Rich dad poor dad

by Robert T. Kiyosaki · Language: EN

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Overview

Rich Dad Poor Dad by Robert T. Kiyosaki is a personal finance book that challenges conventional wisdom about money and investing. It tells the story of Kiyosaki's two fathers: his 'poor dad' (his biological father), a highly educated man who struggled financially, and his 'rich dad' (the father of his best friend), an eighth-grade dropout who became one of the wealthiest men in Hawaii. The book contrasts their differing philosophies on money, work, and life, arguing that traditional schooling prepares people for the 'rat race' of working for money, rather than teaching them how to make money work for them.

Kiyosaki advocates for financial literacy, emphasizing the importance of understanding assets versus liabilities, the power of corporations, and the value of investing in income-generating assets like real estate and businesses. He argues that the rich acquire assets, while the middle class acquires liabilities they think are assets. The book encourages readers to take control of their financial future by educating themselves, taking calculated risks, and developing an entrepreneurial mindset, rather than solely relying on a paycheck or job security. It aims to shift readers' perspectives on wealth creation and financial independence.

Key Takeaways

- Understand the fundamental difference between an asset (something that puts money in your pocket) and a liability (something that takes money out of your pocket).
- The rich don't work for money; instead, they learn how to make money work for them through smart investments and asset acquisition.
- Prioritize financial education over traditional academic education to gain true financial intelligence.
- Focus on building your 'asset column' by acquiring income-generating assets, rather than just working for a salary.
- Learn about taxes and the legal advantages available to corporations and investors.
- Overcome common financial obstacles like fear, cynicism, laziness, bad habits, and arrogance to achieve financial success.
- Work to learn new skills and gain experience, not just for the paycheck.
- Pay yourself first by setting aside money for investments before paying bills or discretionary expenses.

Chapter Summaries

Introduction: Rich Dad, Poor Dad

Kiyosaki introduces his two fathers: his biological "poor dad" (highly educated, government employee) and his best friend Mike's "rich dad" (eighth-grade dropout, successful entrepreneur). He explains how both men offered him contrasting advice on money, work, and life, shaping his financial philosophy. The introduction sets the stage for the book's central theme: the different mindsets and approaches to wealth building that he learned from each man, emphasizing that true education about money often comes from outside traditional schooling. He highlights the confusion and internal conflict he experienced trying to reconcile these two powerful, yet opposing, influences.

Lesson 1: The Rich Don't Work for Money

This lesson begins with young Robert and Mike working for Rich Dad for a meager 10 cents an hour, then being "fired" to teach them a lesson. Rich Dad explains that the poor and middle class work for money, while the rich have money work for them. He introduces the concept of the "Rat Race," where people get stuck in a cycle of earning, spending, and increasing expenses without building assets. The lesson emphasizes the importance of understanding the difference between an asset (something that puts money in your pocket) and a liability (something that takes money out of your pocket), and how fear and desire drive most people's financial decisions, keeping them trapped.

Lesson 2: Why Teach Financial Literacy?

Kiyosaki argues that schools teach professional skills but fail to teach financial literacy, leaving most people unprepared for the real world of money. He elaborates on the importance of understanding accounting, investing, markets, and the law. This lesson introduces the core concept of the income statement and balance sheet, explaining how the cash flow patterns differ for the poor, middle class, and rich. The poor and middle class often acquire liabilities they think are assets (like a house with a mortgage or a car), while the rich focus on acquiring income-generating assets that build their wealth over time, such as real estate, stocks, or businesses.

Lesson 3: Mind Your Own Business

This lesson stresses the importance of building and maintaining an asset column. Kiyosaki advises people to keep their day job but to start "minding their own business" by acquiring real assets outside of their primary employment. He distinguishes between a profession or job and a business, stating that one's profession might be a doctor, but their business should be investing in real estate, stocks, or other income-generating ventures. He warns against the common mistake of buying liabilities (like expensive cars or houses) before building a solid foundation of assets, emphasizing that true wealth comes from owning systems and investments that produce

income.

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

Kiyosaki delves into the history of taxes, explaining how they were initially levied on the rich but eventually shifted to the middle class. He highlights the power of corporations as a legal structure that the rich use to protect their assets, minimize taxes, and defer income. He explains that corporations allow the rich to earn money, spend it, and then pay taxes on what's left, whereas employees earn, pay taxes, and then spend. This lesson introduces the concept of financial intelligence involving understanding tax laws and using legal structures to one's advantage, rather than simply earning more money.

