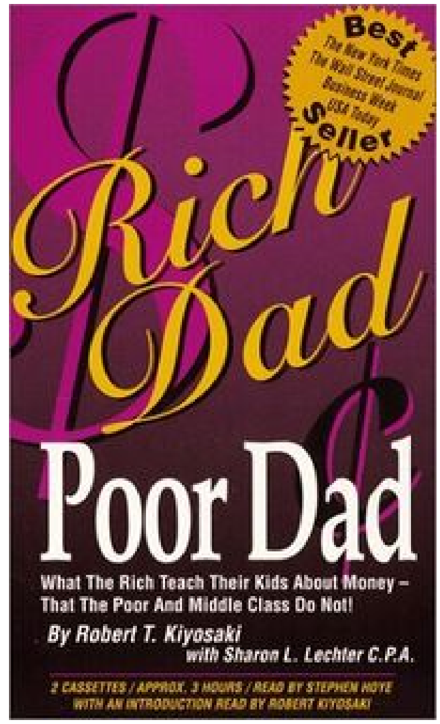
Rich Dad, Poor Dad

From WikiSummaries, free book summaries

The book is the story of a person (the narrator and author) who has two fathers: the first was his biological father – the poor dad - and the other was the father of his childhood best friend, Mike – the rich dad. Both fathers taught the author how to achieve success but with very disparate approaches. It became evident to the author which father's approach made more financial sense. Throughout the book, the author compares both fathers – their principles, ideas, financial practices, and degree of dynamism and how his real father, the poor and struggling but highly educated man, paled against his rich dad in terms of asset building and business acumen.

The author compares his poor dad to those people who are perpetually scampering in the Rat Race, helplessly trapped in a vicious cycle of needing more but never able to satisfy their dreams for wealth because of one glaring lack: financial literacy. They spend so much time in school learning about the problems of the world, but have not acquired any valuable lessons about money, simply because it is never taught in school. His rich dad, by contrast, represents the independently wealthy

Rich Dad, Poor Dad



(/wiki/File:Richdadpoordad.jpg)

Author	Robert Kiyosaki
Country	United States
Language	English
Genre(s)	Novel
Publisher	
Released	April 1, 2000
Media Type	Hardback & Paperback
Pages	207
ISBN	ISBN 0446677450 (/wiki/Special:BookSources/0446677450)

core of society who deliberately takes advantage of the power of corporations and their personal knowledge of tax and accounting (or that of their financial advisers) which they manipulate to their advantage.

The book's theme reduces to two fundamental concepts: a can-do attitude and fearless entrepreneurship. The author highlights these two concepts by providing multiple examples for each and focusing on the need for financial literacy, how the power of corporations contribute to making the wealthy even wealthier, minding your own business, overcoming obstacles by not fostering laziness, fear, cynicism and other negative attitudes, and recognizing the characteristics of humans and how their preconceived notions and upbringing hamper their financial freedom goals.

The author presents six major lessons which he discusses throughout the book:

- The rich don't work for money
- The importance of financial literacy
- Minding Your own business
- Taxes and corporations
- The rich invent money
- The need to work to learn and not to work for money

Contents

Character Summaries

Rich Dad, Poor Dad revolves around three main characters: poor dad, rich dad (Kiyosaki's second father) and the son (the author himself as narrator of the book). The essence of each character is:

- Poor dad – educated but lacking the street smarts
- Rich dad – very little education (eighth grade), tons of street smarts
- Kiyosaki – the spectator who learns lessons from both but internalizes only rich dad's traits

Poor Dad

The author compares his poor dad to the millions of fathers who encourage their sons to do well in school so they could get a good job with a good company. Poor dad believed in the traditional principles of working hard, saving money, and not buying material things that one cannot afford. He believed that having a good job with a solid company is what one should aspire for; hence he expresses disappointment when his son leaves the employ of a large, reputable corporation.

Poor dad looks to education as the passport to success. He held a doctorate degree, went to Ivy League universities, but was always struggling financially. He believed he would never be a rich man and the author points out that this became a self-fulfilling prophecy. Poor dad was more interested in a good education than the subject of money. The author wrote that his poor dad would always say things like, "I'm not interested in money" or "money doesn't matter."

