

RICH DAD

**What The Rich Teach Their Kids About Money—
That The Poor And Middle Class Do Not!**

By Robert T. Kiyosaki

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RICH DAD POOR DAD

*Having two dads offered me the choice of
contrasting points of view:
one of a rich man and one of a poor man.*

I had two fathers, a rich one and a poor one. One was highly educated and intelligent. He had a Ph.D. and completed four years of undergraduate work in less than two years. He then went on to Stanford University, the University of Chicago, and Northwestern University to do his advanced studies, all on full financial scholarships. The other father never finished the eighth grade.

Both men were successful in their careers, working hard all their lives. Both earned substantial incomes. Yet one always struggled financially. The other would become one of the richest men in Hawaii. One died leaving tens of millions of dollars to his family, charities, and his church. The other left bills to be paid.

Both men were strong, charismatic, and influential. Both men offered me advice, but they did not advise the same things. Both men believed strongly in education but did not recommend the same course of study. If I had had only one dad, I would have had to accept or reject his advice. Having two dads offered me the choice of contrasting points of view: one of a rich man and one of a poor man. Instead of simply accepting or rejecting one or the other, I found myself thinking more, comparing, and then choosing for myself. The problem was that the rich man was not rich yet, and the poor man was not yet poor. Both were just starting out on their careers, and both were struggling with money and families. But they had very different points of view about money. For example, one dad would say, “The love of money is the root of all evil.” The other said, “The lack of money is the root of all evil.”

As a young boy, having two strong fathers both influencing me was difficult. I wanted to be a good son and listen, but the two fathers did not say the same things. The contrast in their points of view, particularly about money, was so extreme that I grew curious and intrigued. I began to start thinking for long periods of time about what each was saying. Much of my private time was spent reflecting, asking myself questions such as, “Why does he say that?” and then asking the same question of the other dad’s statement. It would have been much easier to simply say, “Yeah, he’s right. I agree with that.” Or to simply reject the point of view by saying, “The old man doesn’t know what he’s talking about.” Instead, having two dads whom I loved forced me to think and ultimately choose a way of thinking for myself. As a process, choosing for myself turned out to be much more valuable in the long run than simply accepting or rejecting a single point of view. One of the reasons the rich get richer, the poor get poorer, and the middle class struggles in debt is that the subject of money is taught at home, not in school. Most of us learn about money from our parents. So what can poor parents tell their child about money?

They simply say, “Stay in school and study hard.” The child may graduate with excellent grades, but with a poor person’s financial programming and mindset. Sadly, money is not taught in schools. Schools focus on scholastic and professional skills, but not on financial skills. This explains how smart bankers, doctors, and accountants who earned excellent grades may struggle financially all of their lives. Our staggering national debt is due in large part to highly educated politicians and government officials making financial decisions with little or no training in the subject of money. Today I often wonder what will soon happen when we have millions of people who need financial and medical assistance. They will be dependent upon their families or the government for financial support. What will happen when Medicare and Social Security run out of money? How will a nation survive if teaching children about money continues to be left to parents—most of whom will be, or already are, poor?

Because I had two influential fathers, I learned from both of them. I had to think about each dad’s advice, and in doing so, I gained valuable insight into the power and effect of one’s thoughts on one’s life. For example, one dad had a habit of saying, “I can’t afford it.” The other dad forbade those words to be used. He insisted I ask, “How can I afford it?” One is a statement, and the other is a question. One lets you off the hook, and the other forces you to think. My soon-to-be-rich dad would explain that by automatically saying the words “I can’t afford it,” your brain stops working. By asking the question

“How can I afford it?” your brain is put to work. He did not mean that you should buy everything you want. He was fanatical about exercising your mind, the most powerful computer in the world. He’d say, “My brain gets stronger every day because I exercise it. The stronger it gets, the more money I can make.” He believed that automatically saying “I can’t afford it” was a sign of mental laziness. Although both dads worked hard, I noticed that one dad had a habit of putting his brain to sleep when it came to finances, and the other had a habit of exercising his brain. The long-term result was that one dad grew stronger financially, and the other grew weaker. It is not much different from a person who goes to the gym to exercise on a regular basis versus someone who sits on the couch watching television. Proper physical exercise increases your chances for health, and proper mental exercise increases your chances for wealth. My two dads had opposing attitudes and that affected the way they thought. One dad thought that the rich should pay more in taxes to take care of those less fortunate. The other said, “Taxes punish those who produce and reward those who don’t produce.”

