
Rich Dad Poor Dad As A Financial Education Book

Rich Dad Poor Dad is a financial education book whose purpose is to teach the reader the path to financial independence. The book is an asset itself, only that it is for the mind and as you will see we should work to learn not to work to gain money. It is a tool for learning the basics of investments and a hygiene requirement for those who want to live a life without the stress of taxes and liabilities.

Chapter-wise, the book is structured in 10 main chapters which can be divided in:

- The 6 lessons the author learned from his Rich Dad (chapter 2- 7)
- Five obstacles to overcome in order to become rich (chapter 8)
- Getting started (chapter 9)
- Actionable right away to-do steps (chapter 10)
- The 6 lessons the author learned from his Rich Dad (chapter 2- 7)

Lesson 1: The Rich Don't Work for Money

The poor and the middle man work for money. The rich ones make money work for them. The majority of people's actions are influenced by fear and by the need for immediate money and this is why they try to take no risks. In this way, the fear of losing is higher than the happiness of winning and this makes some of us the slaves of money.

Lying to yourself and saying that you don't work for money even if you work hard for 8 hours per day is even worse. You have to be true when it comes to your feelings and use your intelligence and feeling in your favor, not against yourself.

Passing fear, weaknesses, and immediate needs, stopping for a while and asking ourselves if this life is what we want. If what we do for money makes us happy, especially spending so many hours in service of money. It takes courage to be truthful to yourself because many times you might realize that you are actually a slave in your own life, working for money. This lesson remains imprinted in my mind and now when I see people in this situation I recognize them immediately and I hope I will never end up in this situation, now that I know how to get out of this trap, thanks to this book.

Lesson 2: Why Teach Financial Literacy?

Because you don't want to get caught in the "Rat's Race". What is the rat's race? It is a metaphor the author uses for a situation in which people financially get without even realizing it. It is when the incomes get higher and instead of investing in assets, people start spending more, take a credit, buy a house, make a child, and therefore the expenses increase. This implies more work further and so on. It's a circle.

In order to get out of this trap, we should invest in assets. The difference between assets and liabilities is the fact that assets produce money while liabilities create expenses, one gets money in our pocket while the other one takes them out. The personal residence is a liability while the

rental property is an asset. Unfortunately, most people are afraid to invest in assets because they are afraid of risk.

Lesson 3: Mind Your Own Business

Most people work for institutions, not for themselves. They work for the employer (salary), the government (taxes), and the bank (loans). The ugly truth says that on average an American works 5-6 months out of 12 in order to pay the government. Even in Romania 45% of an employee's gross salary goes to the government.

Many people confound their profession, what they studied and what they work for now, with their business (assets column). No one says you should become a business owner. You can keep your job and invest the money you make in businesses that don't need you there, stocks, bonds, mutual funds, rental properties, notes, intellectual property royalties, etc.

Lesson 4: The History of Taxes and the Power of Corporations (C5)

Chapter 5 talks a little history about how taxes appeared. It seems that taxes were accepted by the poor and the middle class at the beginning of year 1000 because it was a means of punishing the rich for having much more money than them, taking money to the rich, and giving to the government. Soon, the government's appetite grew and the same taxes applied also in the middle class and poor class cases. At the same time, the rich people, with the power of legally fooling the law managed to avoid taxes. In the end, the ones punished were still the middle class.

Nowadays this is still happening. The power of corporations is the fact that they make money, then spend it, and only afterward pay taxes. If done properly, you can legally write off vacations, car expenses, health club memberships, restaurant meals, and so on. The poor earn, pay taxes, then spend; the rich earn, spend, then pay taxes.

Lesson 5: The Rich Invent Money

There are 2 main paths you can take. You either work hard, pay your debts save money and then pay taxes again on savings. Or take your time, invest in your financial knowledge and create assets.

In order to create investments you have to learn 3 skills:

1. How to find opportunities that others don't see
2. How to raise money.
3. How to organize other (smart) people

Lesson 6: Work to Learn- Don't work for Money

The author's advice for young people is to chase workplaces for what they get to learn from there and not for the money they will get. In Robert's case, he learned how to manage people in Marines and how to be a good salesperson at Xerox company. These skills helped him further in the investors' life.

