Rich Dad Poor Dad Summary PDF Cheatsheet — GrowthSummary.com

? Summary by Chapter: Every chapter of “Rich Dad Poor Dad” explained in 5 minutes

Chapter 1 Summary

- **Growing Up With ‘Poor Dad’**: The story begins with Robert Kiyosaki’s childhood. His real father was a teacher, well-educated but not highly paid and knowing little about money. At 9 years old, Kiyosaki and his friend Mike wanted to “make money” because they felt excluded at school for not being rich. Their first idea was to melt metal toothpaste tubes to create fake money, until Kiyosaki’s father explained it was illegal. He then suggested they talk to Mike’s dad, a successful businessman who agreed to teach them about money, becoming their “Rich Dad.”
- **Working for ‘Rich Dad’**: Robert and Mike started working for Mike’s Dad at his convenience stores, earning 10 cents an hour on weekends. After four weeks, Robert was frustrated and wanted to quit. When he confronted “Rich Dad,” he explained that he was teaching them through real-life experience. Life teaches us by pushing us around, and we must learn to respond to its lessons.
- **Make Money Work For You**: While most people trade their time for money, wealthy individuals find ways to make their money generate more income for them, even when they aren’t working. This is the biggest lesson from “Rich Dad.” The first chapter explains how Robert Kiyosaki first learned to identify these kinds of money-making opportunities.
- **Learning to See Opportunity**: Rich Dad taught them to control their emotions about money, explaining that most people are driven by fear and greed, which keeps them working hard without achieving financial freedom. He emphasized the importance of spotting opportunities. Robert and Mike noticed unsold comic books at the store and started a comic book library, charging kids to read. They made a profit and learned valuable lessons about business and money.

Chapter 2 Summary

- **Importance of Financial Literacy**: Most people think financial success is about how much money you make, but Kiyosaki says it’s really about how much you keep. Many people come into large sums of money, like lottery winners or certain celebrities and athletes, but lose it quickly because they lack financial literacy. On the other hand, today Mike successfully runs Rich Dad’s empire, and Kiyosaki retired at 47, thanks to the financial lessons they learned.
- **Assets vs. Liabilities**: The key to getting rich is understanding the difference between assets and liabilities. Assets generate income, while liabilities drain it. Rich people focus on acquiring assets, while the poor and middle class often mistakenly buy liabilities, thinking they are assets. Assets include stocks and real estate, while liabilities include cars and expensive fashion.
- **Questioning Common Beliefs**: Kiyosaki challenges the idea that a house is an asset since it doesn’t generate income. He stresses the importance of questioning common financial advice and thinking independently about wealth-building strategies. Most people don’t spend much time thinking about money and end up following the crowd, believing it’s the safest way.

Chapter 3 Summary

- **Start Building Assets**: Your real business is not your job but your assets. Start building assets that generate income or appreciate in value, like stocks, bonds, real estate, and intellectual property. Kiyosaki uses the example of Ray Kroc, who grew McDonald’s into a global brand, but often said his real business was not selling hamburgers, but owning the real estate beneath each restaurant.
- **Focus on Assets, Not Just Income**: Rich people prioritize building their assets rather than just focusing on

their income. Most poor and middle-class people work their whole lives for others, believing the problem is their income is too low. Even people with high incomes like doctors often struggle financially because as their income grows, so do their liabilities and expenses. They never learned to invest in real assets, which is why they continue to face financial challenges.

- **Reduce Expenses and Liabilities**: Many people buy liabilities they think are assets, like a new car, and accumulate debt. To truly build wealth, reduce your expenses, avoid buying liabilities, and focus on growing your financial foundation of assets.
- **Buy Luxuries Last:** Avoid buying luxury items with your paycheck—that's a money habit that prevents many people from building wealth. Instead, use your paycheck to buy assets that generate income for you, and then use your asset income to indulge in luxuries.
- **Entrepreneurship is Not for Most.** Kiyosaki began building wealth using income from his jobs in the Marines and Xerox. He advises keeping your day job while building your asset column, as many businesses fail within a few years. However, a good asset to buy are businesses that generate income without you needing to be there, like Kiyosaki's friend who own car washes.