Lesson 5: The Rich Invent Money

This lesson challenges the notion that you need money to make money. Kiyosaki argues that financial intelligence allows the rich to "invent" money by recognizing opportunities others miss, structuring deals creatively, and leveraging knowledge. He shares examples of how he and Rich Dad found undervalued assets, negotiated favorable terms, and created value where others saw none. The lesson emphasizes creativity, problem-solving, and the ability to see beyond conventional thinking. It highlights the importance of developing a strong financial IQ to identify and capitalize on market inefficiencies and create wealth from seemingly ordinary situations.

Lesson 6: Work to Learn—Don't Work for Money

Kiyosaki advises against working solely for a paycheck and instead encourages working to acquire valuable skills. He suggests that young people should seek jobs that offer learning opportunities in areas like sales, marketing, communication, negotiation, and accounting, even if the pay is not high. He contrasts this with his "poor dad's" advice to specialize in one field. The lesson advocates for a broad range of skills, particularly "soft skills" and understanding systems, which are crucial for entrepreneurship and investing. It emphasizes that the most valuable asset is one's mind and the ability to learn and adapt.

Overcoming Obstacles

This section addresses the common personal obstacles that prevent people from becoming financially independent. Kiyosaki identifies five main hurdles: fear (of losing money), cynicism (doubting opportunities), laziness (often disguised as busyness), bad habits (like spending before saving), and arrogance (believing one knows everything). He provides strategies for overcoming each, such as managing fear by taking calculated risks, combating cynicism with education, and overcoming laziness by paying oneself first. This part focuses on the psychological and emotional aspects of wealth building, stressing that mindset is as crucial as financial knowledge.

Getting Started (Ten Steps to Develop Your Financial Genius)

This section provides actionable steps for readers to begin their journey toward financial freedom. Kiyosaki outlines ten practical steps, including: finding a reason greater than reality,

making daily choices, choosing friends carefully, mastering a formula and then learning a new one, paying yourself first, paying your brokers well, being an "Indian giver" (getting something back for free), using assets to buy luxuries, choosing heroes, and teaching to receive. These steps are designed to cultivate financial intelligence, encourage proactive behavior, and shift one's mindset from consumer to investor.

Still Want More? (Actionable Advice)

This concluding section offers further encouragement and practical advice for those committed to financial education. Kiyosaki reiterates the importance of continuous learning, taking action, and seeking out mentors. He emphasizes that financial education is an ongoing process and that the journey to wealth is about making conscious choices every day. He encourages readers to start small, learn from mistakes, and persist in their pursuit of financial freedom, reinforcing the book's core message that financial intelligence is a skill that can be developed and applied by anyone willing to learn.

Themes

- Financial literacy
- Asset building
- Entrepreneurial mindset
- Passive income
- Financial independence

Frequently Asked Questions

What is Rich dad poor dad about?

Rich Dad Poor Dad is about the contrasting financial philosophies of Robert Kiyosaki's two 'dads'—his highly educated biological father and his wealthy best friend's father. It advocates for financial literacy, investing in assets, and developing an entrepreneurial mindset to achieve financial independence, challenging the traditional advice of getting a good job and saving money.

Is Rich dad poor dad worth reading?

Yes, Rich Dad Poor Dad is widely considered worth reading for its ability to shift perspectives on money and wealth. It introduces fundamental concepts like assets vs. liabilities and the importance of financial education, which can be eye-opening for many readers, especially those new to personal finance. It provides a strong foundational mindset for wealth building.

Who should read Rich dad poor dad?

Rich Dad Poor Dad is ideal for anyone interested in personal finance, investing, and entrepreneurship. It's particularly beneficial for young adults, students, or individuals feeling stuck in the 'rat race' who are looking for alternative perspectives on how to build wealth and achieve financial freedom beyond traditional employment.

How long does it take to read Rich dad poor dad?

On average, it takes approximately 3 to 4 hours to read Rich Dad Poor Dad. This estimate is based on an average reading speed of 250 words per minute and the book's typical length of around 200-250 pages, which translates to roughly 50,000 to 60,000 words.

How does Rich dad poor dad end?

Spoiler: The book concludes by encouraging readers to take action and apply the lessons learned. Kiyosaki provides practical steps for getting started, such as finding a strong reason to be rich, making daily choices to learn, choosing friends wisely, paying yourself first, and teaching others. It emphasizes continuous learning and overcoming common obstacles to achieve financial success.

