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RICH DAD POOR DAD

Robert Kiyosaki

Robert T. Kiyosaki wrote the bestselling book Rich Dad Poor Dad 20 years ago on his 50th birthday, April 8, 1997. By 2000 the book hit the New York Time Bestsellers list and the rest is, as they say, history.

Robert grew up in an upper middle class family that struggled financially, but with the guidance of his best friend's dad he managed to learn and invest his way to early retirement by 47. Thankfully he's recorded these unconventional wisdoms into a book that we can all use to increase our financial intelligence and our asset column.

SUMMARY:

In "Rich Dad Poor Dad" Robert talks about the importance of financial literacy being the key to ending the cycle of living paycheck to paycheck. He goes over many of the most prevalent misconceptions about acquiring and managing wealth in order to dispel the myths that keep the majority of people poor.

Robert explains how the reason that the rich get richer and the poor get poorer is because most people are not taught about finances the right way in adolescence. While money is power, financial education is far more powerful. Once you understand how

money works you will be able to start making money work for you, instead of spending your entire life working for money.

The lessons in this book are meant to spark you into action. They are not the end of your financial education, instead they are important concepts that work as guides to help you become wealthier no matter what life throws your way.

LESSON ONE - The Rich Don't Work For Their Money

Most people are stuck in a cycle of earning wages out of fear and spending all of their earnings out of greed, which makes them need to earn more which makes them spend more and then the cycle repeats itself. Living paycheck to paycheck, most people blame their situation on other people, thinking that their boss, the economy, or even the government are the problem.

When you think others are the problem, you have to change them. You can't. When you realize that you are the problem you can change yourself. You do this by learning to choose your thoughts, not think with your emotions, so that you can recognize opportunities to make money other than working a steady job.

Robert calls a job: **"A short term solution to a long term problem."**

LESSON TWO: Why Teach Financial Literacy

It is not how much you make, but how much you keep and how many generations that you are able to keep it. Without a solid understanding of accounting and the difference between assets and liabilities you will struggle to grow wealth.

ASSET



Puts money in your pocket.
Example: A business, rental properties

LIABILITY



Takes money out of your pocket.
Example: Your home, your car

Get enough assets to generate enough income to cover all of your expenses and then re-invest any additional income into more assets.

"Wealth is a person's ability to survive so many number of days forward -- or, if I stopped working today, how long could I survive?" - R. Buckminster Fuller

LESSON THREE: Mind Your Own Business

If you ask someone what their business is, they usually reply with their profession (driver, cashier, executive), but your business is your assets. Minding your business means you are maintaining and growing your assets while keeping your expenses low and reducing liabilities.

Acquire assets that you love.

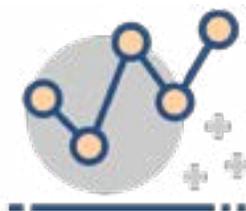
True Assets:



Income Generating Real Estate



Royalties from intellectual property; music, scripts, patents



Stocks



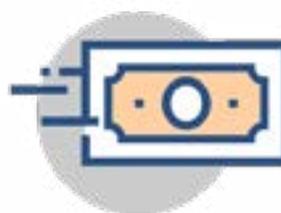
Notes (IOUs)



Bonds



Businesses that you own, but do not manage or run and do not require your presence.



Anything else that has value, appreciates, produces income, and has a ready market.

LESSON FOUR: The History of Taxes And The Power Of Corporations

The rich find ways to minimize their tax burden by forming corporations around their assets. This allows them to take advantage of favorable tax laws, like paying for expenses pre-tax. Know the laws and use them to your advantage to keep more of your earnings and reinvest them in building your assets. A smart tax consultant and attorney is cheaper than overpaying in taxes.

4 Elements of Financial IQ:

1. Accounting

The vital ability to accurately read numbers and evaluate the strengths and weaknesses of any business.

2. Investing

The science and strategies of of money making money involves creative strategies and formulas.

3. Understanding Markets

The science of supply and demand, and market conditions.

4. The Law

Understanding tax advantages and protections.