Chapter 4 Summary

- **History of Taxes**: Taxes start by targeting the rich but eventually hit the middle class and poor as government spending grows. In the end, the rich are less impacted as they find ways to reduce their tax burden.
- **Benefits of Corporations**: Corporations let you earn and spend before paying taxes, helping your assets grow faster. They also protect your personal wealth against lawsuits. In real estate, they allow you to defer capital gains taxes by continually "trading up" to a larger property, thanks to Section 1031 of the U.S. Tax Code.
- **Xerox Story**: Kiyosaki worked at Xerox, frustrated by his paycheck after all the deductions. Determined to become wealthy, he became a top 5 salesperson and invested his earnings in real estate through a corporation. Within 3 years he was earning more from investments than his job, so he used that passive income to buy a Porsche.
- **Four Key Skills for Financial Intelligence**:
    1. **Accounting**: Understanding and reading financial statements.
    2. **Investing**: Making money work for you.
    3. **Market Understanding**: Knowing supply and demand to decide when to invest.
    4. **The Law**: Using corporations to accelerate your wealth building.

Chapter 5 Summary

- **Boldness Over Intelligence**: Success often comes to those who take bold actions, not just the smartest. The good news is, we can get better at overcoming self doubt by practicing decisiveness, which will helps you spot and seize financial opportunities.
- **Example of Spotting Opportunities**: Kiyosaki bought a $60,000 home in Phoenix for $20,000 because it was a market downturn and a bankruptcy case. Then he sold it for $70,000 by running an ad. That gave him a $40,000 promissory note with 10% interest. He repeated this process 6 times, adding $190,000 to his assets and earning $19,000 per year in interest. This shows the importance of increasing financial intelligence so you can identify opportunities.
- **Two Types of Investors**: One type buys pre-packaged investments like mutual funds. The other creates custom investments, which can offer higher gains but come with greater risks. To succeed as the latter, learn to see unique opportunities, raise funds outside traditional banks, and hire knowledgeable advisors.
- **Kiyosaki's Investing Strategy**: Kiyosaki mainly invests in real estate for a stable foundation. He also invests a much smaller portion in companies about to go public. This higher-risk strategy can sometimes result in his shares increasing by 10 times in value within a year.

Chapter 6 Summary

- **Work to Learn**: Kiyosaki stresses the importance of learning new skills beyond your profession to stay adaptable. His educated dad valued job security, while his rich dad valued continuous learning. The most important skills to learn include sales and marketing, so you can communicate effectively and overcome rejection. He shares a story of a writer whose books didn't sell well; he advised her to take a sales class to improve.
- **Learning from Diverse Experiences**: Rich Dad advised knowing a little about many things, unlike the education system's push for specialization. Being too specialized makes one vulnerable to market changes. For example, McDonald's succeeds because of its exceptional business systems, not its burgers, highlighting the importance of diverse skills.
- **Kiyosaki's Career Path**: Kiyosaki chose jobs for the skills he could gain rather than the salary. He started at Standard Oil to learn about trade, then joined the Marine Corps to develop leadership skills, and worked at Xerox to overcome shyness and learn sales. These experiences were invaluable when he later started his business importing wallets.

