

FILE

Family Financial Planning: Preparing and Using a Net Worth Statement

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A **net worth statement** is a picture of what you own and what you owe. It shows the fair market value of your *assets* (things you own) and your debts or *liabilities* (money you owe others). The difference between assets and liabilities is *net worth*.

Preparing a net worth statement

It's easiest to prepare a net worth statement using a form like the one on the back of this page. Change the form to fit your situation, crossing off items you don't own and adding items that are not listed.

Couples who own all property jointly usually prepare a joint net worth statement. Couples not owning all property jointly might have two or three net worth statements. If two, each statement would list the person's individual property and debts and also that person's share of jointly owned property and joint debts. If three statements are prepared, each person would have a statement listing individual assets and liabilities, and the third statement would include joint assets and liabilities.

Most people round off numbers in a net worth statement. For example, you might list a checking account balance of \$111.22 as \$111 or \$100.

Assets

Cash and cash equivalents List cash on hand and *cash equivalents*, items that can be converted quickly into cash. Examples are checking and savings accounts, certificates of deposit, and money market funds.

Investment assets These are assets that can possibly *appreciate*—increase in value. List each asset and its *market value*, that is, the price at which the asset could be sold. Market values of stocks,

bonds, and mutual funds are often in the business section of your newspaper. Or, call your broker. Many mutual funds have toll-free numbers to call for price quotes. Real estate is more difficult to value. An estimate of value is the price of the most recently sold property similar to yours.

Retirement assets These are investments that can be used only for retirement or that penalize you if you withdraw them before you're a certain age. Examples are IRAs, Keogh Plans, and 401(k) or 403(b) plans. Their values generally are given in periodic statements you receive.

Consumption assets Consumption assets usually *depreciate*—decline in value over time because of wear and tear and obsolescence. Examples are cars, home furnishings, and appliances.

The resale values of cars and trucks are published by the National Automobile Dealer's Association and by Kelley Blue Book. These are available from libraries, car dealerships, and lending institutions. The Kelley Blue Book also is on the Web at <http://kbb.com>

Estimate the value of appliances and furnishings using prices from second-hand shops and classified ads.

Liabilities

List past-due bills and loan *balances*—the amounts you still owe on the loans. If you pay your credit card balance in full each month, don't list it as a liability. However, if you make only the minimum payment and carry the balance to the next month, list the balance under liabilities.

The outstanding balance of your mortgage is usually on the yearly mortgage statement. If not, call the mortgage holder and request the balance.

As you list each debt, note in the margin the interest rate and the date the debt is scheduled to be paid in full.

Using the net worth statement

Review your assets

Cash and cash equivalents Do you have enough money readily available for emergencies? How much you need depends on many factors—the likelihood you'll be unemployed or laid off or become seriously ill; the coverage and deductibles on your health and disability insurance; and credit you have available. Some experts recommend an emergency fund equal to 2 or 3 months' living expenses; others recommend 6 months' expenses in cash and cash equivalents.

Investment and retirement assets Read the investment reports you receive to learn the growth or returns you are getting on investments. Do you consider these returns adequate? What kinds of investments do you have? Are they diversified?

Consumption assets Which of these will need repair or replacement in the near future?

Review your liabilities Have you borrowed money for day-to-day expenses such as clothing, gasoline, and meals? Routinely borrowing to pay day-to-day expenses may indicate you're living beyond your means. When would you like to pay off your debts? If you would like them paid earlier than the scheduled date, can you make additional payments?

Use the form on the back of this page to prepare your net worth statement.

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OREGON STATE UNIVERSITY
EXTENSION SERVICE

Net Worth Statement

Name _____ Date _____

| | Market value | | Market value |
|--|-----------------|---|-----------------|
| ASSETS | | LIABILITIES | |
| Cash and cash equivalents | | Past-due bills for services, rent, etc. | \$ _____ |
| Cash on hand | \$ _____ | Past-due taxes | _____ |
| Checking account(s) | _____ | Credit cards/charge accounts | _____ |
| Savings account(s) | _____ | _____ | _____ |
| Money market funds/ money market deposit accounts | _____ | _____ | _____ |
| Time deposits | _____ | _____ | _____ |
| Savings bonds | _____ | | |
| Investment assets | | Consumer installment debt | |
| Stocks | _____ | Automobile | _____ |
| Bonds | _____ | Other _____ | _____ |
| Mutual funds | _____ | Real estate debt | |
| Real estate | | Home | _____ |
| Home | _____ | Other _____ | _____ |
| Other _____ | _____ | | |
| Cash value of life insurance/annuities | _____ | Pledges: charities, churches, etc. | _____ |
| Partnership and business interest | _____ | Other _____ | _____ |
| Other _____ | _____ | _____ | _____ |
| Retirement assets | | Total liabilities | \$ _____ |
| IRA/Keogh account | _____ | | |
| Employee retirement fund | _____ | | |
| Other _____ | _____ | | |
| Consumption assets | | | |
| Home furnishings/appliances | _____ | | |
| Sports and hobby equipment | _____ | | |
| Automobiles/vehicles | _____ | | |
| Other _____ | _____ | | |
| Other | | | |
| _____ | _____ | | |
| _____ | _____ | | |
| _____ | _____ | | |
| Total assets | \$ _____ | | |

| | |
|--------------------------|------------|
| Total assets | \$ _____ |
| Total liabilities | = \$ _____ |
| Net worth | = \$ _____ |