

Your Net Worth



*Calculating your
financial worth*



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ften your Net Worth is asked for by a lender in the form of a Personal Financial Statement.

Your Net Worth is the total value of what you have (your assets) minus the value of what you owe (your liabilities).

Your Assets

Your assets generally include cash, bank accounts, investments, property owned and other property of value. More specifically, key components of your assets are:

- **Cash-** includes funds in your checking, savings, money market accounts, CDs, Treasury Bills and cash values in your life insurance policies.
- **Investments-** includes stocks, bonds, mutual funds, retirement plans (e.g. 401(k)), IRAs, annuities, employee stock options and loans to individuals or businesses.
- **Personal Property-** includes collectibles such as art, stamps, antiques, coins, or guns- which may increase in value over time. Also includes other property such as autos, boats, electronic equipment, musical instruments and household furnishings which may depreciate over time.
- **Real Estate-** includes your home, vacation home, rental property owned and land.

Your Liabilities

Your liabilities generally include debts you owe on loans, outstanding credit card balances, mortgages, leases, alimony and child support. Be sure to account for all the money you owe others both short term and long term:

- **Short term liabilities-** credit card balances, monthly bills, taxes, insurance and installment loans owed within the next twelve months.
- **Long term liabilities-** loans you may repay over many years such as mortgages, second mortgages, student loans, contracts for deed or other long term obligations.

NET WORTH IS THE FIRST STEP IN FINANCIAL PLANNING

When do you use your net worth calculation? When establishing a financial plan for you or your family a “first step” is usually to take a look at what you’re worth.

Examining the components of your assets and liabilities and making projections of their individual values into the future can be helpful in forecasting your financial future and your retirement needs.

Accurately recalculating your net worth every six months to a year will also give you a track record of how your wealth is growing or declining over time.

NECESSARY STEP WHEN BORROWING

Presenting your Net Worth or a Personal Financial Statement will also generally be required by:

- **Banks-** When applying for a mortgage or a home equity line of credit or loan.
- **Universities and colleges-** When applying for financial aid for yourself or your children.
- **Investment Institutions-** When investing in high risk instruments like options trading or junk bonds.
- **Sellers-** When buying a business or other asset with seller financing.
- **Clubs and partnerships-** Where financial obligations are involved to determine membership.

Use the worksheet inside to calculate your net worth.

This publication provides only summary information regarding the subject matter. Please call with any questions on how this information may impact your situation.

To determine your Net Worth simply fill out this worksheet.

STEP 1: IDENTIFY YOUR ASSETS

Property Assets

Primary Home \$ _____
 Vacation home \$ _____
 Car(s) \$ _____
 Furnishings \$ _____
 Jewelry / Art \$ _____
 Collectibles \$ _____
 Other _____ \$ _____
 Other _____ \$ _____

TOTAL PROPERTY ASSETS \$ _____

Fixed Assets

Gov't Bonds \$ _____
 Municipal Bonds \$ _____
 Other Bonds \$ _____
 Face Amount of Certificates \$ _____
 Other _____ \$ _____
 Other _____ \$ _____

TOTAL FIXED ASSETS \$ _____

Cash Reserves

Checking \$ _____
 Savings \$ _____
 CDs \$ _____
 Other _____ \$ _____
 Other _____ \$ _____

TOTAL CASH RESERVES \$ _____

Equity Assets

Investment Property \$ _____
 Stocks \$ _____
 Mutual Funds \$ _____
 Business Interests \$ _____
 Retirement Plans \$ _____
 Other _____ \$ _____
 Other _____ \$ _____

TOTAL EQUITY ASSETS \$ _____

TOTAL ASSETS \$ _____

STEP 2: IDENTIFY YOUR LIABILITIES

Liabilities

Home Mortgage \$ _____
 Home Equity Loans \$ _____
 Other Mortgage \$ _____
 Bank Loans \$ _____
 Auto Loans \$ _____
 Credit Card/Charge Accts. \$ _____
 Personal Loans \$ _____
 Other _____ \$ _____
 Other _____ \$ _____

TOTAL LIABILITIES \$ _____

STEP 3: CALCULATE YOUR NET WORTH

TOTAL ASSETS \$ _____

Minus:

TOTAL LIABILITIES (\$ _____)

TOTAL NET WORTH \$ _____ *

Hints:

- Value property at what you would expect to receive if you sold it today, including income taxes and withdrawal penalties.
- Include retirement/funds like 401(k)s or IRAs in the equity assets section.
- Deduct real estate selling costs of 5-7% when valuing your home.
- You may want to include the current value of a pension. Do this within the equity assets section using the estimated present value of the pension.

* A positive value indicates what you would have if you paid off all your debts and sold all your assets.