Best Quotes

“The single most powerful asset we all have is our mind.”

Work to Learn—Don't Work for Money

This quote emphasizes the importance of financial education and developing one's financial intelligence. Kiyosaki argues that a trained mind is capable of identifying opportunities and solving financial problems, making it more valuable than any physical asset. It's a core theme throughout the book, particularly when discussing learning over earning.

“The rich don't work for money.”

The Rich Don't Work for Money

This is a foundational principle taught by Rich Dad. It means that wealthy individuals focus on building assets that generate income for them, rather than trading their time for a paycheck. They understand how to make money work for them through investments and businesses, creating financial freedom.

“An asset puts money in your pocket. A liability takes money out of your pocket.”

Why Teach Financial Literacy?

This is Rich Dad's simple yet profound definition of assets and liabilities, challenging conventional accounting. It's crucial for understanding cash flow and distinguishing between things that generate income (assets) and things that incur expenses (liabilities), like a personal

home, which many mistakenly consider an asset.

“Mind your own business.”

Mind Your Own Business

This advice from Rich Dad encourages readers to focus on building their asset column, separate from their primary job. It means investing in things like real estate, stocks, or businesses that generate passive income, rather than solely relying on a salary, to achieve true financial independence.

“The poor and middle class work for money. The rich have money work for them.”

The Rich Don't Work for Money

This encapsulates the core distinction between the financial philosophies of the two dads. It highlights the 'rat race' where most people exchange time for money, while the rich build systems and assets that generate wealth independently of their direct labor, leading to financial freedom.

“Financial struggle is often the direct result of people working all their lives for someone else.”

The Rich Don't Work for Money

This statement critiques the traditional path of employment, suggesting that relying solely on a job for income limits financial freedom and wealth accumulation. It reinforces the idea of building one's own assets and financial independence, rather than depending on an employer for security.

“It's not how much money you make, but how much money you keep.”

The History of Taxes and the Power of Corporations

This emphasizes the importance of financial management, budgeting, and minimizing expenses and taxes. High income alone doesn't guarantee wealth; the ability to retain and invest that income is what truly builds financial security and growth, focusing on the asset column.

“The main reason people struggle financially is because they spend their lives working for money, instead of learning how to have money work for them.”

The Rich Don't Work for Money

This reiterates the central theme of the book. It points out that a lack of financial education leads people to pursue traditional employment without understanding how to leverage money through investments and asset building, trapping them in a cycle of dependency and the 'rat

race'.

“The fear of being different prevents most people from seeking new ways to solve their problems.”

The Rich Invent Money

This quote addresses the psychological barriers to financial success. Kiyosaki suggests that societal norms and the fear of deviating from them often keep people from exploring unconventional, yet potentially more effective, financial strategies, hindering their ability to 'invent money' and build wealth.

“The poor and the middle class buy liabilities they think are assets.”

Why Teach Financial Literacy?

This is a direct consequence of Rich Dad's asset/liability definition. It specifically refers to items like a primary residence or a new car, which many people consider assets but actually drain money from their pockets through expenses and depreciation, hindering their financial progress.

“Your house is a liability, not an asset.”

Why Teach Financial Literacy?

This is one of the most controversial and memorable statements in the book. Kiyosaki argues that because a primary residence typically incurs expenses (mortgage, taxes, maintenance) and doesn't generate income, it acts as a liability, not an asset, for most people, impacting their cash flow negatively.

“Learn to use your emotions to think, not think with your emotions.”

The Rich Don't Work for Money

This advice from Rich Dad highlights the importance of emotional intelligence in financial decision-making. Kiyosaki argues that fear and greed often drive poor financial choices, and one must learn to observe and analyze these emotions rather than letting them dictate actions, especially in investing.

“The world is full of talented people who are poor.”

The Rich Invent Money

This quote underscores that talent or intelligence alone is insufficient for financial success. It emphasizes the critical role of financial literacy, business acumen, and understanding how money works, which are often not taught in traditional education, leading many skilled

individuals to financial struggle.

“Financial intelligence is simply having more options.”

The Rich Invent Money

Kiyosaki defines financial intelligence not just as knowing facts, but as the ability to adapt, innovate, and create solutions to financial challenges. It's about having the knowledge and skills to navigate various economic situations and seize opportunities, thereby expanding one's financial choices and freedom.

