

---

# Personal Net Worth

---

A personal net worth statement is a snapshot of an individual's financial health, at one particular point in time. It is a summary of what is owned (assets), less what is owed to others (liabilities).

The formula used is:  $\text{assets} - \text{liabilities} = \text{net worth}$ .

If assets are greater than liabilities, the individual has a positive net worth. If assets are less than liabilities the individual has a negative net worth. Many financial advisors regard having a positive net worth as a primary goal.

## Reasons to Prepare a Net Worth Statement

There are a number of reasons why an individual or family should prepare a net worth statement, usually on an annual basis.

- **To keep score:** Preparing an annual net worth statement allows an individual to keep track of progress toward meeting long-term financial goals. Ideally, net worth should increase over time.
- **A planning tool:** The net worth statement also serves as a planning tool. For example, a review of the net worth statement may show that an individual has too few liquid assets (for emergencies) or that investments are too heavily concentrated in one area.
- **Lenders may ask:** An individual's net worth is a common question on many loan applications. College financial aid programs will usually require information on the parents' net worth when a child applies.
- **For certain investments:** Certain types of high-risk investments require prospective investors to have a minimum level of net worth before they are allowed to invest money.

## Preparing a Personal Net Worth Statement

The personal net worth worksheet on the following page can be used to prepare a net worth statement.

- **Assets:** For all assets categories (except cash or cash equivalents), a realistic valuation of what a willing, knowledgeable buyer would pay for an asset in an arms-length transaction should be used.
- **Liabilities:** It may be necessary to contact the lender or store to get the current balance on a loan or account.

# Personal Net Worth

## Worksheet

Date Prepared: \_\_\_\_\_

Name: \_\_\_\_\_

Assets		Liabilities	
<b>Liquid Assets</b>	\$ _____	<b>Current Liabilities</b>	
Cash and cash equivalents	\$ _____	Rent	\$ _____
Money owed to you	\$ _____	Utilities	\$ _____
Life insurance cash value	\$ _____	Credit and charge cards	\$ _____
Other liquid assets	\$ _____	Taxes	\$ _____
<b>Total liquid assets</b>	\$ _____	Other current liabilities	\$ _____
<b>Personal Use Assets</b>		Current portion, LT liabilities	\$ _____
Personal residence	\$ _____	<b>Total current liabilities</b>	\$ _____
Home use assets	\$ _____	<b>Long-Term Liabilities</b>	
Autos or other vehicles	\$ _____	Home mortgage	\$ _____
Collectibles (art/antiques)	\$ _____	Auto or other vehicle loans	\$ _____
Other personal use assets	\$ _____	Education loans	\$ _____
<b>Total personal use assets</b>	\$ _____	Margin account loans	\$ _____
<b>Investment Assets</b>		Business loan	\$ _____
Equity assets	\$ _____	Other long-term loans	\$ _____
Fixed-income assets	\$ _____	<b>Total long-term liabilities</b>	\$ _____
Investment real estate	\$ _____		
Business interests	\$ _____		
Commodities	\$ _____		
Vested portion - Pension plans	\$ _____		
IRA or Keogh plans	\$ _____		
Other investment assets	\$ _____		
<b>Total investment assets</b>	\$ _____		
<b>Total Assets</b>	\$ _____		
		<b>Net Worth Summary</b>	
		<b>Assets</b>	\$ _____
		<b>Less liabilities</b>	\$ ( _____ )
		<b>Equals net worth</b>	\$ _____

## Explanatory Notes

- **Liquid assets:** Cash or other assets, which can be easily converted into cash.
  - **Cash and cash equivalents:** These include cash in checking or savings accounts and cash equivalents where there is no concern for any loss of principal if the asset is converted into cash. May include CDs, money market funds and short-term (less than one year) Treasury securities.
  - **Money owed to you:** Includes those debts owed to you under a written agreement.
  - **Life insurance cash value:** This is the whole life policy cash surrender value.
- **Personal use assets.**
  - **Home use assets:** Includes furniture, furnishings, household goods, appliances, and sporting and hobby equipment.
  - **Autos or other vehicles:** Includes motorcycles, boats, airplanes and RVs.
  - **Collectibles (art/antiques):** Includes items that have a potential investment value as well as a personal interest value.
- **Investment assets:** Includes investments with a maturity or a usual holding period of more than one year.
  - **Equity assets:** These include stocks, stock mutual funds or other investments based on stock market investments.
  - **Fixed-income assets:** Includes bonds, bond-based mutual funds, preferred stock or other investments based on bond or bond-type assets.
  - **Investment real estate:** Refers to real estate purchased for investment rather than shelter.
  - **Business interests:** Includes the equity ownership of any business in which you actively participate.
  - **Commodities:** These are gold, silver or other precious metals. Also gems and commodities contracts.

---

## Personal Net Worth

---

- **Vested portion of pension plans:** Refers to the amount to which you are entitled if you quit today.
- **IRA or Keogh plans:** Includes the current market value less any taxes payable.
- **Current liabilities:** Refers to bills, which are due today or within thirty days.
  - **Rent and utilities:** Only include those due for the current month.
  - **Credit and charge cards:** Includes the total amount due, even if only minimum payments are made.
  - **Taxes:** Includes income and property taxes due today.
  - **Current portion of long-term liabilities:** Refers to the portion of the total long-term liabilities to be paid within the next 30 days.
- **Long-term liabilities:** These are liabilities, which are typically paid over an extended period of time.

---

# Disclosure Notice

---

The information that follows is intended to serve as a basis for further discussion with your financial, legal, tax and/or accounting advisors. It is not a substitute for competent advice from these advisors. The actual application of some of these concepts may be the practice of law and is the proper responsibility of your attorney. The application of other concepts may require the guidance of a tax or accounting advisor. The company or companies listed below are not authorized to practice law or to provide legal, tax, or accounting advice.

Although great effort has been taken to provide accurate data and explanations, and while the sources are deemed reliable, the information that follows should not be relied upon for preparing tax returns or making investment decisions. This information has neither been audited by nor verified by the company, or companies, listed below and is therefore not guaranteed by them as to its accuracy.

**If a numerical analysis is shown, the results are neither guarantees nor projections, and actual results may differ significantly. Any assumptions as to interest rates, rates of return, inflation, or other values are hypothetical and for illustrative purposes only. Rates of return shown are not indicative of any particular investment, and will vary over time. Any reference to past performance is not indicative of future results and should not be taken as a guaranteed projection of actual returns from any recommended investment.**