

## Financial Strategies: Net Worth Statement

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Everyone in the family has responsibility for understanding their finances. From the elementary student that gets a monthly allowance to the college student assessing the fees for next term, comprehension of one's net worth is important for family members.

In this section, we offer you some guidelines to help you understand your financial situation. The individual net worth statement is a financial reporting document to identify what you own and what you owe. By comparing your assets and liabilities in both short-term and long-term, you will gain a better understanding of your overall financial health. This is important when you try to get a loan or financial aid, seek employment, or find an apartment for rent. Worksheet 1 walks you through the steps to create your net worth statement.

**1. Identify assets** – An asset is anything you own that has monetary value. These include cash and bank accounts (e.g. checking or saving account balances), investments (e.g. stocks, bonds, treasury bills, or mutual funds), retirement plan (e.g. 401K, pension, or individual retirement account), and personal properties (e.g. current value of real estate and/or vehicle). For example, you could check how much your vehicle is worth at Kelley Blue Book® website ([www.kbb.com](http://www.kbb.com)) or Edmunds website ([Edmunds.com](http://Edmunds.com)), and keep track of your investment account as the stock market fluctuates.

**2. Identify liabilities** - Liabilities are the obligations that you owe. These include current liabilities (e.g. credit card balances, installment plans, or unpaid bills, such as monthly utilities or telephone charges) and long-term liabilities (e.g. home mortgage, car loan, boat loan, or student loan).

**3. Calculate net worth** - Taking off total liabilities from total assets to calculate your net worth. If you end up with a negative net worth, your total debts exceed your total assets. I would advise you to review your net worth statement and find ways to lower your liabilities and at the same time accumulate your assets. For example, you may liquidate some of your assets to keep your debt under control, such as paying off your credit card balances or delaying your purchase of next car. On the other hand, if you have a positive net worth, you have a good financial standing at this moment, and you are advised to keep the momentum and increase your net worth over time, such as investing in a saving plan and avoid making impulsive purchases.

By working out this exercise, you are more aware of your financial standing over time. This should help you think twice before you make big purchases, such as upsizing your apartment, upgrading your automobile, or renovating your house. On the other hand, try to pay the full amount of the credit card balance every month. This helps avoid high interest expenses from rolling over every month and keep your financial health in a good position.

In the worst-case scenario, you might need to file for bankruptcy protection to eliminate some of the debts and prevent creditors from debt collection. However, some liabilities such as child support, student loans, alimony, and taxes would not be discharged. In addition, a bankruptcy record will stay on your credit report for many years.

To sum up, this net worth statement should help you improve financial health by examining your financial resources and investment opportunities.

## Worksheet 1 - NET WORTH STATEMENT

|  |                    |                                   |                    |
|--|--------------------|-----------------------------------|--------------------|
| Date:  |                    |                                   |                    |
| <i>Assets (what you own)</i>   | <i>\$ (Amount)</i> | <i>Liabilities (what you owe)</i> | <i>\$ (Amount)</i> |
| <b>Cash and Bank Accounts</b>  |                    | <b>Current</b>                    |                    |
| Cash in hand<br>- Stock dividends<br>- Bond interests<br>- Insurance payouts |                    | Credit card balances              |                    |
| Checking account   |                    | Estimated income tax owed         |                    |
| Saving account   |                    | Current unpaid bills              |                    |
| Money market funds   |                    | <b>Long-Term</b>                  |                    |
| Certificates of Deposit (CD)   |                    | Home mortgage(s)                  |                    |
| <b>Investments</b>   |                    | Home equity loan                  |                    |
| Stocks   |                    | Mortgages on rental properties    |                    |
| Bonds  |                    | Vehicle loan(s)                   |                    |
| Mutual funds   |                    | Student loans                     |                    |
| Other investments  |                    | Furniture/Refurbishment loan      |                    |
|  |                    | Life insurance policy loans       |                    |
| <b>Retirement</b>  |                    | Other installment loans           |                    |
| Retirement accounts  |                    | Other long-term debt              |                    |
| Employer pension plan  |                    |                                   |                    |
| <b>Personal Property</b>   |                    |                                   |                    |
| Market value of home   |                    | Boats                             |                    |
| Other real estate property   |                    | Farm equipment                    |                    |
| Value of vehicles  |                    | Others (e.g. generators, tools)   |                    |
| Furniture and appliances   |                    |                                   |                    |
| Collectibles   |                    |                                   |                    |
|  |                    |                                   |                    |
| <b>Total Assets</b>  |                    | <b>Total Liabilities</b>          |                    |
| Net Worth is   |                    |                                   |                    |
| (Assets - Liabilities)   |                    |                                   |                    |

### **For further information:**

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### **References**

The information in this section was adapted from the Purdue Extension Publication on “Take Stock of Family Resources (CFS-704-3-W)” at <https://www.extension.purdue.edu/extmedia/CFS/CFS-704-3-W.pdf>.

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