

RICH DAD POOR DAD

~ Robert T. Kiyosaki

Love of money is roots of all evil - P.D.

Lack of money is roots of all evil - R.D.

I can't afford it - Poor Dad

How can I afford it? - Rich Dad

Rich should pay more taxes to take care of those less fortunate. - P.D.

Taxes punish those who produce & reward those who don't produce. - R.D.

Study hard so you can find a good company to work for. - P.D.

Study hard so you can find a good company to buy. - R.D.

Our home is our largest investment & greatest asset. - P.D.

My house is a liability, & if it's your largest inv., you're in trouble. - R.D.

Paid his bills first - P.D.

Paid his bills last - R.D.

Company or govt. takes care of you - P.D.

Total self-reliance - R.D.

Don't let fear of losing be greater than excitement of winning.

The rich don't work for money. They make money work for them.

Poor people have a price. And they have a price because of human emotions named fear & greed.

Fear keeps people in the trap of working, earning money, working, earning money, hoping that the fear will go away.

The word 'emotion' stands for 'energy in motion'.

Be truthful about your emotions and use your mind and emotions in your favour, not against yourself.

Ignorance intensifies fear and igne desire.

Money is the carrot, the illusion. If the donkey could see the whole picture, it might rethink its choice to chase the carrot.

The brain patch is our fear and greed.

Confronting fear, weakness, and neediness by choosing your own thoughts is the way out.

Short term problems are the Tax Baby.

Lesson 2: Why teach financial ~~to~~ literacy?

Retirement doesn't mean not working.

For us, it means that, barring unforeseen cataclysmic changes, we can work or not work, and our wealth grows automatically, staying ahead of inflation.

KISS principle - Keep it super simple

Assets cash flow pattern:

Income Statement

Income
Expense

Balance Sheet

Assets	Liabilities

Assets put money in your pocket
Liabilities takes money out of your pocket.

CASH FLOW PATTERN OF A POOR PERSON:

Income Statement

Job	Income
	Salary
	Expense
	taxes rent Food etc Clothes

Balance Sheet

Assets	Liabilities

CASH FLOW PATTERN OF A MIDDLE CLASS PERSON

Income Statement

Job	Income
	Salary
	Expenses
	taxes car payments mortgage payment Credit card payment school loan payment

Balance Sheet

Assets	Liabilities
	mortgages car loans Credit card debt School loan

CASH FLOW PATTERN OF A RICH PERSON:

Income Statement

Income
Rental income dividend Royalties, Interest
Expenses
taxes mortgage payments

Balance sheet

Assets	Liabilities
Real estate stocks bonds Notes Intellectual Property	mortgage Consumer loan credit card

Money only accentuates the cash flow pattern running in your head.

More money seldom solves someone's money problem.
Intelligence solves problems.

Japanese were aware of 3 powers:

- 1) Power of Sword → weapon
- 2) Power of Jewel → money

Remember the golden rule. He who has gold makes the rule.

- 3) Power of mirror → self-knowledge

An intelligent person hires people who are more intelligent than he is.

Poor Dad's Fin. Statement

Rich Dad's Fin. Statement

Income
Expense

Income
Expense

Assets

Liabilities

Assets
Liabilities

WHY THE RICH GET RICHER ?

Income ↑
Expenses ↓

Assets ↑

Liabilities ↓

WHY MIDDLE CLASS STRUGGLE ?

Income ↑
Expense ↑

Assets

Liabilities ↑

The pattern of treating your house as an investment, and the philosophy that a pay rise means you can buy a larger home or spend more, is the foundation of today's debt-ridden society.

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

Your goal should be that the excess cash flow from Asset column to be reinvested into the asset column.

∴ Rich buy assets

Poor only have expenses

Middle class buy liability thinking they are assets

Ray Kroc, founder of McDonald's, :
I'm not into Hamburger business.
My business is real estate.

He sold franchise. But what he never lost sight of was the location of each franchise! Basically, the person who brought the franchise, also brought the real estate under the franchise for Ray Kroc's organisation.

Today, McDonald's is the largest single owner of real estate in the world.

There is a big difference between your profession and your business. Mind your own business.

Look for the assets you get for free once you get your money back.

