

PEAK FINANCIAL ACTIVITY 1: What is NET WORTH?

What does *wealth* mean to you?

Net worth is a measure of your current wealth. It includes your income and your obligations (or debts). This exercise will show an example of how to measure your personal financial "big picture" -- your *net worth*. (If you were married, you would include numbers for you and your spouse.)

Below are terms and expressions that have been used to describe elements of wealth.

- Expensive home and cars
- Lots of disposable income
- Paying bills on time
- Hobbies and collections
- Building a retirement
- Enough to pay for college for children
- Expensive vacations
- A second home

Consider your current circumstances and what you want from the future. In your own words, describe what wealth means to you.

A **net worth** is determined by adding up your things of value ("assets") and subtracting your debt ("liabilities"). The textbook description is "Assets minus Liabilities equals Net Worth."

An item is considered an **asset** if it grows in value or creates income over time. Examples include real estate, a savings account, a retirement account, and stocks and bonds. Some things you own might be very valuable to you, however, they don't qualify as an asset. Possessions, such as a car, a big-screen TV, a computer, or clothes do not appreciate in value or generate income.

Liabilities are things that you owe, such as your home mortgage, credit card balances, student loans, a car loan or lease, and outstanding debts with balances.

In the exercise below, enter some sample values and experiment. Click the "Calculate Net Worth" button to create a sample Balance Sheet below. Try different combinations of values.

MY BALANCE SHEET		
ASSETS	VALUE	Instructions
Cash on Hand		Checking accounts and liquid cash
Savings Account		
Stocks, Bonds, Other Investments		Use current market price
Retirement Account		Use current market price or available balance in accounts
Market Value of Home		Use latest appraisal or estimate, do not subtract mortgages or liens
Market Value of Cars		Use average blue book value
Other Assets		Anything that you can reasonably sell and easily convert to cash
TOTAL ASSETS		Total all the ASSETS above
LIABILITIES		
Home Mortgage		Include remaining principal on all mortgages
Car Loans		Include remaining principal on all loans
Student Loans		Use remaining principal
Credit Card Balances		Use remaining principal
Total Debt Balances		Loans from family members, overdraft loans, payday loans, all other debts
Other Liabilities		Remaining alimony obligations and other unpaid obligations
TOTAL LIABILITIES		Total all the LIABILITIES above
MY NET WORTH		Subtract TOTAL ASSETS from TOTAL LIABILITIES - this is your net worth

Is your net worth positive or negative?



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