One dad recommended, “Study hard so you can find a good company to work for.” The other recommended, “Study hard so you can find a good company to buy.” One dad said, “The reason I’m not rich is because I have you kids.” The other said, “The reason I must be rich is because I have you kids.” One encouraged talking about money and business at the dinner table, while the other forbade the subject of money to be discussed over a meal. One said, “When it comes to money, play it safe. Don’t take risks.” The other said, “Learn to manage risk.” One believed, “Our home is our largest investment and our greatest asset.” The other believed, “My house is a liability, and if your house is your largest investment, you’re in trouble.”

Both dads paid their bills on time, yet one paid his bills first while the other paid his bills last. One dad believed in a company or the government taking care of you and your needs. He was always concerned about pay raises, retirement plans, medical benefits, sick leave, vacation days, and other perks. He was impressed with two of his uncles who joined the military and earned a retirement-and-entitlement package for life after twenty years of active service. He loved the idea of medical benefits and PX privileges the military provided its retirees. He also loved the tenure system available through the university. The idea of job protection for life and job benefits seemed more important, at times, than the job. He would often say, “I’ve worked hard for the government, and I’m entitled to these benefits. The other believed in total financial self-reliance. He spoke out against the entitlement mentality and

how it created weak and financially needy people. He was emphatic about being financially competent. One dad struggled to save a few dollars. The other created investments. One dad taught me how to write an impressive resumé so I could find a good job. The other taught me how to write strong business and financial plans so I could create jobs.

Being a product of two strong dads allowed me the luxury of observing the effects different thoughts have on one's life. I noticed that people really do shape their lives through their thoughts. For example, my poor dad always said, "I'll never be rich." And that prophecy became reality. My rich dad, on the other hand, always referred to himself as rich. He would say things like, "I'm a rich man, and rich people don't do this." Even when he was flat broke after a major financial setback, he continued to refer to himself as a rich man. He would cover himself by saying, "There is a difference between being poor and being broke. Broke is temporary. Poor is eternal." My poor dad would say, "I'm not interested in money," or "Money doesn't matter." My rich dad always said, "Money is power."

The power of our thoughts may never be measured or appreciated, but it became obvious to me as a young boy that it was important to be aware of my thoughts and how I expressed myself. I noticed that my poor dad was poor, not because of the amount of money he earned, which was significant, but because of his thoughts and actions. As a young boy having two fathers, I became acutely aware of being careful about which thoughts I chose to adopt as my own. Should I listen to my rich dad or to my poor dad? Although both men had tremendous respect for education and learning, they disagreed about what they thought was important to learn. One wanted me to study hard, earn a degree, and get a good job to earn money. He wanted me to study to become a professional, an attorney or an accountant, and to go to business school for my MBA. The other encouraged me to study to be rich, to understand how money works, and to learn how to have it work for me. "I don't work for money!" were words he would repeat over and over. "Money works for me!" At the age of nine, I decided to listen to and learn from my rich dad about money. In doing so, I chose not to listen to my poor dad, even though he was the one with all the college degrees.

*There is a difference between being poor and being broke. Broke is temporary.
Poor is eternal.*

A Lesson from Robert Frost

Robert Frost is my favorite poet. Although I love many of his poems, my favorite is “The Road Not Taken.” I use its lesson almost daily.

The Road Not Taken

*Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;
Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear
Though as for that the passing there
Had worn them really about the same,
And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads onto way,
I doubted if I should ever come back.
I shall be telling this with a sigh
Somewhere ages and ages hence;
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.*

And that has made all the difference.

Over the years, I have often reflected upon Robert Frost's poem. Choosing not to listen to my highly educated dad's advice and attitude about money was a painful decision, but it was a decision that shaped the rest of my life.