The author points out that poor dad was preoccupied with things like job tenure and security, Social Security, vacation and sick leaves, company insurance and salary raises and promotions. The author felt that his poor dad was more interested in these factors rather than on the job itself. This is what the author calls being trapped in the Rat Race. His poor dad worked hard incessantly but somehow never made it ahead financially. Poor dad's approach to the subject of money was based on working hard to have enough money to pay the bills (in contrast to rich dad's approach to make one's money work for him).

Rich Dad

The author wrote that it was when he was nine years old that he started realizing that his rich dad made much more sense than his poor dad. It was from rich dad that the author learned not to say, “I can’t afford it”, but instead to ask, “how can I afford it?” He explains this principle by relating an incident when he and his best friend Mike went to work for Mike’s father. Rich dad paid them very low wages deliberately so that would stir anger and a sense of injustice in them and eventually for them to realize that in order to get ahead, one must work for himself and not for others. For example, in that part of the book when the author complains to rich dad that he can hardly afford to buy anything with the wages he is paid, rich dad tells him that he shouldn’t dwell on the fact that his wages are low, but instead ask “how can I make more money” because this stimulates the brain to take action. His rich dad says that when someone says, “I can’t afford it”, his brain stops working. It therefore kills initiative and promotes passivity.

The author adds that while his poor dad invested time and effort in education, he did not have any knowledge on investing. His rich dad, by contrast, was very skilled in the investment game because that’s all he did. The attitude of his rich dad about money was manifested in the saying “the lack of money is the root of all evil” (his poor dad, on the other hand, believed that the love of money is the root of all evil).

According to the author, rich dad also nurtured the idea that taxes punished producers and rewarded the non-producers. He was the type who encouraged money talk at the dinner table and was portrayed by the author as someone who learned to manage risk, instead of not taking risks.

The Son (Robert T. Kiyosaki)

The author begins his book, Rich Dad, Poor Dad, by saying that he is fortunate in having had two fathers. He learned valuable lessons from both of them, but in Chapter One it becomes evident which father had the more sensible approach towards money. He compares and contrasts both fathers’ views about working hard, getting an education, saving and investing and realizing how habits of the rich and poor significantly differ. He attributes his financial acumen through the many conversations he carried out with his rich dad.

The author takes a common sense approach to the subject of money and emphasizes the need for accounting knowledge so that the reader clearly understands what assets and liabilities are. He makes simple diagrams that show the inflow and outflow of money and how the rich build up the asset column and the poor build up the liability column (expenses). It is obvious that the author places much importance on accounting knowledge – no matter how boring it is - because he says it is “the most important subject in your life.”

By using numerous examples and anecdotes, the author drives home his messages effectively, revealing his pro-capitalist stance.

The author also shows his understanding of the mechanisms employed by the government and the tax man and concludes that it is the middle class that actually pay for the poor. The rich are the ones who are hardly taxed because they have the knowledge to use tax legislation to their advantage.

Chapter Summaries

Chapter 1: Rich Dad, Poor Dad

The story of Robert Kiyosaki and Mike starts in 1956 Hawaii, when both boys were a nine years old. Their first get-rich scheme was a counterfeit nickel making company. They made plaster molds of the nickels and melted lead toothpaste tubes and filled the molds to produce the nickels. Their plan was foiled by Mike's father, who informed the boys of their illegal activity. After that day, the boys dedicated their free time to leaning about finance and economics from Mike’s father, the rich dad. The first lesson Mike’s dad made the boys experience was hatred of the “Rat Race”. He was able to achieve this by making the boys work in one of his grocery stores for three hours for ten cents an hour pay. Within a few weeks, Kiyosaki, tired of being exploited for labor, demanded that he receive a raise, but instead, Mike’s father cut his pay and told him to work for free. Eventually, both boys tired of being under appreciated (and unpaid) and they met individually with Mike's father. In their meetings with rich dad, he apologized for lack of pay and he offered them either the moral of the lesson or a pay raise. Both boys chose to learn the moral of the lesson, while rich dad offered them pay raises. He started at twenty-five cents, a dollar, two dollars, and even five dollars, which would have been considered a large amount of money for an hourly wage, but the boys still remained strong with their decision to learn the moral of the lesson. The lesson to get out of the “Rat Race” and instead of spending your whole life working to put a little money in your pocket and a bunch of money in someone else’s pocket, have people work hard to put money in your pocket. Out of all the lessons that were taught to the boys, this one was the most important. (Kiyosaki and Lechter 28-35)

Chapter 2: The Rich Don’t Work for Money

The author tells his readers to forget the notion that life teaches. He says “the only thing that life does is push you around.”

