

# **Rich Dad, Poor Dad**

**By Robert Kiyosaki**

## **Commentary by Leo Schreven**

Hello everyone, and welcome to the book of the month! I'm especially excited to be with you this month because we are going to cover one of my top three all time favorite books—Rich Dad Poor Dad. Robert Kiyosaki is one of my favorite authors and has been a personal source of inspiration for years. He is a great man and his wisdom is extraordinary.

So, let's take an exciting journey this month and glean all the wisdom we can from one of the greatest financial minds in the world.

This book will challenge your conventional views of money—it will challenge nearly everything you have been programmed to believe about money. You will be challenged to change your way of thinking, your emotions, and your comfort zone. But if you apply the principles, you will unleash a power that you can't begin to imagine. So, all credits this month go 100% to Robert Kiyosaki, and his book, "Rich Dad Poor Dad," and as always we are simply providing our commentary on this classic.

The book begins by talking about the challenge of being caught up in the rat race that many of us find ourselves in. He brings out something we have been hammering for years in the All Power seminar and that is that our educational system does not even begin to address the issue of money and finances with our kids. Money affects everything we do every day of our lives and yet we never learn about it or are educated about it in school. Robert then exposes the greatest myth in the world—we teach it in our All Power Seminar. Let's review it.

The biggest myth in the world is to go to school, get an education and get a good job. If you do this, you will spend the rest of your life trading time for money.

40 hours a week = \$1,000.

What do you do with it?

You give 30% back for taxes.

You go home and spend the rest of it writing checks to other rich people.

The money is gone, so you go back next week and do the same thing for the rest of your life. This is what 95% of people do and it keeps them in financial bondage the rest of their lives.

Robert then goes into the wonderful story of his two fathers. One who was a highly educated teacher with a PhD, the other who was a man who never finished 8<sup>th</sup> grade. One struggled all his life financially, the other became one of the richest men in Hawaii. Robert had to choose which father he would follow, and the book is the story of this journey.

The first thing Robert noticed was the mental attitude. One dad would say, "I can't afford it." The other would say, "How can I afford it?" His one dad exercised his mind and said "My brain gets stronger every day because I exercise it." The other father sat in front of the TV. One dad said, "The rich should pay more taxes to take care of those less fortunate." The other dad said, "Taxes punish those who produce and reward those who don't produce." One dad said, "Study hard so you can find a good company to work for," the other said, "Study hard so you can find a good company to buy." One dad believed in the government taking care of you, the other believed in self-reliance and spoke against the "entitlement" mentality. One dad worked for money, the other dad had money work for him.

So, as we go through the book this month, the question is, which one will you follow? Let's begin the journey.

Robert, like many of us, wanted to be rich. So did his friend Mike. At age 9 they began by melting old lead toothpaste tubes, and making nickels till their dad explained to them what counterfeiting was. What is fascinating about this part of the story is how the two fathers related to this. The one father said, "You boys have shown great

creativity and thought. Keep going—I'm really proud of you! Don't quit."

I think this is one of the most profound lessons in the book—to compliment and encourage creativity. The other father was upset with them.

The rich father then agreed to meet with them and teach them how to get rich. His opening statement was, "I'll pay you 10 cents an hour." He then told them they could take it or leave it, and had 10 seconds to answer. His words are worth noting.

"If you can't make up your mind decisively, then you will never learn to make money. Opportunities come and go. Being able to know when to make quick decisions is an important skill."

When Robert took the opportunity, the dad did little but make him work three hours a day on the weekends. He got three dimes for it. After a month, he was ready to quit. At that point in the story, the dad said he wanted to meet with Robert again. The dad kept him waiting, as Robert says, "I was waiting to talk to a cheapskate who exploited children at 10 cents an hour." When the dad finally came into the room, Robert was angry. Read this classic part of the book on pages 32-33.