Chapter 7 Summary

- **Managing Fear**: Successful investors accept that failure is part of the process and use it as motivation to take bigger risks and achieve greater rewards. When Rich Dad felt nervous before a bid deal, he would "remember the Alamo," the heroic soldiers who kept fighting when they knew they couldn't win.
- **Overcoming Cynicism**: Focus on analyzing investing opportunities by looking at the facts, rather than listening to criticism and negative opinions. For example, people will avoid buying real estate saying "I don't want to fix toilets," but that's why you find a great property manager.
- **Combating Laziness**: People often stay busy to avoid important tasks. Use a bit of greed as motivation. Instead of saying "I can't afford it," ask "How can I afford it?" This creates a stronger spirit and encourages creative thinking in generating income.
- **Breaking Bad Habits**: Rich Dad and Kiyosaki both "pay themselves first," an idea from "The Richest Man in Babylon." They invest in assets first before paying bills. This makes accountants nervous, but forces them to find new ways to make more money.
- **Avoiding Arrogance**: Arrogance, which is ignoring what you don't know, leads to losing money. Always seek to learn from books and consult experts when you don't know enough about a subject. Watch out for some financial experts who hide ignorance behind fake confidence.

Chapter 8 & 9 Summary

- **Clarify your goals** by writing down what you want and don't want. Your reasons must be strong because the journey won't be easy.
- **Invest in your education** by learning about stocks and real estate before investing. Most people will not do this. For example, he learned how to buy at foreclosure auctions while working at Xerox, a skill that has made him millions. Part of this is…
- **Talk to rich people** to learn what to do when it comes to money, and talk to poor people to learn what not to do. For example, one time in the tax office Kiyosaki met a woman who invested in tax lien certificates and invited her to lunch, she was more than happy to talk.
- **Pay yourself first** by always putting money into assets and keeping consumer debt low. Don't spend income on luxuries, but only the passive income from investments.
- **Pay advisors well** because they should be making you money, and make sure they invest themselves in stocks or real estate.
- **Ask how long** it will take to get your money back before investing in an opportunity. Kiyosaki makes lots of offers for properties, thinking of it like a fun game. In case he doesn't want to make the deal later, he includes a clause that the offer is subject to approval of his business partner, secretly his cat. Shop for investments during market crashes/corrections because that's when everything is on sale.
- **Think what would a successful investor do** in this situation, like Warren Buffett or Donald Trump or George Soros. When looking for properties, Kiyosaki often researches the area in-person by jogging or driving through for a year, looking for important signs of upward growth, like new retailers moving into the area.

- **To receive, first give**, whether it’s money or a smile.

? 1. Financial Literacy is Key: Understand how money works, and learn about assets, liabilities, and investing to manage and grow wealth

Financial literacy is the key to breaking the cycle of financial struggle and building a secure financial future. Most people are not taught about money in school, leaving them to learn financial habits from their parents. A significant failure of our education system is its lack of basic financial education.

? 2. Assets vs. Liabilities: Focus on creating passive income through investments and businesses rather than relying solely on a paycheck.

Rich people focus on buying assets that generate income instead of working more hours for a paycheck. An asset is anything that puts money in your pocket, while a liability takes money out. Examples of good assets include stocks, bonds, income-generating real estate, businesses that don’t need your presence, and intellectual property like books and music.

? 3. Work to Learn, Not Just for Money: Choose jobs that provide skill development and learning experiences, not just a good paycheck

Many people view work only as a means to earn money, but it’s also a great opportunity to acquire important skills and knowledge. Rich Dad believed in the long-term benefits of working a variety of jobs, while Poor Dad believed in securing a stable, high-paying job. Kiyosaki worked on a ship to learn trade, in the Marines to learn leadership, and at Xerox to learn sales, all of which eventually proved useful as an entrepreneur.

? 4. Use Corporations: How the Rich use corporate structures to minimize taxes and protect wealth

Corporations offer significant tax benefits and protections, such as allowing expenses to be deducted before taxes are paid and shielding personal assets from lawsuits. Additionally, strategies like the 1031 tax-deferred exchange in real estate enable investors to grow their investments faster by deferring capital gains taxes.

? 5. Overcome Fear and Self-Doubt: Develop a mindset that embraces risk and learns from failures to grow your wealth

People often avoid taking financial risks due to fear of losing money. However, even successful investors like Warren Buffet experience losses. Instead of listening to perpetual naysayers, focus on making informed decisions and seizing opportunities, especially during market downturns.