

# RICH DAD POOR DAD

Robert T. Kiyosaki

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

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

I can't afford it - R.D.

How can I afford it? - R.D.

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. - R.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 my 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 financial 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 ignites 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 bribe 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 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: ~~cash flow pattern~~

### Income Statement

Income	Expense
Salary	Food
Taxes	Clothes
Rent	Entertainment

### Balance Sheet

Assets	Liabilities
Bank account	Business loan
Business	Business equipment
Business equipment	Business equipment

Assets put money in your pockets who work  
Liabilities takes money out of your pocket.

### CASH FLOW PATTERN OF A POOR PERSON

#### Income Statement

Income
Salary
Expense
Taxes
Rent etc
Food clothes

#### Balance Sheet

Assets	Liabilities
Bank account	Business account
Business account	Business account

### CASH FLOW PATTERN OF A MIDDLE CLASS PERSON

#### Income Statement

Income
Salary
Expenses
Taxes
Car payments
School loan payment
Mortgage payment
Credit card payment

#### Balance Sheet

Assets	Liabilities
Bank account	Mortgages
Bank account	Car loans
Bank account	Credit card debt
Bank account	School loan

## CASH FLOW PATTERN OF A RICH PERSON:

Income Statement		Balance Sheet	
Income	Expenses	Assets	Liabilities
Rental income dividend Royalties, interest	taxes mortgage payments	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	Assets	Income Expense	Assets	Liabilities
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Assets	Liabilities
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## WHY THE RICH GET RICHER?

Income ↑	Assets ↑	Liabilities ↓
Expenses ↓		

## WHY MIDDLE CLASS STRUGGLE?

Income ↑	Assets	Liabilities ↑
Expense ↑		

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 (several have already)
- 3) Bonds (more common form of passive investment)
- 4) Income-generating real estate (from rental)
- 5) Notes (IOUs) (who would take them - could sell)
- 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 strategy 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 HITS

OUTSIDE YOUR PERSONAL INCOME STATEMENT AND

BALANCE SHEET:

Corporate Income Statement

Income Statement

Income

Expense

Personal Income Statement

Income not yet

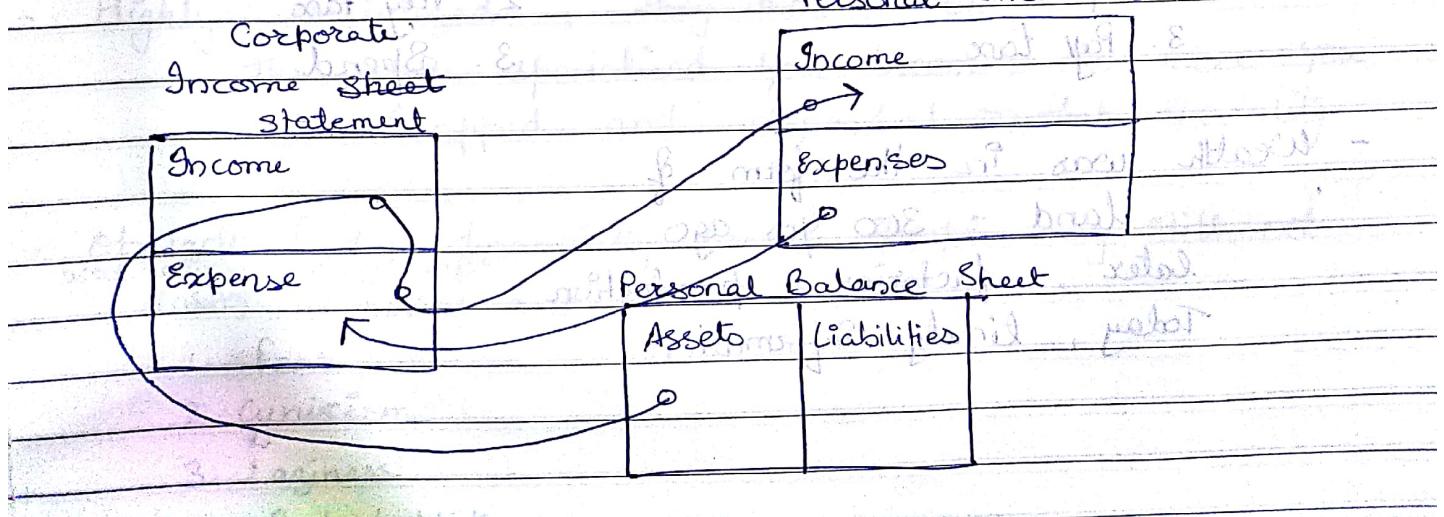
Expenses if any

Other cash

Personal Balance Sheet

Assets

Liabilities



- 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 - <sup>who</sup> understands tax adv. & protections

Business knowledge provided by a corporation can get (rich faster)

so (university 4.1) Tax advantages - paying expenses before taxes - (not paying taxes - <sup>if you have a lot of expenses</sup>)

#### 4.2) Protection from lawsuits -

of an important trust Wealthy people control everything, but own nothing

so it is wealthy that The poor & middle class try to own everything and have illinois are not in control of wealth

- Business owners <sup>STAFFERS</sup> Employees (who work with corporations, but <sup>1417</sup> 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
- The perfect time for investors is when the economy is down. At the bottom of the market.
- Also, instead of shopping with local real estate agents, begin shopping at the attorney's office or courthouse steps. In these places, a \$75,000 house could be bought sometimes for \$2000.
- Personally, I use 2 main vehicles to achieve fin. growth:
  - (a) Real estate → provides cash flow & growth in value
  - (b) Small-cap stocks → used for fast growth.
- REIT = real estate investment trust
- Buy in high-risk, speculative private companies that are just about to go public on a stock exchange.
- "Highly specialized, they'll then unionize" → The more specialised 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.

Texan Tarkenton, "Winning means being unafraid to loose"

↳ one-time great NFL quarterback

Everyone wants to go to heaven but no one

actually wants to die.

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

"Remember the Alamo!"

For winners, losing inspires them

For losers, losing 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.

He was turned down 1000 times before someone said yes.

"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

↓  
real estate

like stock + bonds

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.