Robert then learned one of the great lessons of life. He got a taste of real life. He realized his biggest obstacle was himself. He learned the lesson that most people want everyone else to change, but the rich only work on changing themselves. He learned that most people quit, look for another job, another opportunity, which never solves the problem.

Robert learned that day one of the most powerful lessons of all time. Lesson #1: "The poor and middle-class work for money. The rich have money work for them."

Robert's dad then began to explain to him that most people find it easier to learn to work for money. Fear is what keeps most people working at a job—the fear of not paying their bills, the fear of being fired, the fear of not having enough. Most people become a slave to

money. What his dad wanted him to taste was what it was like to work for money.

It was a bitter lesson, a painful one, but a valuable one. But then came the most important lesson of all. The lesson of how people who work for money end up paying a lot of it back in taxes, whereas the rich don't.

Employees are taxed when they earn, taxed when they spend, taxed when they save, taxed when they die. The root of it all is lack of education in finance and money.

The wise dad planted a seed in Robert's head. Then to drive it home he informed Robert he was now going to work for nothing. For the next three weeks that is what Robert did. The lesson began to find root. After the third week dad came along and offered him a wage, .25, .50, 1.00, 2.00, finally \$5.00.

But Robert discerned what was going on. It was then the father said something profound. "Most people have a price because of two human emotions—fear and greed. So they get up, go to work, pay bills, and are run forever by fear and greed." There are a few paragraphs here, pages 42-43, you have to read at this point—they are so profound.

What the father wanted to teach them was to avoid the trap of the two fears, and rather harness them in their favor. Most people live their lives chasing pay checks, pay raises, and job security because of greed and fear and never question where those fears are driving them. To spend your life living in fear and never exploring your dreams is cruel. Learning to choose what we think, rather than reacting with our emotions is the fundamental lesson all rich people master first.

Over the next few weeks, Robert and his friend began to think different. Their minds began to see opportunities. Their first breakthrough came with comic books—10 cents for two hours—and they had money working for them. It was the beginning of a new life.

This leads us to Chapter 3, which is my favorite. We heavily teach the principles of Chapter 3 in the All Power 60-day program.

The first principle taught is, the greatest wealth is your education. If you want to be rich, you must be financially literate. It is not how much money you make, it is how much you keep.

This brings us to Rule #1. You must know the difference between an asset and a liability. Rich people acquire assets, poor people acquire liabilities, but think they are assets. He then begins to explain the difference between an asset and a liability. It is actually quite simple. An asset puts money in my pocket. A liability is something that takes money out of my pocket.

This is all you really need to know—if you want to be rich, spend your life buying assets. If you want to be poor or middle-class, spend your life buying liabilities.

More money does not solve problems, intelligence solves problems. Because people don't understand money, the majority of people allow money to control them. Most people do what everyone else is doing. One of the profound illustrations of all this is how Robert challenges the notion that your home is your greatest asset. He calls it a liability—it takes money out of your pocket. By the time you calculate the amount of interest on the loan, the maintenance, the taxes, etc. you are out huge money.

He isn't saying not to buy a house, but rather to acquire assets that will generate enough money to pay for the house. Here is an example most home owners don't see.

1. You work for an employer making them wealthy.
2. You work for the government from January to May for taxes.
3. You work for the bank, paying them for your mortgage and credit cards.

If you could take these three efforts and use them for yourself, minding your business, think how far ahead you would be.

Think of it like this: If I have cash-flow from an asset of \$3,000, and I have expenses of \$2,000, what is my wealth?—plus \$1,000. In this sense I may not be rich, but I am in the top 2% that are wealthy.

So, let's talk about minding your own business. In Chapter 4, Robert gives the illustration of McDonalds. Most of us think McDonalds is in the hamburger business. It is not. It is in the real estate business. McDonalds owns more real estate than any other entity. You see, there is a huge difference between your profession and business.