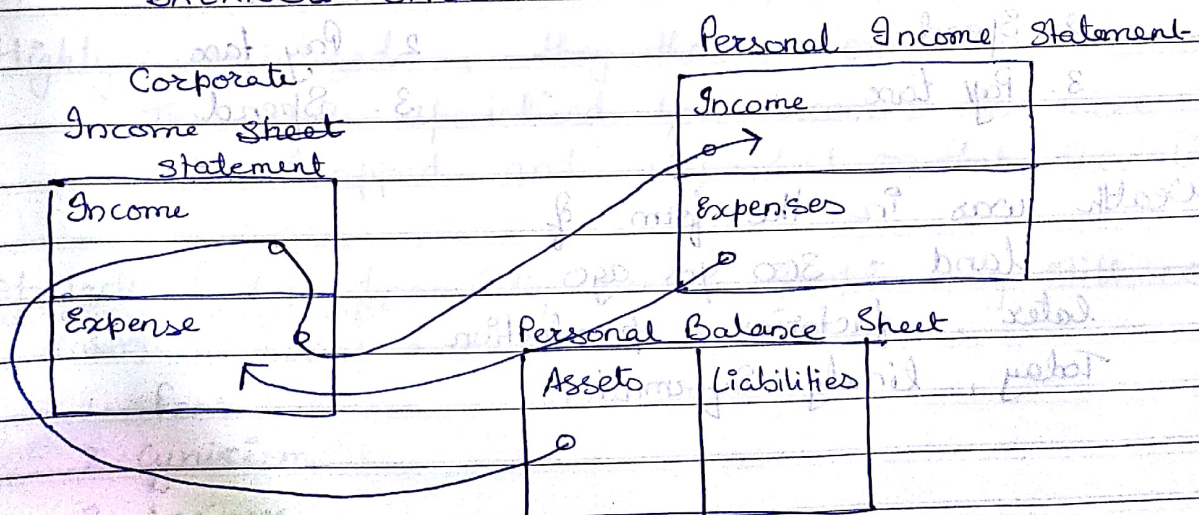
Real Assets fall into the following categories:

- 1) Business that doesn't require my presence.
- 2) Stocks
- 3) Bonds
- 4) Income-generating real estate
- 5) Notes (loans)
- 6) Royalties from intellectual property such as music, scripts and patents.
- 7) Anything else that has value, produces income or appreciates, and has a ready market.

With small companies, my investment strategies is to be out of the stock in a year.

On the other hand, my real estate strategy is to start small and keep trading up for bigger properties and, therefore, delay paying taxes on the gain.

CASH FLOW OF HOW THE CORPORATE STRUCTURE SITS OUTSIDE YOUR PERSONAL INCOME STATEMENT AND BALANCE SHEET :



- Financial IQ made of knowledge from 4 broad areas
 - 1) Accounting - ability to read numbers and identifying strengths and weaknesses of any business
 - 2) Investing - science of 'money making money'
 - 3) Understanding Markets - science of demand & supply
 - 4) The Law - ^{who} understands tax adv. & protections provided by a corporation can get rich faster

4.1) Tax advantages - paying expenses before paying taxes.

4.2) Protection from lawsuits -

Wealthy people control everything, but own nothing.
The poor & middle class try to own everything and keep their heads down.

- Business owners with corporations Employees who work for corporations

1. Earn

2. Spend

3. Pay tax

1. Earn

2. Pay tax

3. Spend

- Wealth was in the form of land - 300 yrs ago

later, factories & production

Today, timely information

Time when America rose to dominance

- Old ideas are our biggest liability
↓
work hard to earn money.

- The perfect time for investors is when the economy is down.

Also, Instead of shopping with local real estate agents, I began shopping at the bankruptcy attorney's office or courthouse steps.

In these places, a \$15000 house could be brought sometimes for \$3000

- Personally, I use 2 main vehicles to achieve fin. growth:

(a) Real estate → foundation

provides cash flow & spurts of growth in value

(b) Small-cap stocks → used for fast growth.

- REIT = real estate investment trust

- Buy high risk, speculative private companies that are just about to go public on a stock exchange.

- "Highly specialized, they then unionize"

The more specialized you become, the more you are trapped and dependent on that speciality.

- Obstacles (why financially literate people may still not develop abundant asset columns):

1. Fear

2. Cynicism

3. Laziness

4. Bad habits

5. Arrogance

- Overcoming Fear :-

Be like Texans.

Frank Tarkenton → "Winning means being unafraid to loose"

↳ one-time great NFL quarterback

Everyone wants to go to heaven but no one wants to die.

Most people dream of being rich, but are terrified to loose money.

"Remember the Alamo!"

For winners, loosing inspires them.

For losers, loosing defeats them.

- Overcoming Cynicism :-

"The sky is falling! The sky is falling!"

- Story of Chicken Little

A savvy investor knows that the seemingly worst of times is actually the best of times to make money. When everyone else is too afraid to act, they pull the trigger and are rewarded.

At 66, lost business. He went around country selling recipe for fried chicken.

Just do what Colonel Sanders did to his little

chicken. He fried it!

- Pay yourself first.

You see, after paying yourself, the pressure to pay my taxes and the other creditors is so great that it forces me to seek other forms of income.

- Use your desire to consume to inspire and motivate your financial genius to invest.

- Have your heroes:

I have heroes such as Donald Trump, Warren Buffett, Peter Lynch, George Soros, Jim Rogers.

I know their stats just like I knew the ERAs and RBIs of my childhood baseball heroes. Heroes do more than simply inspire us.

They make things look easy.

"If they can do it, so can I."

- The 3 incomes

(a) Ordinary

(b) Portfolio

(c) Passive

↓
paper assets
like stock & bonds

↓
real estate

Portfolio Income is the income that makes Bill Gates the richest man in the world, not earned income.

All a real investor does is convert ordinary income into passive and portfolio income.