“The main reason people are poor is because they are afraid to lose.”

The Rich Invent Money

This quote addresses the psychological barrier of fear, particularly the fear of failure or losing money. Kiyosaki argues that taking calculated risks and learning from mistakes are essential for financial growth, whereas avoiding risk altogether leads to stagnation and keeps people in the 'rat race'.

“The single most important rule is to know the difference between an asset and a liability.”

Why Teach Financial Literacy?

This reiterates the core lesson of financial literacy. Kiyosaki argues that understanding this fundamental distinction is paramount for building wealth, as it guides decisions on what to acquire and what to avoid to improve one's financial position and ensure positive cash flow.

“A job is a short-term solution to a long-term problem.”

The Rich Don't Work for Money

This quote critiques the traditional mindset of relying solely on employment for financial security. While a job provides immediate income, Kiyosaki suggests it doesn't address the long-term need for financial independence and wealth creation through assets, keeping individuals dependent on their paycheck.

“The rich buy assets. The poor and middle class buy liabilities.”

Why Teach Financial Literacy?

This is a concise summary of the differing financial strategies. The wealthy focus on acquiring income-generating assets, while others often spend on depreciating items or things that incur ongoing costs, hindering their financial progress and keeping them from building true wealth.

“Cash flow tells the story.”

This emphasizes the importance of understanding how money moves in and out of one's financial life. Kiyosaki argues that focusing on cash flow, rather than just income or net worth, is key to assessing true financial health and building wealth, as positive cash flow from assets is paramount.

“The biggest bully in the world is the taxman.”

This highlights Kiyosaki's view on taxes as a significant drain on wealth, especially for the poor and middle class. He argues that the rich understand and utilize legal tax advantages, often through corporations, to minimize their tax burden, paying taxes last.

Questions & Answers

What is the main difference between Rich Dad and Poor Dad in the book?

The main difference lies in their financial philosophies and advice. Poor Dad, Robert Kiyosaki's biological father, was highly educated but financially struggling, advocating for a good job, security, and saving money. Rich Dad, his best friend's father, was a high school dropout who became a wealthy entrepreneur, teaching Kiyosaki about assets, liabilities, making money work for him, and financial independence. Their contrasting views form the core lessons of the book.

What does Kiyosaki mean by "financial literacy" in the context of the book?

Financial literacy, according to Kiyosaki, is the ability to understand accounting, investing, markets, and the law. It's not just about making money but knowing how to manage it, keep it, and make it grow. He emphasizes understanding the difference between assets and liabilities, how cash flow works, and how to leverage knowledge to create wealth rather than just earning a paycheck.

How does Kiyosaki define an "asset" and a "liability"?

Kiyosaki offers a simple, cash-flow-based definition: an asset is anything that puts money into your pocket, while a liability is anything that takes money out of your pocket. This challenges traditional accounting definitions, where a house might be considered an asset. For Kiyosaki, a rental property that generates income is an asset, but a personal home with mortgage payments and expenses is a liability.

Why does Kiyosaki controversially state that "your house is a liability"?

Kiyosaki argues that for most people, their primary residence is a liability because it generates no income and incurs significant expenses such as mortgage payments, property taxes, insurance, and maintenance. These costs consistently take money out of the owner's pocket. He contrasts

this with an income-generating rental property, which he would classify as an asset.

What is the "rat race" and how does Kiyosaki suggest one escapes it?

The "rat race" describes the endless cycle where people work for money, pay bills, and then need to work more to pay more bills, often increasing their expenses as their income rises. Kiyosaki suggests escaping it by acquiring income-generating assets that eventually cover living expenses, thereby achieving financial independence. This means making money work for you, rather than working for money.

What is the significance of Rich Dad's advice to "mind your own business"?

"Mind your own business" means focusing on building your asset column, separate from your primary job. While a job provides income, it doesn't build wealth directly. Rich Dad encourages investing in real estate, stocks, or other ventures that generate passive income, allowing individuals to create financial independence and not solely rely on their employer for security.

How do the rich avoid paying taxes, according to Kiyosaki?

Kiyosaki explains that the rich, particularly through corporations, utilize legal tax advantages and loopholes. Historically, taxes were levied on the rich, but they found ways to minimize their burden by forming corporations, which can pay expenses and invest before paying taxes. The rich also understand how to structure their income and investments to benefit from tax codes, often paying taxes last, unlike employees.

