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**Why “A” Students Work
for “C” Students and “B”
Students Work for the
Government: Rich Dad’s
Guide to Financial
Education for Parents**

Made by Blinkist



These key insights in blinks were written by a team of experts at Blinkist. We screen the world of nonfiction to choose the very best books. Then, we read them deeply and transform them into this concise format that brings you the most inspiring ideas from the text.

Maybe these blinks will inspire you to dig deeper, or maybe they're enough to start you thinking and then on to something new. However you read blinks, we hope they help you become an even brighter you.

What's in it for me? Give your kids a leg up with a solid financial education!

As parents, we all want to give our kids every advantage in life – especially when it comes to their education. Unfortunately, our school system is failing to teach our children about one of the most fundamental parts of life: money. Schools try to give kids the tools they'll need to go out and get a good job. They teach how to be an employee, not how to be an entrepreneur.

Most teachers simply aren't equipped to provide a financial

education. They come from a world of verifiable facts and figures. An answer on a test is either right or it's wrong. But in the real world, things are a lot more complicated than that. We're taught to work hard, avoid debt, and save money for retirement. But we're not taught that there are different types of income or how to read a financial statement.

It's up to parents to provide the kind of financial education that our school systems aren't set up to handle. But first, you might have to educate yourself on the subject. These blinks will illustrate why a good financial

education is so important and give you some of the tools you'll need to introduce the subject to your own kids. It's a process that should begin in childhood and continue all the way into young adulthood.

In these blinks, you'll discover

- how to use Monopoly to educate your children;
- the real reason why people are greedy; and
- why you should never just give your kid money.

A solid financial education adapts itself to meet the needs and experiences of the student.

What's the perfect time to teach a child about finance?

There's no hard-and-fast rule. But a good rule of thumb is when a child is able to tell the difference between a one dollar bill and a five dollar bill. When they can do this, they're ready to begin their financial education.

This education won't be a process that takes a matter of weeks or months. Financial

education takes years, encompassing three distinct windows of learning, each with their own specific needs.

The key message here is: A solid financial education adapts itself to meet the needs and experiences of the student.

A child's first window of learning, *Quantum Learning*, takes place from birth until about age twelve. During this time, children are essentially learning machines. They learn without effort. Every new experience teaches them something new about life and the world around them.

Around the age of four, the brain begins to divide into distinct hemispheres: the left – thought to be the more analytical half – and the right, which is the creative, artistic side. Most children will end up favoring either the left or the right hemisphere. Parents can take advantage of this change by educating their children on finance through games like Monopoly. Games engage both the left and right hemispheres, so no matter what side your child favors, their learning centers will be stimulated and engaged.

Once a child turns twelve, it becomes harder to learn fundamental skills like languages. At this age, the process transforms into a stage of *Rebellious Learning*. The child wants to make their own decisions and learn what they want to learn. Unfortunately, they aren't always aware of the consequences of their decisions, and this can get them into trouble.

It's a critical time that can test any parent-child relationship, but you can still educate them effectively. One tip is to make them aware of potential consequences by openly

discussing your own financial concerns when they occur.

The third window of learning, *Professional Learning*, takes place in young adulthood when they're getting their first taste of the real world. They'll build on the lessons they learned from childhood and apply them to their own lives. This is the time when we find out whether or not we've chosen the right career path. If it isn't a good fit, now is an excellent time to change direction.

But what is the right career?
How can you help your

offspring pick the right path?
Find out in the next blink.

Finding your place in the Cashflow Quadrant is more important than choosing a specific profession.

While it's important to choose the right career, the specific profession you choose isn't really the most important decision you'll need to make.

What is more important is deciding where you want to work in the *Cashflow Quadrant*.

Finding the quadrant that's right for you isn't something that's taught in school. But it may be one of the most important decisions you ever make.

The key message here is: Finding your place in the Cashflow Quadrant is more important than choosing a specific profession.

There are four income quadrants, each of which is delineated by a letter. “E” is for employee; this is where most people find themselves. “S” is for small-business, or self-employed. That can mean anyone who works for a commission or fee, like doctors and lawyers. “B” stands for big business – entrepreneurs like Steve Jobs who start companies that employ hundreds of people. Finally, “I” stands for

investor, financial geniuses like Warren Buffett. Passive investors who invest in pensions and 401(k)s aren't included in the "I" category.

The school system prepares kids for a life in either the "E" or the "S" quadrant. They're taught to study hard to get a good job with a steady paycheck.