There are 3 main types of management an investor has to master in order to succeed: Cash flow management, Systems management, People management.

Five obstacles to overcome in order to become rich (chapter 8)

The obstacles people meet when they have to invest in assets are:

1. Fear: All rich people lose money. Poor people might not lose money but neither wins any. They are so afraid to lose that they are already losing. Take the failure and get inspired, before you learn how to use a bicycle you fall several times. Become more eager to win after failure, losers give up. Be ready to lose money before you learn how investments work.
2. Skepticism: Doubts regarding our own powers get us blocked, rising fear. They make us stand for the simple life and occasions pass over us. Skeptics criticize and winners analyze. Analyze opens your eyes while negative comments make you blind.
3. Laziness: Sometimes, laziness is manifested through the excessive occupation of some people who run away from the truth. Occupation with watching TV, with the job, doesn't matter what type of occupation as long as what you do doesn't make you satisfied. Instead of thinking "I don't afford it", think about how you can afford it. The human spirit is very powerful, it knows that it can do anything, yet a lazy mind thinks it can't. The author recommends a little selfishness. The question "what's in it for me?" Makes us think about our own benefits, making us want more. Only in this way we can combat laziness. Sometimes, I have realized, I am happy with what I have, with what my parents are offering me and this is why I cannot Access the interior drive and motivation. Reading this chapter made me understand why.
4. Bad habits. Just as the author James Clay, in Atomic Habits says, our life is a reflection of all our habits.
5. Arrogance: ego plus ignorance is when you don't know something you hear about and you are ignorant enough not to find out about it.

Getting started (chapter 9)

- Get a motivation higher than the obstacles

Anyone can say that he wants money and to be rich but the truth is that the effort and sacrifices that have to be made until there are too many for them. "A reason or a purpose is a combination between what you want and what you don't want". The question "What are my reasons?" should always be asked to oneself on the way to success. Without serious motivation and purpose, everything is hard in life.

- The power of choice

What we do with time and learning should be our choice even if we have money or not. Invest firstly in yourself and your education because the most valuable asset you can own is your own mind. Books, seminars, courses are some ways to do so.

- Choose your friends carefully

We have something to learn from each and every one. From those who have money what to do

and from those struggling with money what not to do.

- Master a skill then gain a new one

You become what you learn. The mass population has way they learned in school: you work, you go to the job, you make money, pay debts and spend. This is taught. If you want a new education, you search for it.

- Pay yourself first

Build your assets first and only afterward pay your debts. When there is no money to spend give the constraints away and do not use your economies.

- Pay your brokers well

Pay well your brokers, lawyers, accountants, etc. They are making you money and they have to be incentivized.

- Be an “Indian giver.”
- Assets buy luxuries
- The need for heroes
- “If they can, I can, too.”
- Teach and you shall receive.

If you want something you should give something first. The world is nothing but a mirror of who you are.

Application of knowledge- The most important lessons which remained with me from this book.

The main way to financial independence is investing in assets, before paying taxes. In this way, your income rises and you will not be trapped in the rat race. This is a lesson I am going to apply to start with my first salary/dividends. The second lesson is the fact that there is a high benefit, which my father also taught me about, of having a company and that is that you can pay yourself numerous benefits legally and lowering taxes. The second lesson is the fact that knowledge about accountability, investing, supply and demand, and understanding taxes, and avoiding lawsuits are financial literacy. These are domains I am going to learn more about.

Regarding personal development, the main thing I have learned is the fact that I have to find a motivation that is going to surpass the obstacles (and they will be many) in order to have the drive to succeed. This motivation will also get rid of laziness.

Last but not least, if you want something give something first. It is very important to be generous with life so that life will be generous with yourself.

In my opinion, “Rich Dad Poor Dad” is a basic financial alphabet that should be taught in school, next to history and chemistry. It is even more important to understand money and how to cope with them in life so that we can survive this life and I don’t understand why children are not taught more on the subject. In comparison with other books like “Atomic Habits,” it is not so well written and therefore not so easy and pleasant to read but the information is worthing the

effort.

In conclusion, “Rich Dad Poor Dad” is a book which anyone should read in order to prepare for financial obstacles in adult life.