This chapter talks about people who are more comfortable in playing it safe because they were not taught early to take risks. The author develops the ideas that the poor and the middle class work for money, fear and greed cause ignorance and poverty, and the importance of using one’s emotions versus thinking with emotions. The author also stresses that opportunities in life come and go; the rich recognize them instantly and turn them into gold bullions. Others do not see these opportunities because they’re too busy seeking money and security. As the author says, well “that’s all they’re going to get.”

Chapter 3: Why Teach Financial Literacy

The story of Kiyosaki and Mike continues later in life, 1990, and both of the now adults have made incredible leaps and bounds with regards to their finances and their socioeconomic status. Mike was able to take the lesson from his father and apply them to his life. He took control of his father’s large business and increased every aspect of the empire and he is currently raising his son to take control of the company once he retires. As for Kiyosaki, he was able to retire at the age of 47 with his wife Kim. At a business meeting at the Edgewater Beach Hotel in Chicago, Charles Schwab, Samuel Insull, Howard Hopson, Ivar Kreuger, Leon Frazier, Richard Whitney, Arthur Cotton, Jesse Livermore and Albert Fall met to talk about different investments and money schemes. Twenty-five years later, a report stated that a large majority of those extremely wealthy people that met in Chicago either ended up in jail, dead or penniless. The major idea to take from the results of these unfortunate entrepreneurs is that you need financial literacy to be and stay safe. The idea that was represented with the big 1920’s entrepreneurs is still prevalent today with some of the professional athletes making poor financial decisions and ending up with next to nothing. This specific lesson is meant to teach people not to be wise with your money once you have it, but rather be smart with your money before you have it. In a way, don’t try to build a skyscraper or even a house without building a strong foundation first. According to Kiyosaki, there is one rule, and only rule that can help a person to build a strong foundation; know the difference between an asset and a liability, and make sure that you only control assets. (Kiyosaki and Lechter 56)

When it comes to beliefs about money buying freedom and the ability to enjoy retirement without fear of outliving one’s money, this chapter catches the essence of the author’s advocacy for financial independence. He says, “Intelligence solves problems and produces money. Money without financial intelligence is money soon gone.”

The author believes that financial literacy begins with a working knowledge of accounting. It is essential to know the difference between assets and liabilities. To make these two terms understandable to readers, the author makes a rudimentary diagram of these two concepts to motivate them to purchase assets in order to solidify the asset column, while keeping the liabilities (expenses) to a bare minimum. The author states that poor people remain poor because they do the opposite. They pile up on their liabilities and have zero assets so that their balance sheets and income statements look out of kilter. People have to understand that it's not how much they make, but how much they keep according to the author, and this is an essential principle that this chapter focuses on.

Chapter 4: Mind Your Own Business

In this chapter, the author slowly introduces the concept of real estate investing and uses McDonald's as an example. He points out that McDonald's may not make the best hamburgers in the world, but owns the "most valuable intersections and streets in America." The author remarks that individuals need to mind their own business if they wish to become financially self-sufficient. They shouldn't mind their employer's business, they should strive for ways to become their own boss and nurture their own businesses.

The author continues his discussion on building assets. To him, real assets are anything with value – stocks, bonds, mutual funds, income-producing real estate, notes, royalties from intellectual property, etc.

This chapter also reveals the author's investment preferences: real estate and stocks. For real estate, he says he starts small, and trades his properties for bigger ones and then delays paying taxes on capital gains through one IRS mechanism.