Business Owners with Corporation:

1. Earn
2. Spend
3. Pay Taxes

Employees Who Work For Corporations:

1. Earn
2. Pay Taxes
3. Spend



LESSON FIVE: The Rich Invent Money

Your mind is your greatest asset. As your financial intelligence develops and grows you begin to figure out ways to create opportunities for yourself or alter situations to work in your favor. Remembering that failure is a part of success will help you continue to grow your assets.

There are 2 kinds of investors:

1. Buys a packaged investment from a retail outlet like a financial planner
2. Creates investments

In order to be the second kind of investor you need 3 skills:

1. Find opportunities everyone else missed
2. Raise money
3. Organize smart people and hire those with more intelligence than you.

Gamification is a powerful way to learn new skills. Robert created the game CASHFLOW to teach people about income statements, balance sheets, and how money works.

LESSON SIX: Work to Learn - Don't Work For Money

Most people specialize in one area (their job) and don't continue learning new skills, but if you learn a little about a lot you will have more training to see more opportunities that others have missed.

The Main Management Skills Needed For Success Are:

- Management of cash flow
- Management of systems
- Management of people

The Most Important Specialized Skills Are:

- Sales
- Marketing

Learning how to communicate effectively, negotiate well, and handle rejection will make life infinitely easier. When looking for your next skill to learn, look to the situation that you fear the most. Once you have learned and conquered that skill, move onto the next skill that you need to learn in order to level up.

LESSON SEVEN: Overcoming Obstacles

Overcoming Fear:

"I always tried to turn every disaster into an opportunity" - John D Rockefeller

Don't let fear of losing keep you from investing. When you have a loss, be inspired by it and don't let it defeat you. Rather than playing not to lose, focus on playing to win. Building your asset column takes courage and the right attitude toward failure.

Overcoming Cynicism:

Listening to cynics criticism will result in losing out on incredible one time only opportunity to get you out of the rat race.

"Cynics criticise, winners analyze."

When everyone else is too afraid to act, pull the trigger.

Overcoming Laziness

A little greed and desire to have something better can cure laziness. Rather than complain that you can't afford something and are too busy, ask yourself:

"How can I afford this? How can I make this happen?"

Overcoming Bad Habits

Your success relies on your habits. In order to stop bad habits you need to make it more painful to do the bad habit than to do the good habit. Always pay yourself first, it will motivate you to find more and more ways to come up with extra income and become fiscally stronger.

Overcoming Arrogance

Many people use arrogance to hide their own ignorance and end up losing money. Ignorance isn't a bad thing, if you educate yourself and finding an expert in the field to help you.

LESSON EIGHT: Getting Started

10 steps to awaken your financial genius:

- 1. Find a reason greater than reality: the power of spirit:** First list your "don't wants" for your life, and those will lead to your "do wants." You must have strong enough emotional reasons that will sustain you through your setbacks.
- 2. Make daily choices: the power of choice:** You make the choice daily to either be rich, poor, or middle class by your spending habits.
- 3. Choose friends carefully: the power of association:** Learn from all of your friends but don't listen to broke people, let their decisions show you what not to do.
- 4. Master a formula and then learn a new one: the power of learning quickly:** Always be on the lookout for new formulas. Even if you don't always directly use the new information, always be learning and learning new formulas faster.
- 5. Pay yourself first: the power of self-discipline:** Having the self-discipline to invest in yourself first and continue to grow your assets while creditors are knocking at the door, leads to becoming rich.
- 6. Pay your broker's well: the power of good advice:** Good professionals save you time and money, don't skimp on good advice.
- 7. Be an Indian giver: the power of getting something for nothing:** The key is to get your initial investment back, quickly.

8. **Use assets to buy luxuries: the power of focus:** Don't borrow money for luxuries, instead grow your asset column to create the income to buy those luxuries.
9. **Choose heroes: the power of myth:** Choose heroes who have been where you want to be and channel their genius to inspire you to try.
10. **Teach and you shall receive: the power of giving:** Whenever you feel like you need something; money, a smile, love, friendship -- first give it and it will come back to you.