What role do emotions play in financial decisions, according to Kiyosaki?

Kiyosaki argues that emotions like fear and greed often drive poor financial decisions. Fear of losing money can prevent people from investing, while greed can lead to impulsive, risky ventures. He advises learning to use emotions to think, rather than thinking with emotions, meaning one should acknowledge and analyze these feelings but make decisions based on financial intelligence and logic.

What are the main lessons Kiyosaki learned from his Rich Dad?

Kiyosaki learned six core lessons: the rich don't work for money; the importance of financial literacy (knowing the difference between assets and liabilities); minding your own business; the history of taxes and the power of corporations; the rich invent money; and working to learn, not to earn. These lessons form the chapters and central arguments of the book.

What is the importance of taking risks in financial growth, according to the book?

Kiyosaki emphasizes that taking calculated risks is essential for financial growth. He argues that the fear of losing money often prevents people from investing or pursuing entrepreneurial ventures, keeping them in the "rat race." Rich Dad taught him that learning from failures and understanding how to manage risk are crucial skills for building wealth and "inventing money."

What does Kiyosaki suggest about traditional education in "Rich Dad Poor Dad"?

Kiyosaki critiques traditional education for failing to teach financial literacy. He argues that schools prepare students to be good employees by teaching academic and professional skills, but not how to manage money, invest, or build assets. This leaves many highly educated individuals financially struggling because they lack crucial financial intelligence.

What is the difference between working for money and having money work for you?

Working for money means exchanging your time and effort for a salary or wage, which is the path of the poor and middle class. Having money work for you, as taught by Rich Dad, means acquiring assets that generate passive income, such as rental properties, stocks, or businesses, allowing your wealth to grow independently of your direct labor.

What are the six main lessons presented in "Rich Dad Poor Dad"?

The six main lessons are: The Rich Don't Work for Money; Why Teach Financial Literacy?; Mind Your Own Business; The History of Taxes and the Power of Corporations; The Rich Invent Money; and Work to Learn—Don't Work for Money. Each lesson forms a chapter, guiding the reader through Kiyosaki's financial philosophy.

How does Kiyosaki encourage readers to "invent money"?

Kiyosaki encourages readers to "invent money" by developing their financial intelligence to identify opportunities, structure deals, and create assets where others see only problems. This involves creativity, problem-solving, and understanding market dynamics to generate wealth through innovative strategies, rather than just earning a paycheck.

What are the five main obstacles to financial success discussed in the book?

Kiyosaki identifies five main obstacles: fear (of losing money), cynicism (doubting opportunities), laziness (avoiding financial education or action), bad habits (like spending before paying oneself), and arrogance (thinking one knows it all). Overcoming these psychological barriers is crucial for applying Rich Dad's lessons.

What is the overall message or purpose of "Rich Dad Poor Dad"?

The overall message is to challenge conventional wisdom about money and work. Kiyosaki aims to educate readers on financial literacy, emphasizing the importance of acquiring income-generating assets, understanding taxes, and developing an entrepreneurial mindset to achieve financial independence, rather than relying solely on a job and traditional savings.

Spoiler: What is the ultimate goal Kiyosaki aims for by the end of the book regarding financial freedom?

Spoiler: The ultimate goal Kiyosaki aims for is financial freedom, where one's passive income from assets exceeds their living expenses. This allows individuals to stop working for money and

instead have money work for them, providing the time and resources to pursue their passions without financial constraints.

What practical steps can readers take based on the book's advice?

Practical steps include: increasing financial literacy by studying accounting, investing, and law; focusing on acquiring income-generating assets like real estate or stocks; minimizing liabilities; paying yourself first; understanding and leveraging taxes; and developing an entrepreneurial mindset to identify and create opportunities.

Who are the main characters in "Rich Dad Poor Dad"?

The main characters are Robert Kiyosaki (the author and narrator), his "Poor Dad" (his highly educated biological father), and his "Rich Dad" (his best friend Mike's father, a successful entrepreneur who mentors Robert in finance). Mike is also a recurring character, learning alongside Robert.

What is the role of corporations in Kiyosaki's financial strategy?

Kiyosaki highlights corporations as a powerful tool for the rich to minimize taxes and protect assets. He explains that corporations allow expenses to be paid before taxes, offer legal protection, and provide opportunities for wealth accumulation that are not available to individual employees. He encourages readers to learn how to use corporate structures legally and strategically.