

Assets side of the equation), all loans (vehicle, student, and personal, as well as business loans you're personally responsible for), credit card debt, medical bills, taxes owed, and all other debts.

In terms of financial planning, it doesn't make a lot of sense to include personal property that you couldn't—or wouldn't—sell for cash.

A good rule of thumb when considering whether or not to include jewelry, artwork, heirlooms, collectibles, and such in the mix is to go ahead and include them if you're reasonably sure you could and would sell at some point; omit those that you plan to pass on in your will.

Completing your net-worth statement will take the longest the first time you do it. After that, the process will go much more quickly, requiring only that you update values, add assets acquired during the year, and delete liabilities that have been paid off or no longer exist.

### What the net-worth statement tells you

By comparing this year's net worth to last year's, you can determine if you're on track.

- Whether your net worth is increasing or decreasing
- If you are accumulating too much debt
- How much money you are investing in depreciating assets (such as electronics and cars) vs. appreciating assets (real estate and equities, for example)
- If your investments are performing satisfactorily
- Whether you have enough of your wealth in assets that are liquid and available
- How close you are to achieving your goals

From these findings you can determine what action to take—spend less, earn more, curtail your credit use, sell underperforming investments, move money into or out of retirement accounts, and so on. It's a good financial measurement for everybody because it provides a

snapshot of where you stand and forces you to account for not only assets but liabilities.

In other words, your assets may have grown by \$3,000 this year, but if you also borrowed \$4,000 on your home equity line of credit, you would have a net loss of \$1,000.

If you don't acknowledge that, you're just ignoring the facts. The net-worth statement makes you look at reality.

Make it a habit to do this every year, even if at least once a year, to be on top of your finances. You'll like to update the net-worth statement annually when they prepare their returns, if they know how to perform this ritual each New Year's Eve.

And, according to those who already track their net worth, it's not just the bottom line but the process that's valuable. This annual task often is just the prod you need to finally take advantage of your employer's retirement plan, update your insurance policies, invest excess cash sitting in low-yield accounts, and get an appraisal on the 1,600-piece antique salt-and-pepper shaker collection you plan to sell and retire on.

# Sample

# Sample

## Net-Worth Statement Reveals Financial Progress



# Sample



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Progress toward some goals can be difficult to gauge, but financial goals don't fit into that hard-to-measure category. The teenager saving up for her first car can see from the savings account statement exactly how much closer she is this month to accumulating the necessary down payment.

Of course, tracking your financial progress gets more complicated when you're dealing with multiple assets and liabilities that may go up and down in value frequently, even daily. That's what the net-worth statement is for. Also known as a balance sheet, the work sheet has two sections: one for what you own and the other for what you owe. A line from one to the other doesn't mean anything. The net-worth statement is a powerful financial tool that can aid you in many ways.

### Calculating your net worth

There are many places you can get a net-worth work sheet—your credit union, a financial planner, personal finance books, and in this brochure. Each work sheet will look a little different, but every net-worth calculation (assets - liabilities = net worth) will include certain general categories on either side of the equation.

For instance, any list of assets should include such things as cash and cash equivalents; stocks, bonds, and mutual funds; the vested portion of all retirement plans; the cash value of life insurance policies; the market value of real estate and vehicles; money owed to

you; all other investments and liquid assets—those that you can convert to cash relatively quickly and easily.

Liabilities must include mortgage debt (if you have included the full market value of your home on the

# my personal net worth

## Assets

Cash on hand \$  
 Cash—savings  
 Cash—checking  
 Cash—money market  
 Money market funds  
 Share certificates/  
 U.S. savings bonds  
 Bonds (individual owned)  
 Bond mutual funds  
 Pension plans, vested equity  
 401(k) or 403(b) plans  
 Individual retirement accounts  
 Profit sharing, vested equity  
 Keogh plans  
 Annuities, surrender value  
 Stocks (individually owned)  
 Stock mutual funds  
 Real estate investment funds  
 Precious metals

Market value of home  
 Market value, other real estate

### Other investments

Life insurance, cash value

Blue book value of vehicles  
 Blue book value of boats, RVs  
 Household furnishings  
 Collectibles  
 Furs, jewelry  
 Loans owed to you

Other assets

**Total Assets** \$

## Liabilities

Mortgage balance(s) \$

Vehicle loans

Home equity loans

Student loans

Business loans

Alimony  
 Child support

Other personal loans

Credit card debt

Other credit lines

Medical debt

Insurance due  
 Taxes owed  
 Other bills

**Total Liabilities** \$

**Assets - Liabilities =  
 Net Worth:**

\$

The net-worth statement makes you look at reality.

Sample

Sample