LESSON NINE: Still Want More? Here are Some To Do's

For those who want a to do list on how to get started, here is what Robert recommends:

1

Stop doing what you're doing. Take a break and think about what is working and what is not working. Stop doing what is not working and look for something new.

2

Look for new ideas. Robert goes to the bookstore and looks for how-to books on different and unique subjects he doesn't know about and then takes immediate action on the things he's learned.

3

Find someone who has done what you want to do. Take them to lunch and ask them for tips and tricks of the trade.

4

Take classes, read, and attend seminars. You can search newspapers and the internet for new and interesting classes and seminars on what you want to learn.

5

Make lots of offers. You don't know what the right price is until you make an offer and find someone who wants to deal. Make sure to put an escape clause in your offer with language like "subject -to" contingencies, such as the approval of a business partner, but never specify who the business partner is.

6

Jog, walk, or drive a certain area once a month for 10 minutes. If you're looking for good real estate deals, take the time to check out a neighborhood you might want to invest in repeatedly over a year looking for changes. Talk to businesses in the area that are moving in and ask why they're moving in. It only takes a few minutes a month and can be done while doing other things, but the information gained is critical to getting a great investment deal.

7

Shop for bargains in all markets. Profits are made in the buying, not the selling. When the housing or stock market has a sale (otherwise known as a crash) that's when to buy.

8

Look in the right places. Robert learned how to invest in foreclosed real estate by taking a \$500 class and wound up getting the same condo as his neighbor for \$50,000 less. His neighbor is waiting for prices to rise, meanwhile Robert already has a \$50,000 profit. This demonstrates the power of investing in education as well as the statement "profits are made in the buying, not the selling."

9

Look for people who want to buy first. Then look for someone who wants to sell. For instance one time Robert found a large piece of land in an area that his friend wanted to buy in, he sold a portion of the large piece of land to the friend and then bought the whole plot, sectioned it off and kept the extra for himself for free.

10

Think big. Retailers love giving volume discounts. Once Robert bought a bunch of computers at a steep discount by asking his friends if they were ready to buy computers too and was able to negotiate a bulk purchase. He has also been able to do this with stocks.

11

Learn from history. All the big companies, started as small companies.

12

Action always beats inaction. You must take action before you can receive the financial rewards. **Act now!**

Key Quotes:

1. "Most people have a price. And they have a price because of human emotions named fear and greed. First, the fear of being without money motivates us to work hard, and then once we get that paycheck, greed or desire starts us thinking about all the wonderful things money can buy. The pattern is then set." (pg. 39)
2. "Assets add to your income. They put money in your pocket. A liability takes money out of your pocket." (pg. 97)
3. "Most people woke hard to get a secure job, focusing on pay and benefits in the short term. What they should do is seek work that will teach them the skills they'll need." (pg 198)
4. "Rather than saying 'I can't afford it,' change your mindset to, 'How can I afford it?' That opens the brain and forces it to think of solutions." (pg. 227)
5. "Don't get into large debt positions that you have to pay for. Keep your expenses low. Build up assets first. Then buy the big house or nice car. Being stuck in the Rat Race is not intelligent." (pg. 245)

Key Takeaways:

1. Choose your thoughts, don't let your emotions lead.
2. Keep your eyes open for new opportunities to make money
3. Assets put money in your pocket, Liabilities take money.
4. Grow your assets while keeping your expenses low and reducing liabilities
5. Forming corporations around your liabilities reduces your tax burden
6. Use gamification to make learning difficult things, easy.
7. Seek work that will teach you the skills you need
8. What you fear the most is what skill you need to spend time learning
9. Find experts to teach and advise you
10. Take action immediately

The ONE Action To Take:

The most important thing you can do is to invest in your own financial education. Start small with a book, or a seminar. Then practice what you've learned immediately. Don't wait around for the right moment, or perfect opportunity. Right now search locally and see if you can find any financial or investing related seminars or workshops you could attend.