Ray Kroc, the owner of McDonalds, is a salesman by profession. He sold burgers, fries, and franchises. But his business was to accumulate income-producing real estate. Do you see the difference?

Here is where going to school is a problem. In school you study law and become an attorney. You study cooking and become a chef. You end up minding someone else's business and making that person rich. If you want to become rich you have to mind your own business. Business that is an asset—such as....

A business that does not require me to be there—like stocks, bonds, mutual funds, income-generating real estate, royalties from intellectual property like songs, patents, etc.—anything that has value, produces income, or appreciates in value. In this kind of business, every dollar becomes an employee that works 24-7.

Rich people buy personal luxuries last, after they have a system that provides the income for it. Poor people buy luxuries first—big houses, boats, fancy cars, diamonds. They look rich, but they are just deeper in debt.

The next chapter gets into taxes and corporations. The first reality that hits you here is that the rich do not pay much tax—instead it is the middle- and upper-middle-class. Robert brings out a really important point on page 96.

As this happened the rich saw an opportunity—the opportunity to use a corporation. Even today I stand in amazement of how many people do not use this, even though it is available to all. A corporation

protects the rich. Most people don't realize what a corporation is. A corporation is simply a person in the form of a file in some attorney's office. It is just a legal document. But it reduces your taxes because corporations pay a lot less tax. Corporations can write off tons of stuff that you can't as a person. The bottom line here is that the people who are not informed are the ones that lose. That is why the average American works 4-5 months free each year for the government. You have to realize your greatest enemy is the tax man.

Then Robert brings out several items that rich people do well and understand.

1. Financial literacy
2. Money making money
3. Understanding markets
4. Knowing financial law
5. Tax advantages
6. Lawsuit protection

We teach all this in our 60-day program, however the one I want to emphasize is the protection of lawsuits. I want you to pay special attention to this on page 104. The rich have figured out one real fundamental rule: **“Own nothing, control everything.”** I encourage you to grasp this and use it in the days ahead. Own nothing, control everything.

Lesson 5 is a very intriguing chapter. Robert challenges the notion that scholastic education is what makes you rich. He teaches it is rather the basic human drive, guts, daring, tenacity, etc. In other words, in the real world it is not the highly educated that get ahead, but the bold and courageous.

Many people today are struggling and working harder than ever because they cling to old ideas, they resist change. They don't realize what was an asset yesterday is a liability today. Financial intelligence simply involves having more options and taking the risks to make them work. It is thinking in new ways. Today money is made in the millions instantly just from an idea. Millions can be made from nothing. Money doesn't even change hands—agreements do.

You will get inspired about all the ideas Robert gives in Chapter 6. It will definitely develop your financial intelligence. Great opportunities are not seen with your eyes, they are seen with your mind. Most people miss them because they are afraid of losing. Winners are not afraid of losing, but losers are. Failure is part of the process of success. People who avoid failure also avoid success. We learn to walk by falling down. If we never fell down we would never walk. I would really encourage you to spend some time in Chapter 6. It is filled with live illustrations, and you will find it very helpful. It will open your minds especially in areas of real estate.

Then in Chapter 7 the title alone says it all. “Work to learn.” Don’t work for money. This chapter emphasizes that most people are just one skill away from increasing their wealth. These are often simple skills. One of these skills is to “know a little about a lot.” You see, job security usually means most to people. Learning means most to rich people. Especially when that learning takes us out of our comfort zone.

It is more important to work for what you will learn, more than what you will earn. Robert even recommends getting a second, temporary job to teach you a skill you need. This is a great idea—multi-level marketing teaches sales skills. Many of these companies have great free training. Education is more valuable than money in the long run. It is like McDonalds. When we ask an audience, “How many of you can cook a better hamburger than McDonalds?” Everyone raises their hands. Then I ask, “If you can, how come McDonalds makes more money than you?” The answer is: McDonalds is an excellent business system. Most people focus on building a better burger, not on building a better business system. So rather than specialize in one area, learn to know what you don’t know. Learn and earn. Surround yourself with people that know more than you do—especially in three areas.