Once I made up my mind about whom to listen to, my education about money began. My rich dad taught me over a period of 30 years until I was 39 years old. He stopped once he realized that I knew and fully understood what he had been trying to drum into my often-thick skull. Money is one form of power. But what is more powerful is financial education. Money comes and goes, but if you have the education about how money works, you gain power over it and can begin building wealth. The reason positive thinking alone does not work is because most people went to school and never learned how money works, so they spend their lives working for money.

Because I was only nine years old when I started, the lessons my rich dad taught me were simple. And when it was all said and done, there were only six main lessons, repeated over 30 years. This book is about those six lessons, put as simply as possible, just as simply as my rich dad put forth those lessons to me. The lessons are meant not to be answers, but guideposts that will assist you and your children to grow wealthier no matter what happens in a world of increasing change and uncertainty.

LESSON 1: THE RICH DON'T WORK FOR MONEY

*The poor and the middle class work for money.
The rich have money work for them.*

“Dad, can you tell me how to get rich?”

My dad put down the evening paper. “Why do you want to get rich, Son?”

“Because today Jimmy’s mom drove up in their new Cadillac, and they were going to their beach house for the weekend. He took three of his friends, but Mike and I weren’t invited. They told us we weren’t invited because we were poor kids.”

“They did?” my dad asked incredulously.

“Yeah, they did,” I replied in a hurt tone.

My dad silently shook his head, pushed his glasses up the bridge of his nose, and went back to reading the paper. I stood waiting for an answer. The year was 1956. I was nine years old. By some twist of fate, I attended the same public school where the rich people sent their kids. We were primarily a sugar-plantation town. The managers of the plantation and the other affluent people, such as doctors, business owners, and bankers, sent their children to this elementary school. After grade six, their children were generally sent off to private schools. Because my family lived on one side of the street, I went to this school. Had I lived on the other side of the street, I would have gone to a different school with kids from families more likemine. After grade six, these kids and I would go on to the publicintermediate and high school. There was no private school for themor for me.My dad finally put down the paper. I could tell he was thinking. “Well, Son...,” he began slowly. “If you want to be rich, you haveto learn to make money.”

“How do I make money?” I asked.

“Well, use your head, Son,” he said, smiling. Even then I knew that really meant, “That’s all I’m going to tell you,” or “I don’t know the answer, so don’t embarrass me.”

A Partnership Is Formed

The next morning, I told my best friend, Mike, what my dad had said. As best as I could tell, Mike and I were the only poor kids in this school. Mike was also in this school by a twist of fate. Someone had drawn a jog in the line for the school district, and we wound up in school with the rich kids. We weren’t really poor, but we felt as if we were because all the other boys had new baseball gloves, new bicycles, new everything.

Mom and Dad provided us with the basics, like food, shelter, and clothes. But that was about it. My dad used to say, “If you want something, work for it.” We wanted things, but there was not much work available for nine-year-old boys.

“So what do we do to make money?” Mike asked.

“I don’t know,” I said. “But do you want to be my partner?”

He agreed, and so on that Saturday morning, Mike became my first business partner. We spent all morning coming up with ideas on how to make money. Occasionally we talked about all the “cool guys” at Jimmy’s beach house having fun. It hurt a little, but that hurt was good, because it inspired us to keep thinking of a way to make money. Finally, that afternoon, a bolt of lightning struck. It was an idea Mike got from a science book he had read. Excitedly, we shook hands, and the partnership now had a business.

For the next several weeks, Mike and I ran around our neighborhood, knocking on doors and asking our neighbors if they would save their toothpaste tubes for us. With puzzled looks, most adults consented with a smile. Some asked us what we were doing, to which we replied, “We can’t tell you. It’s a business secret.”

