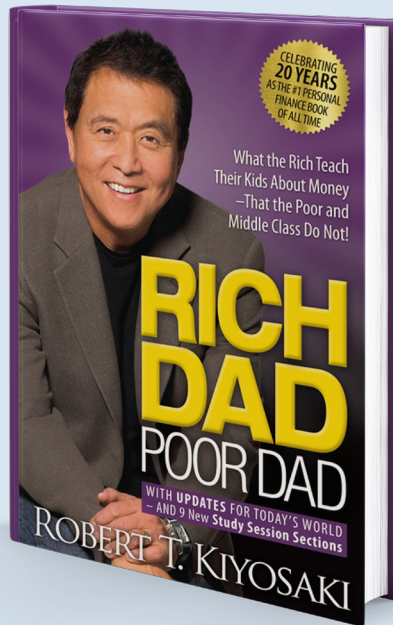


# Book Snaps™

In-depth reviews of best-selling business books.



## Rich Dad Poor Dad

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

By Robert T. Kiyosaki

Robert Kiyosaki is an investor, entrepreneur and educator whose perspectives on money and investing fly in the face of conventional wisdom. He has, virtually single-handedly, challenged and changed the way tens of millions, around the world, think about money. In communicating his point of view on why 'old' advice - get a good job, save money, get out of debt, invest for the long term, and diversify - is 'bad' (both obsolete and flawed) advice, Robert has earned a reputation for straight talk, irreverence and courage. *Rich Dad Poor Dad* ranks as the longest-running bestseller on all four of the lists that report to Publisher's Weekly and it has sold over 27 million copies worldwide.

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*A Book Review by Soundview*

## Working for Money vs. Having Your Money Work for You

*Rich Dad Poor Dad* was originally self-published because it was rejected time and again by publishing houses. When it was eventually picked up, it was far from an instant success. In fact, it was highly criticized for the same reasons it was widely rejected by publishers as a manuscript. Publishers, readers, and critics dismissed the author, saying Kiyosaki "didn't know what he was talking about." They disagreed with the foundational lessons being presented, which have proven to be "prophetic" in hindsight. More than 20 years have passed since the first official release. It is now recognized as "the number one personal finance book in history," spending nearly seven years on The New York Times bestseller list with an "estimated 40 million copies" sold worldwide.

One of the main attractions of the book is its unique perspective. Kiyosaki explains that he was given the opportunity to choose between following the financial advice of two different dads: one rich and one poor, one the father of his best friend Mike, the other his own. Both were well educated and earned a significant income. However, one ended up with millions to give away and the other ended up with stacks of bills to pay. The rich and poor dads had opposing views and attitudes about money. Kiyosaki made a choice to listen to the rich dad's advice over his own poor dad's and it "shaped the rest of [his] life."

In *Rich Dad Poor Dad*, Kiyosaki presents six main lessons he learned from Rich Dad as "simply as possible" just as they were presented to him all those many years ago. They are intended to be "guideposts," not firm directives and are more applicable today than ever. If followed, they will help people, their children, and their families "grow wealthier no matter what happens in a world of increasing change and uncertainty."

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

Kiyosaki and his friend Mike asked Mike's dad, who was the rich dad, to teach them about money. He agreed and invited them to work for him at one of his nine small grocery stores

in the area for a meager \$0.10 per hour. After several weeks of dusting canned goods and restocking shelves, Kiyosaki became frustrated. He had not been taught anything by Rich Dad and was working hard for very low wages. He told his friend that he intended to quit. To his surprise, Mike seemed to be waiting for him to threaten that. Kiyosaki was granted an in-person meeting with Rich Dad to discuss his frustrations.

Over the course of that conversation, Rich Dad helped Kiyosaki understand that most people spend their lives working for others. If they are unhappy with how much they make, they simply leave that job and search for another one. They believe that making more money slowly over time through raises and promotions is the answer to all financial problems, but they are wrong. This only leads to being controlled by fear and greed. They are motivated to work for fear of not being secure. The more money they earn, the more they spend because they feel they can now afford such luxuries. This gives birth to a trap commonly called “the rat race.” The only way out is to fundamentally change the way they think about money.