Chapter 5: The History of Taxes and the Power of Corporations

The author states that the poor let the big machinery (corporations) manipulate them whereas the rich know how to use big machinery. This means that the rich possess the knowledge and savoir faire to use the power of the corporation to protect and enhance their assets. The advantage of a corporation versus that of the individual lies in how corporations pay taxes, according to the author. He makes this point clearly: individuals earn money, pay taxes on that money, and live with what's left. The corporation, on the other hand, earns money, spends everything it can, and is taxed on anything that's left. The author adds that individuals may not be aware of how much they're being manipulated; they work from January to mid-May to enrich the government by paying taxes on their income. In the meantime, the rich are hardly taxed.

The author recommends developing one's financial IQ as one way of leaving the humdrum of daily existence. This is accomplished by gaining knowledge of accounting, investing, understanding the markets, and the law. He says being ignorant gets you bullied whereas being informed translates into "you have a fighting chance."

Chapter 6: The Rich Invent Money

The author develops the concept of self-doubt. He says that each person is born with talent but that talent is suppressed because of self-doubt and fear. He remarks that it's not necessarily the educated smart people who get ahead but the bold and adventurous. People never get ahead financially even if they have plenty of money because they have opportunities that they fail to tap, he stresses. Most of them just sit around waiting for opportunity to happen. The author's idea is that people create luck; they should not wait around for it. He says it's the same with money. It has to be created.

In this chapter, the author discusses the importance of an education (although some critics say that he appears to downplay its importance). The author is clear by saying, "a trained mind is a rich mind." In his analysis, there are two types of investors, each with a different mind set: those who go for the packaged investment, and those who customize investments to suit their objectives.

The author encourages people to hire people more intelligent than they because by capitalizing on the knowledge of others, an intelligent individual builds his own knowledge base and therefore has more power over those who don't know.

Chapter 7: Work to Learn, Don't Work for Money

This is the chapter where the author talks about the skills individuals need to develop for financial success.

The reader is given an example of a young woman who had a Master's Degree in English Literature and who was offended when it was suggested that she learn to sell and do direct marketing. After all the hard work for her degree, she didn't think she would have to stoop so low to learn how to be a salesperson, a profession she didn't think very highly of. The author uses this example to emphasize that there are other skills people need to cultivate to help them on the road towards financial freedom.

The author mentions management skills. He says individuals need to know how to manage cash flow, systems, and people. To that he throws in selling and marketing skills. He puts equal emphasis on communication skills. He says there are many people who have the scientific bent and hence have a powerhouse of knowledge, but they fail miserably in communications. These are the people who are “one skill away from great wealth.”

The author calls attention to one outstanding trait of great wealthy families: they give money away – plenty of it – unlike the poor who feel that charity begins at home.

Chapter 8: Overcoming Obstacles

The opinion of the author is that five personality traits hamper human beings: fear, cynicism, laziness, bad habits, arrogance. He explains that while it’s normal to have fear, what matters is how one handles it. The author shares his sentiment about his particular fondness for Texas and Texans: “When they win, they win big and when they lose, it’s spectacular.”

The author maintains that it’s not merely a question of balance but also FOCUS. He recommends that the Chicken Littles of the world be ignored. They’re only concerned about the sky falling, spending the rest of their lives in pessimism. He says he constantly hears people saying they want to be rich, but when it’s suggested that money can be made from real estate, their initial reaction is “but I don’t want to fix toilets.” The author believes it’s ironic that they’re more concerned about trivia like fixing toilets rather than what lies ahead in real estate. As a final point, the author states that it is healthy to be greedy, so when faced with a decision, a person must always ask, “What’s in it for me?”

Chapter 9: Getting Started

This chapter serves as a section on tips to create and build personal wealth. His first tip is, find a reason greater than reality to motivate you. What he means by this is to wake up the financial genius in oneself by empowering the mind. He says that people must have a strong /purpose for living.

The next tip is to feed the mind. By feeding the mind, the author contends that people acquire power of choice.

The author also advises people to choose friends carefully. He says to avoid people who proclaim incessantly that the sky is falling and instead encourages readers to spend time with people who enjoy talking about money because they may have valuable lessons to share. The author also believes that people should study one field, and then go out and learn a new one, although it is important to choose what one studies.

Here is another tip that the author observes most people don't practice: pay yourself first. Even if short of cash, people must pay themselves first. This goes in tandem with managing three things efficiently: cash flow, people and personal time.