Unfortunately, these two quadrants also shoulder the heaviest tax burden. It's those in the "B" and "I" quadrants who legally pay little or no taxes. Real financial independence is only achievable in one of these two quadrants.

Part of the problem with the educational system is that it trains students to be specialists in a particular field. This may help guarantee success in the “E” and “S” quadrants – but reaching the top of the “B” and “I” quadrants requires a different skill set. Successful entrepreneurs and investors need to be generalists, not specialists.

In school, your grades reflect how well you’ve mastered a given subject. It’s a world of absolutes: right or wrong, pass or fail. “A” students tend to become specialists, working in the “E” or “S” quadrants.

Students who get “C”s may have talents in other areas that allow them to see the bigger picture. And that’s why we say that “A” students work for “C” students.

Starting your career in one quadrant doesn’t mean you have to stay there forever. It’s possible to transition from one to another, especially as your Professional Learning curve gives you more insight into your strengths and weaknesses. It all depends on your primary source of income. We’ll take a look at the different types of income in the next blink.

Educate your children on the difference between ordinary, portfolio, and passive income.

As we just mentioned, it is possible to move between cashflow quadrants. But how?

Transitioning from one quadrant to another requires transforming your primary source of income. There are three types: ordinary, portfolio, and passive.

**The key message here is:
Educate your children on the difference between ordinary, portfolio, and passive income.**

Most schools only teach students how to work for ordinary income – regular, steady paychecks. Ordinary income is taxed at the highest possible rate, even savings accounts and 401(k) plans. This is another good reason why it's important to teach your kids about taxes. It's a complicated subject for everyone, so the earlier they can begin to get a handle on it, the better.

Portfolio income, or capital gains, are where most investors put their money. This is a step up from ordinary income but still carries a higher tax burden and risk. Even a so-called

“diversified” stock portfolio is rarely truly diverse, with people making investments in multiple companies in a similar field. If something happens that affects one, it will probably affect them all.

Passive income is also known as cash flow. These are assets, which can very simply be defined as anything that puts money into your pocket. On the other hand, liabilities take money out of your pocket. Many people still incorrectly define their house as an asset when it’s actually a liability. A real asset is a rental property, such as an apartment complex. This

provides a steady source of income that is taxed at the lowest of all rates. As you might have guessed, passive income is the type of income that'll help you achieve financial independence.

You can use the game Monopoly to teach your kids about passive income. When you build houses or hotels on a property in the game, you now have a steady source of income. There's no way to win the game without following that strategy. If you decide to hold onto your money and not buy properties, you're going to end up losing.

Teaching your kids about the three types of income will give them a financial edge in the future. But you can't rely on the school system to do it. Most teachers work for ordinary income. They're specialists. They may not even be aware there are three types of income. So it's incumbent upon parents to provide their children with this financial education.

Financial education allows young people to feel a sense of control and security over their future.

Without a financial education, many people leave school financially desperate. If they do find a well-paying job, they'll do anything to protect it. This is why so many CEOs are less concerned with the company they work for and more for their own golden parachute retirement packages. All this is a direct result of schools failing to meet one of our most basic needs: *safety*.

The key message here is:
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future.

In 1943, the psychologist
Abraham Maslow created the
Hierarchy of Needs. His theory
describes a pyramid with the
most basic physiological needs
at the bottom – things such as
food and shelter. Only after
those needs are fulfilled, Maslow
suggests, can we move on to
fulfill more advanced needs like
safety, love, esteem, and self-
actualization.

Safety is level two of Maslow's Hierarchy, and it includes employment, morality, property, and resources. By not providing a financial education, schools are failing to meet this need in their students, who graduate uncertain about their future and desperate to land a job. And desperate people resort to desperate measures.

It's a common misconception that rich people are greedy. This is reinforced throughout school with texts like Charles Dickens's *A Christmas Carol* that portray rich people as villains. In reality, it's desperation that drives people to become greedy.

Desperation fosters a sense of entitlement that is antithetical to the true capitalist spirit. On the other hand, rich people can be exceptionally generous.

So how can parents satisfy this need for safety through education? When it's time for them to enter the workforce, instead of urging your children to get a part-time job, encourage them to seek out opportunities. This could mean working for a mentor where they get paid in real-world experience instead of a paycheck. Or, finding a job in a fast-food restaurant that allows them to work in a variety of

capacities – cashier, cook, janitor, on up to shift manager – and really study their business practices. At this point in their lives, amassing a wide variety of experiences can be more valuable than a minimum wage paycheck.