1. The management of cash flow
2. The management of business systems
3. The management of people

The most important skill of rich people is selling and marketing, which is difficult for most people, due to fear of rejection. So, if this is you,

review the 60-day program and the lesson on overcoming fear. This will give you the tools to accomplish the principles of Chapter 7.

Chapter 8 then opens up with the 5 main obstacles in people's way.

1. Fear
2. Cynicism
3. Laziness
4. Bad Habits
5. Arrogance

Let's deal with these. Everyone deals with the fear of losing money. But the fear is not the problem. It's how you handle fear. The primary solution is to start saving when you are young. We cover that in the 60-day program.

The next thing is to think big. Robert calls this the Texas Attitude. "If you are going to go broke, go broke big! You don't want to admit you went broke over a duplex!" We laugh at that, but it is part of rich folks' mentality. I have never met a self-made millionaire who has not lost money. So what is the greater pain to you? The pain of losing money or the pain of what it takes to be rich. It's like the saying, "Everyone wants to go to heaven, but no one wants to die." In the same way most people dream of being rich but are terrified of losing money. So they never go to heaven.

It's like the Alamo. Texans took a great failure and turned it into a great success. A Texan does not bury his failure, he gets inspired by it. The formula works the same for all winners. It's like J. D. Rockefeller said, "I always tried to turn every disaster into an opportunity."

Failure does two things:

- It inspires winners
- It defeats losers

It is like the old saying, "The same sun that melts wax, hardens clay." You have to examine what you are made of. How do you respond to failure?

Point #2 is important—Cynicism. We all get a little chicken when fear and doubt cloud our thoughts. We all have doubts. I'm not smart, I'm not good enough. Our doubts often paralyze us. We play the "What if" game. What if the economy crashes, I can't pay my bills, or things don't turn out like I want?

Or, we have friends who add to it: "What makes you think you can do it? That will never work..."

Most people are poor because they are afraid of the "what if's?" It takes courage to not let doubts and fears dominate you. Doubt and cynicism keep most people poor while they play it safe. It is only a person's doubt that keeps them poor. Cynics criticize, winners analyze.

This brings us to Point #3—Laziness. Robert has an interesting take on this. The difference between being busy for the sake of avoiding what you really need to do or change, or being busy in order to accomplish something that is important. His cure is to have a little greed.

Now, we have all been taught that greed is evil. We all want nice things, but we often suppress that desire with guilt. This conditioning often comes from parents or the way we were raised. Growing up you heard things like, "You only think about yourself." "Do you think we are made of money?" "Do you think money grows on trees?" "We're not rich you know."

What most of us did not realize was that it wasn't the words that hurt, it was the guilt. This is why we teach so strongly in the 60-day program to never say, "I can't afford it." But rather to say, "How can I afford it?" "I can't afford it" shuts down your brain immediately. "How can I afford it?" opens the mind and forces me to find answers. "I can't afford it" brings sadness, anger, and hopelessness. "How can I afford it?" opens up possibilities, and dreams. Once you can train your brain to think like this, you can then ask the most powerful question of all. "How can I afford to never work again?"

That question will set you free and put you on the right path. You have to want it, desire it, and it has to be a clear purpose in your life. This is Godly and Biblical. It is the cure for laziness.

Point #4 is our Habits. Our lives are a reflection of our habits more than our education. I love Robert's teaching here on pages 159-160.

Point #5 is Arrogance. Robert gives a great definition of arrogance. Arrogance is:

Ego + Ignorance

"What we don't know", is what causes financial loss. When people are arrogant, 99% of the time they lose money. The reason is when I am arrogant, I think what I don't know is not important. Pride enters the picture. So the cure is humility, and if I am ignorant on a subject, then I need to start educating myself on it.

