you want to learn about money, teach it to someone else.

10. **LESSONS LEARNT FROM CHAPTER NINE.**

(To Do's).

- Learn from lessons of successful people.
- Learn from history. All big companies on the stock exchange started out as small companies.
- Assess your present situation: If you keep on doing what you are doing since quite some time, you will get the same results what you are getting. To get new results, do something different.
- Try to find some new idea – how will you create and income generating asset?
- Take action, after finding some new idea.
- Find Mentor. Try to find some person who has achieved what you want to achieve. Ask tips from him / her.
- Try to invest in real estate when market is down.
- Make lots of offers, even if they are very low. Someone might say yes.
- Don’t sit and wait for opportunity to come.