

# Rich Dad Poor Dad, Robert Kiyosaki

---

## Summary

Our public schools do not teach about money, and he mentions this frequently in the book. A significant idea is owning assets, and by definition, assets increase your cash. The greatest asset you have (other than your mind) is a business. The book *The Millionaire Mind* also says the largest category of rich people is business owners. Owning a company may not be right for everyone. Many fail.

Nevertheless, a successful business gives you freedom; time freedom and financial freedom. For example, Robert's definition of a company is one that employees do it for you, and you don't always have to physically be there. And, they are happy to work for a check.

His poor dad avoided risks, but his rich dad managed them. One feels the home is an asset and the other a liability. His poor dad was drawn to the benefits of a safe and secure job such as retirement; however, his rich dad felt working a job for retirement was dangerous. This was entitlement according to him, and it caused financially dependent people. If you have a profitable business, that is the best form of retirement.

### **This Book Can Be Summarized In Three Main Points**

- The rich acquire assets.
- The poor mostly have expenses and debts.
- The middle class has liabilities but treats them like assets.

### **Your Greatest Asset Is Your Mind**

Your mind is your greatest asset. Second, is owning a business. That is why this book stresses so much learning to operate a business instead of devoting your life to school.

Financial knowledge will help you to learn to be financially prosperous. The book *The Richest Man In Babylon* asks the question if you had the instructions to earn a million dollars on your own or receive it as a gift, what would you choose? Many would take the cash. However, eventually, the money runs out but your

knowledge will not. Education will help you acquire more assets which are the key to financial freedom and leaving the rat race.

Additionally, your thoughts and feelings shape who you are. For example, Robert was taught by his rich dad to think outside the box and never tell himself that he couldn't afford something. Instead, he would figure out a way through a business idea. This is how he paid for luxuries.

One of the main reasons his educated but poor dad pushed college so much is because a college degree and a good job represented security. That meant low risk. Instead of avoiding risk, his rich dad taught him to manage it. Most millionaire business owners will tell you that a job, even a high paying job is risky. As an employee, there is always the risk of being laid off. But not if you are your own boss.

### **The Difference Between An Asset And Liability**

Robert Kiyosaki defines assets differently than most people, and some of these things are necessities such as cars and houses, but they are still liabilities. Robert defines an asset as something that increases your cash, and liability does the opposite. If you have to pour some money into it, it is a liability. For example, in the long-term, your house might be an asset if it appreciates when you sell it, but in the meantime, it is a liability. Homes are expensive to maintain with all the upkeep, repairs, taxes, etc. This is not to mention the mortgage.

The rich use their assets to pay for their liabilities and luxuries. The poor have very few assets if any. And the middle class have things they think are assets but are not. A house is a good example.

### **The Rich Own Businesses**

Owning a business is how you set yourself apart from the poor and is how you make money work for you.

### **Business Owners Manage Their Fears And Accept Reasonable Risks**

Business owners learn to deal with their fears!

For example, business owners don't receive a paycheck. Their income is from whatever is left over after the employees are paid and the other expenses.

Nobody enjoys losing money, and nearly every rich person has lost money. However, that doesn't stop them from learning and trying again. Often, success is born out of failure.

## The Benefits Of Owning A Successful Business

What is the main thing that draws people into owning their own business? Financial freedom! Also, many have time freedom because they created it, so the company runs automatically, with their presence or without.

### A List of Assets In Order of Importance

1. Business(s) that don't require your presence.
2. Stocks
3. Bonds
4. Real estate that generates cash.
5. Notes
6. Royalties
7. Miscellaneous. Side jobs or anything of value that people will pay you money.

### The Rich Use Corporations

"The biggest secret of the rich" according to Robert is corporations. This is because corporations are a good way to shield your business and assets. They are protected if you are sued. Additionally, many pay fewer taxes because of corporations.

### Risk Taking And Luck

The rich are not afraid of risk. This is how they became wealthy. Robert's poor dad avoided risk and wanted him to get good grades with a reasonable degree so he could land a great job.

Luck has nothing to do with winning the lottery. The rich don't gamble! They know the odds are stacked against them. Instead, success has everything to do with hard work and capitalizing on opportunities.

Starting early is the best way to manage risk. The stock market is an excellent example of starting soon because if you invest in your 20's and don't touch it by the time you are 80, it will have grown dramatically. However, if you start in your 30's or 40's you will have to invest a lot more cash and wait longer to reap the benefits.

Leadership is critical in business. This book says it is the most vital part of a company. In fact, the millionaires in *The Millionaire Mind*, considered leadership, and people skills far more important than good grades.

Many wealthy people have both lost money and failed. Sometimes, their first attempt or two failed, and they had to close down. Possibly, lost everything to the

point of bankruptcy. However, they didn't give up but tried again, and this time their business succeeded, so much that it made up for their previous failures. Their failure and lost money inspired them to win.

Failing inspires the rich to win!

## **Pay Yourself First**

The rich save money, and they don't touch their savings. Robert pays himself first, even if he has bills to pay. Furthermore, they use their assets to pay for their expenses and liabilities. Most people, however, pay themselves last after they paid their bills. But, they have nothing left over to save.

### **Ideas On How To Pay Yourself First**

- Keep your debts low. An enormous debt such as a big house payment or expensive car significantly cuts into your cash flow.
- Avoid at all costs dipping into your savings or investments to pay your bills.
- The more you buy, the less you can save.

Impulsive buying is a challenge that most of us face. How can you overcome it? Writing lists are one way. This does a couple things. You save a lot of time in the grocery store who are masters at placing merchandise where you are sure to see and hopefully be tempted to throw in your basket. Another strategy is to wait 24 hours to think it over. This gives you space to decide if you really need it.

Sometimes, our wants are so strong that we rationalize them into needs. You can avoid this by writing. For example, I am suggesting you justify in writing why this thing is a need and not a want. Doing this will help you think with your head instead of your emotions. You will avoid buying stuff you don't need and rarely use.

Bret Bradshaw wrote this book review

The original copy is posted at [Bretadambradshaw.com](http://Bretadambradshaw.com)