The Rich Dad shared this “pivotal point of view” that Kiyosaki calls lesson number one. The fundamental difference between poor and middle class people and those that are rich is this: “The poor and the middle class work for money. The rich have money work for them.” Purchasing or creating assets that “deliver cash flow” is the primary means to “generate income that doesn’t come from a paycheck.” When your money creates money, you are free from the pattern and you can become financially free.

## Lesson #2: Teaching Financial Literacy

Time and again we hear stories about people who have earned or won or inherited massive sums of money only to die penniless or worse, leave this earth with large debts their family has to take over. Financial literacy is the missing ingredient in many of these sad stories. Rich Dad told Kiyosaki, “If you want to be rich, you need to be financially literate.” What he meant is that simply becoming rich is not the answer. Making sure you and the generations to come after you keep the wealth that was built, requires a financial education. Our school system fails heartily in this regard so those who wish to build a lasting foundation of financial well being must seek this education themselves.

We are taught that the American Dream is to buy a house and live in suburbia. However, Kiyosaki points out, the mass majority of people don’t have an asset in a home, they have a liability. In order to become wealthy, people need to buy assets, not liabilities. This very simple rule comes down to knowing the difference between the two. “An asset puts money in someone’s pocket. A liability takes money out of someone’s pocket.” Assets and liabilities are defined by numbers, not words. A large majority of Americans work very hard to get ahead and earn good money doing it. However, they fail to create wealth “because they spend their lives buying liabilities instead of assets.”

Prime examples of liabilities include “mortgages, car loans, credit card debt, and other loans.” Prime examples of assets include “real estate, stocks, bonds, notes, and intellectual

property.” Those assets produce income in the form of “Rental income, dividends, interest, and royalties.”

## Lesson #3: Mind Your Own Business

There is a difference between your profession and your business. Modern education teaches people to become professionals. Students focus on engineering or cooking or science and go on to become “engineers, chefs, or scientists.” They earn income working professionally in these areas. When asked “what is your business” someone will say that they are a banker, for example, although that person does not own the bank. This person has “confused their profession with their business.” They are making money for the bank, making it rich. “To become financially secure, a person needs to mind their own business” instead of “minding someone else’s.” It is only your business if it “revolves around your asset column, not your income column.” Income needs to be “used to purchase income-generating assets.”

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

In studying the history of taxes with his rich dad, Kiyosaki learned that the government “drives tax revenue from the middle class.” The government continually grows bigger and more and more revenue is needed to sustain it. The rich “don’t play by the same set of rules.” They recognized an opportunity in establishing corporations that is used widely today to shield the rich from the large tax burden they would otherwise face. “This knowledge of the legal corporate structure is what really gives the rich a vast advantage over the poor and the middle class.”

Capitalists have applied their financial knowledge “to find an escape” in the filing of corporations. Many people don’t realize that a corporation is not a thing. “It’s not a big building or a factory or a group of people.” It is “merely a legal document that creates a legal body without a soul.” And that legal body protects the wealth of rich people because corporations have far more tax shelters than individuals. People are taxed at higher rates than corporations and corporations can pay some of their expenses “with pre-tax dollars.” At the end of it all, it means that rich people who create corporations end up keeping more of their money than middle class and poor people.

## Lesson #5: The Rich Create Money

Kiyosaki had been teaching professionally since the mid 1980’s and in the “thousands of individuals” he had instructed over the years, he noticed a common and disturbing commonality. Regardless of the “tremendous potential” each and every person possesses, we are all held back to one degree or another by a “lack of self-confidence.” Once we leave our formal education, there is a certain amount of “guts, audacity, bravado, tenacity, or brilliance” that shapes our future far more than whatever grades were listed on our report cards. Many of us have a nearly impossible time tapping into that x-factor. Instead, we get weighed down by “excessive fear and self doubt.” “Financial genius requires both technical knowledge as well as



***Those who can come up with ideas and put them into practice are “creating their own luck” instead of wasting their financial intelligence waiting for luck to find them.***

courage.” This ability to take risks can make the difference between being rich and being poor or middle class.