My mom grew distressed as the weeks wore on. We had selected a site next to her washing machine as the place we would stockpile our raw materials. In a brown cardboard box that at one time held catsup bottles, our little pile of used toothpaste tubes began to grow. Finally my mom put her foot down. The sight of her neighbors’ messy, crumpled, used toothpaste tubes had gotten to her. “What are you boys doing?” she asked. “And I don’t want to hear again that it’s a business secret. Do something with this mess, or I’m going to throw it out.” Mike and I pleaded and begged, explaining that we would soon

have enough and then we would begin production. We informed her that we were waiting on a couple of neighbors to finish their toothpaste so we could have their tubes. Mom granted us a one-week extension. The date to begin production was moved up, and the pressure was on. My first partnership was already being threatened with an eviction notice by my own mom! It became Mike's job to tell the neighbors to quickly use up their toothpaste, saying their dentist wanted them to brush more often anyway. I began to put together the production line. One day my dad drove up with a friend to see two nine-year-old boys in the driveway with a production line operating at full speed.

There was fine white powder everywhere. On a long table were small milk cartons from school, and our family's hibachi grill was glowing with red-hot coals at maximum heat. Dad walked up cautiously, having to park the car at the base of the driveway since the production line blocked the carport. As he and his friend got closer, they saw a steel pot sitting on top of the coals in which the toothpaste tubes were being melted down. In those days, toothpaste did not come in plastic tubes. The tubes were made of lead. So once the paint was burned off, the tubes were dropped in the small steel pot. They melted until they became liquid, and with my mom's pot holders, we poured the lead through a small hole in the top of the milk cartons. The milk cartons were filled with plaster of paris. White powder was everywhere. In my haste, I had knocked the bag over, and the entire area looked like it had been hit by a snowstorm. The milk cartons were the outer containers for plaster of paris molds.

My dad and his friend watched as we carefully poured the molten lead through a small hole in the top of the plaster of paris cube. "Careful," my dad said. I nodded without looking up. Finally, once the pouring was through, I put the steel pot down and smiled at my dad.

"What are you boys doing?" he asked with a cautious smile.

"We're doing what you told me to do. We're going to be rich," I said.

"Yup," said Mike, grinning and nodding his head. "We're partners."

"And what is in those plaster molds?" my dad asked.

"Watch," I said. "This should be a good batch."

With a small hammer, I tapped at the seal that divided the cube in half. Cautiously, I pulled up the top half of the plaster mold and a lead nickel fell out.

"Oh, no!" my dad exclaimed. "You're casting nickels out of lead!"

"That's right," Mike said. "We're doing as you told us to do. We're

making money.”

My dad’s friend turned and burst into laughter. My dad smiled and shook his head. Along with a fire and a box of spent toothpaste tubes, in front of him were two little boys covered with white dust smiling from ear to ear. He asked us to put everything down and sit with him on the front step of our house. With a smile, he gently explained what the word “counterfeiting” meant.

Our dreams were dashed. “You mean this is illegal?” asked Mike in a quivering voice.

“Let them go,” my dad’s friend said. “They might be developing a natural talent.” My dad glared at him.

“Yes, it is illegal,” my dad said gently. “But you boys have shown great creativity and original thought. Keep going. I’m really proud of you!” Disappointed, Mike and I sat in silence for about twenty minutes before we began cleaning up our mess. The business was over on opening day. Sweeping the powder up, I looked at Mike and said, “I guess Jimmy and his friends are right. We are poor.”

My father was just leaving as I said that. “Boys,” he said. “You’re only poor if you give up. The most important thing is that you did something. Most people only talk and dream of getting rich. You’ve done something. I’m very proud of the two of you. I will say it again: Keep going. Don’t quit.” Mike and I stood there in silence. They were nice words, but we still did not know what to do.

“So how come you’re not rich, Dad?” I asked.

“Because I chose to be a schoolteacher. Schoolteachers really don’t think about being rich. We just like to teach. I wish I could help you, but I really don’t know how to make money.”

Mike and I turned and continued our cleanup.

“I know,” said my dad. “If you boys want to learn how to be rich, don’t ask me. Talk to your dad, Mike.”

“My dad?” asked Mike with a scrunched-up face.

“Yeah, your dad,” repeated my dad with a smile. “Your dad and I have the same banker, and he raves about your father. He’s told me several times that your father is brilliant when it comes to making money.”

“My dad?” Mike asked again in disbelief. “Then how come we don’t have a nice car and a nice house like the rich kids at school?”

“A nice car and a nice house don’t necessarily mean you’re rich or you know how to make money,” my dad replied. “Jimmy’s dad works for the sugar plan-