Another tip the author gives is being generous. He thinks it makes a lot of sense to pay one's broker well as he's an ally, and "your eyes and ears to the market."

The author suggests having heroes. They are indispensable in life because they not only inspire, they also make it seem so easy. They stimulate the human mind into thinking, "If they can do it, why can't I?"

"Teach and you shall receive" is another tip that the author shares. His words are eloquent concerning this idea: "There are powers in this world that are much smarter than we are. You can get there on your own, but it's easier with the help of the powers that be. All you need to be is generous with what you have, and the powers will be generous with you."

Chapter 10: Still Want More? Here are Some To Do's

This chapter is sort of a supplement to the previous chapter. It gives readers additional tips to help them reach for financial rewards. One tip is to stop doing what you're doing – that is, if it's no longer working or viable. The author encourages readers to look for new ideas, to pick the brains of individuals who have the experience and who have already done what one aspires to do. He advises on keeping the learning curve alive, taking courses, buying tapes, attending seminars.

In looking for real estate investment opportunities, the author recommends looking in the right places. One way of doing this is to jog around the neighborhood one is interested in. People can acquire real estate even if they don't have sufficient funds for the down payment. In fact, with a bit of cleverness, the author says people can even make money with no capital.

Themes in Rich Dad, Poor Dad

One theme that's apparent in this book is that for an individual to be wealthy, he must aim to own the system or means of production, rather than work for another individual. The author stresses that there is obviously something confining about being an employee; it shuts the mind to other possibilities and it stunts initiative.

Financial intelligence is THE most powerful asset. By studying the precepts of accounting and investing, the author believes that individuals will be able to see the difference between an asset and a liability; in fact it is the more concrete application of learning what's right and what's wrong. Generating a string of expenses is wrong, building assets is right.

Unlike individuals who earn and then pay taxes on what they earn, corporations earn, spend what they want to spend, and pay taxes on what's left. Corporations, therefore, hold a certain degree of power. The rich know how to use this power, the poor don't.

The author also believes that true luxuries are experienced when they are the outward manifestations of intelligent investing and asset building. He cites the example of his wife purchasing a Mercedes Benz because it was the car she liked and worked hard to be able to purchase it. The author cautions however about keeping up with the Joneses and getting into debt because of this human frailty.

Fear, laziness, cynicism and arrogance are to be blamed for most of human inaction.

External Links

Wikipedia's Article (http://en.wikipedia.org/wiki/Rich_Dad_Poor_Dad)

Shvoong Review (http://www.shvoong.com/books/1593579-rich-dad-poor-dad/)

2 Comments WikiSummaries

1 Login

Recommend 13 Share

Sort by Best

Join the discussionâ€¦

Kevin Olson â€¢ 3 days ago

I've written a post on my blog entailing exactly what you would learn if you read this book, in less than 600 words! (Rich Dad Poor Dad)

Heres the link

https://howtobuildaprofitableb...

â€¢ Reply â€¢ Share â€º

essay writing australia review â€¢ 4 months ago

The attitude and character of a person are what do matters most because it might be better than being an educated person. Still, it doesn't mean that a person will remain uneducated but promotes good character as a person but a person also needs to learn something in school.

â€¢ Reply â€¢ Share â€º

ALSO ON **WIKISUMMARIES**

Men Are From Mars, Women Are From Venus Summary at WikiSummaries, free

1 comment • 10 months ago•

Ruchit Shah — Superb Summary. Really helpful. Thanks

WikiSummaries, free book summaries

1 comment • a year ago•

Mark A. Hershberger — This is a comment and again

Harry Potter Summary at WikiSummaries, free book summaries

3 comments • 10 months ago•

BarnZarn — In my summary, just taking harry to hogwarts was probably a whole page already. The hard part is spoilers

The Death and Life of Great American Cities Summary at WikiSummaries, free

1 comment • 10 months ago•

Martin Chammah — Good very good summary

Categories (/wiki/Special:Categories): Books (/wiki/Category:Books)

Bestsellers (/wiki/Category:Bestsellers) Novels (/wiki/Category:Novels)

Self Help (/wiki/Category:Self_Help)

Business, Investing, Finance (/wiki/Category:Business,_Investing,_Finance)

Published in 2000 (/wiki/Category:Published_in_2000)