In times past, the people who owned the most land were the wealthiest. Later, those who produced and sold the most goods became the richest. The modern world financially favors those with information. Those who can come up with ideas and put them into practice are “creating their own luck” instead of wasting their financial intelligence waiting for luck to find them. The Information Age is filled with opportunities to create money from nothing other than “ideas and agreements.” When people put their energy and focus into developing their financial intelligence they are ready and willing to take advantage of opportunities that come about in an ever-changing world. Markets will boom and markets will crash. It is inevitable. Those with finely tuned financial intelligence will be ready to take “the lemons and turn them into millions.”

## **Lesson #6: Work to Learn**

Our society’s educational and professional systems are set up to promote specialization. We are pushed to become doctors, lawyers, architects, or engineers. The school system “rewards people who study more and more about less and less.” Rich dad’s philosophy was just the opposite. His suggestion was to “know a little about a lot.” Kiyosaki applied this principle by undertaking various roles in every department at rich dad’s portfolio of companies. Later, after graduating from the U.S. Merchant Marine Academy he worked on an oil-tanker fleet, joined the Marine Corp to learn how to fly, and then joined Xerox to learn how to sell. His poor dad didn’t understand all of this bouncing around. His rich dad praised him.

Kiyosaki was seeking out a diversity of learning so that he could maximize his earnings. This is what he recommends to young people today. He says people should take a look into the future, decide what they want, and then learn the various skills required to get what they want. If the idea of “working to learn something new” is not desirable, specialization should be approached with caution. Kiyosaki recommends ensuring protection through unions in the case of highly specialized careers like public education or commercial piloting.

## **Five Obstacles**

Life is full of bumps on the road and without a doubt, there will be obstacles along the way to financial independence. Kiyosaki describes five main reasons “why financially literate people may still not develop abundant asset columns that could produce large cash flow.”

1. Failure to overcome fear. Everyone has a real and honest fear of losing money. The fear itself is not the problem. The way someone handles that fear contributes to how rich or poor a person may become. Being too afraid to lose means that you can never win.
2. Letting Chicken Little cynicism rule the roost. We have all heard the story of the little chicken that convinced the entire barnyard that the sky was falling when in reality, he was merely hit in the head by a tiny acorn. The world is full of “doom and gloom” rumors that make people pull back and assume the worst. Rising above this and believing in the possibilities can create hard cash opportunities.
3. Laziness through busy-ness. Our society is chock full of people who are “too busy” to work on things that matter the most. They let their health go, fail to take care of relationships, and end up losing it all. Staying busy is really a form of laziness only overcome with a little greed.
4. Habits controlling behavior. Most people put themselves last, paying bills and such first and only paying themselves with anything left over, which is often little or nothing at all. The rich make it a habit to “pay themselves first” so they are then motivated to take care of obligations like bills and taxes. The drive to avoid hearing from the bill collectors and tax man is so great that they find a way to make the money.
5. Using arrogance to hide ignorance. People lose money when they don’t understand what is important in a particular transaction. This act of pushing aside their ignorance is a form of arrogance. The antidote to ignorance is education. Become literate and bring that knowledge to the wealth-building table.

The mission of The Rich Dad Company and therefore, of Robert T. Kiyosaki, is “to elevate the financial well-being of humanity.” This book was the start to a personal finance revolution that has changed the way “tens of millions” of people look at and handle money. The ideas presented remain controversial, as they go against long held beliefs about education, savings, and career. But as the saying goes, hindsight is 20/20. The most fiercely challenged suppositions of Kiyosaki’s seminal work have played out with almost supernatural accuracy in the more than 20 years since it was originally released. Kiyosaki’s Rich Dad lessons have the power to change the financial future of each reader, “one life and one person at a time.” This promise is available to anyone willing to build their financial literacy and wealth the “rich dad” way.

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