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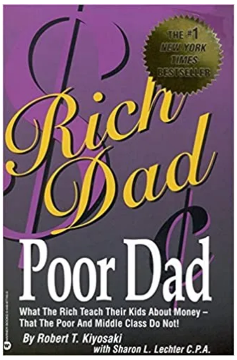
Rich Dad Poor Dad: What the Rich Teach Their Kids About Money by Robert Kiyosaki

Category: Personal Finance



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Why: I need to find out when to start investing and in what.
Goal: to learn basic finance from a comparison between rich and poor.

Action: Deconstruct your financial statement.

3 Key Concepts

1. Get you a personal finance education.
2. Assets put money in your pocket, liabilities take it away.
3. Do not avoid risk, manage them.

Summary

Education is a sounding investment. I am intrigued by the return from each education I had, be it in school or outside. When in doubt, pick up a book, buy a course, or go to school. Robert also underlined that one must be financially literate before start investing in anything.

We all have to realize that we cannot beat the system by trading our time for money. You will never get ahead of it, it is just how the system is designed. **Financial freedom only counts when the one who earns money is not you.**

> The measure of a person's wealth is the number of days they can survive without having to work.
>
> Buckminster Fuller

If you are interested in investing. Here are things to prepare: financial literacy.

1. **Accounting**: the language of business, be able to read financial statements.
2. **Investing**: what systems are there, that let money makes money.
3. **Study markets**: observe the law of supply and demand.
4. **The Law**: at least on tax and personal protection.

> Accounting is the language of business and it's an imperfect language, but unless you are willing to put in the effort to learn – how to read and interpret financial statements.
> You really shouldn't select stocks yourself.
>
> Warren Buffet

Difference between assets and liabilities. It is not obvious. With the definition in the table below, we will see that houses and cars are liabilities. If you are spending your savings on these things first, you will lose years of hardworking by taking up interests and depreciation. Get it right, Buffett always says the rule in investing is "never lose money".

Assets
Put money in your pocket

Liabilities
Take money out of your pocket

You should only be worrying about buying more assets. It means little to increase your pay-slip, your expense especially income tax and insurance will rise to cancel it out. Therefore, you still have to trade in your hours to cope with the next bill. Unless … you start buying assets.

Manage risks, do not avoid them. Many of us were told to put eggs in many baskets to avoid the risk. That is a wrong way to approach investment. Here are the reasons why.

1. Diversifying little money makes little sense. Your gain will be eliminated by fees.
2. Many baskets do not mean smaller risk in each basket. You will still lose in "percentage" game.

Long story short, your only chance is to learn deeply about the business you are investing in. This is called **managing risk**. Go back to the first step "Educate yourself about finance". It is quite common to see rookies having an "all red" portfolio. That is dreadful.

> The word accounting comes from the word accountability. If you are going to be rich, you need to be accountable for your money.
>
> Robert T. Kiyosaki

Let's finish with some areas to find income-generating assets.
Here are 4 areas to give it a shot, they are suggested in the book.

- Businesses managed by other people.
- Stocks and bonds : go for a well-established companies.
- Income-generating real estate
- Intellectual property like utility patents or the rights to sell

Work on acquiring assets

Goal check: I learned to distinguish the types of investing habits between rich and poor.

Wasu's Review

(3.5 / 5.0)