These simple ideas can help give young people a sense of control over their financial future. It's only when we feel safe that we can move on to total self-actualization.

Don't give your kids money.

As we discussed in the previous blink, desperation can foster a sense of entitlement in people. That sense of entitlement has become pervasive in our society. We have created a world where countless people believe they deserve something for nothing. That is not a lesson you want to pass on to your sons and daughters. And there is one simple thing you can do to help prevent your kids from developing an entitlement mentality.

The key message here is: Don't give your kids money.

Whether they're rich or poor, some parents have a bad habit of trying to show their kids how much they love them – with money. They'll buy their kids expensive athletic shoes, toys...eventually even cars.

When this happens all the time, the kids grow up believing all they need to do is ask for something and they'll get it. If their best friend gets the latest high-end video game system, they think they deserve to get one too.

Our schools aren't helping fight the entitlement mentality, either. These days, when kids compete in school tournaments, everybody gets a trophy just for participating. What kind of lesson is that for children? That you're a winner just for showing up?

Children need to understand exactly what money is. It's a means of exchange. That's it. If you do something for me, you get something in return. And the more you give, the more you receive. The seeds of entitlement are planted when the child simply receives a handout.

Instead of giving kids a weekly allowance, set up a system where kids are rewarded for their hard work. The more they go above and beyond what's expected of them, the more they get in return. This is also a good way to discuss the concept of generosity with them. The more generous they are with their time and their effort, the more they'll get back – not just in money, but in experience and education.

The case against the entitlement mentality is best summed up by the proverb, “Give a man a fish, and you feed him for a day. Teach a man to fish, and you

feed him for a lifetime.” Before you give your son or daughter a handout, ask yourself this: Are you teaching them to fish? Or are you teaching them how to ask for a fish?

Teach your kids to know the difference between financial advice and financial education.

Many common financial problems begin with the same root cause. People mistake financial advice for financial education. These may sound the same, but there's a big difference. Getting financial advice means you're asking someone to tell you what to do with your money. Financial education means finding out what to study so you can decide for yourself.

The key message here is: Teach your kids to know the difference between financial advice and financial education.

Whenever someone tries to tell you what you should do with your money, the first thing you should ask yourself is, “What’s in it for them?” A financial advisor might try to persuade you to diversify your stock portfolio. But they don’t really know which stocks will rise and which will fall. For that matter, they don’t really care because they’ll get a commission either way. A banker who urges you to save your money is angling for you to apply for credit cards and home

loans. Banks don't make any money off of your savings. They make money off of your debt.

In situations like this, all you are is a customer; stockbrokers and banks are making a profit off of your financial ignorance. But a financial education allows you to keep their profit for yourself.

The basis of any good education is learning its language – not only the words, but the relationships between them.

For example, one of the most basic words in the language of money is “income.” If a person purchases an asset, such as a rental property, you can clearly

demonstrate how the income goes up. By the same token, it's easy to see how a liability causes the income to go down.

One of the most misunderstood words in the language of money is "debt." Most of us have been taught from a young age that debt is bad, and we should do everything possible to avoid it. And yes, sometimes debt is a liability. But you can also use debt to your advantage. For example, if you take out a bank loan to purchase a rental property, the increased cash flow may not only pay back the loan but also increase your

passive income. In that instance, the debt is an asset.

The key to real education is the ability to see more than one perspective at the same time.

Debt can either be good or bad depending on how it's used.

Some might describe a millionaire as greedy, while others consider him ambitious.

This is the skill we want to pass on to our children. Don't tell them what to do with their money. Give them the tools they need to make those decisions themselves.

Final summary

The key message in these blinks:

We all hope our children will be better off than we were. A good financial education can help make that a reality and give them a huge advantage in life. But we can't rely on others to provide that education. It's up to us, as parents, to educate our kids in the language of money.

Actionable advice:

Set aside one night a week as Financial Education Night.

You can play a game like Monopoly, discuss your family's financial situation, or set goals for their financial future. Just a little bit of education a week can make a big difference.

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What to read next: *Rich Dad Poor Dad*, by Robert Kiyosaki

You've just learned how important it is, as parents, to instill a sound financial education into your kids – along with some tips and tricks to ensure they grow up feeling confident and in control of their financial future. To dive deeper into the core principles of Kiyosaki's philosophy for money and life, check out our blinks to his bestseller, *Rich Dad Poor Dad!*

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