Chapter 9 begins with getting started. Robert suggests 10 steps to awaken your financial genius. Let's take them together. By the way, this should be seen as a framework, and you will then build your own genius.

#1. You need a reason greater than reality. Without a strong reason or purpose, nothing will be possible. Something has to drive you. A combination of wants and don't wants. I don't want to work all my life. I don't want to be an employee for the rest of my life. I want to be free, I want control of my life and time. I want money to work for me.

#2. Choose daily. We hold the power to choose our future to be rich, middle-class or poor. Poor people simply have poor spending habits. Most people choose not to be rich. You hear this in things like, "I'm not interested in money, I'll never be rich, my wife handles all the finances."

You see, I choose to live in abundance in every area of my life, including money. While 90% of the population buys TV sets, I buy books and tapes to learn. Pretty Simple!!!

When I choose to be wealthy, I open my mind to others who are wealthy. So, now I have two ways to do it, or three or four. If you want to fly an airplane, take some flying lessons first.

#3. Choose your friends carefully. The power of association is massive. Rich people like to talk about money because they want to learn and share. Poor people avoid it. So hang out with the wealthy.

It's just like losing weight. If I am fat, I need to get around healthy people that inspire me. The same with wealth—don't climb Mt. Everest with a guide who has never been to the top.

#4. Master what works, and then learn another skill. In today's fast changing world, it is how fast you can learn a new formula to adapt. This skill is priceless!

#5. Pay yourself first—the power of self discipline. This is one of the hardest to learn. “Pay yourself first.” Don't let society's rules rule you! We discussed this earlier but it bears repetition. Every month you put money away into an asset of some sort that will pay you money back. No if's, and's, or but's. When you do this it forces you to create ways to generate more money.

#6. Pay your brokers well. The power of good advice is something you will have to pay for. But ultimately it pays you much more back. We know that not all brokers are created equal. Many are only sales people. So this will take some diligence on your part. Go to rich people and find who they use and trust. Ask hard questions like, “How much tax did you pay?” “What was your investment return for the last 5 years?”

#7. Be an Indian-Giver. It is the power of getting something for nothing. Ask the question, “How fast can I get my money back and more?” This mentality is for me the fun part of making money. If I invest in a stock for \$10,000 today, when will I get it back plus an additional \$2,000? If I buy a piece of real estate today, how soon till I get it back with a profit of \$50,000?

#8. Assets buy luxuries. The poor buy luxuries on credit—a new car—call the bank and get a loan. The rich buy luxuries from the

money generated by their personal assets. Most people focus on borrowing money to get what they want, rather than focusing on creating money. Once you master this habit, you can only succeed financially.

#9. Is the need for heroes. Heroes inspire us. They are role models. They make things look easy. “If they can do it, so can I!” I have so many heroes in so many areas of my life—Warren Buffet on money, Robert Kiyosaki, Robert Allen, Donald Trump, etc. So when I do a deal or invest, I am emulating the greatest and best.

#10. Teach and you shall receive. The more you give, the more comes back to you. Need a smile? Give one to someone. Need love? Give some to someone. Need money? Give some to someone...

This is what we are doing in the All Power seminar. Each of you watching this has a burning desire to learn, to grow, and to become wealthy and free. It will only happen as you give to others. As you start small groups, and teach others this same material, you will grow. Teach and you will receive!

This about wraps up the book. Chapter 10 is a brief chapter of tips. Read it carefully, it will spark a lot of ideas.

On page 197 Robert invites you to take action. He offers different education packages, and the cash-flow game. I encourage you to look into this. The cash-flow game is awesome. They have one for kids, and two for adults. This is a great family activity—do it often and you will learn the principles of the book while having fun.

I have really enjoyed sharing this book with you this month! Rich Dad Poor Dad is one of my top three all time favorite books. It has made such a difference in my life, and it will in yours as well.

So, till next month, get every drop of juice out of life you can!

Leo