

# Understanding Your Net Worth

## FuturePath Financial Literacy Month Series

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In honor of Financial Literacy Month, we will be discussing a series of topics to help equip you with the tools needed to develop healthy financial habits, understand your financial position, and identify goals to work toward. Part Two will focus on helping you understand your net worth and using that to create long-term financial goals.

### **Why Net Worth Matters**

Your finances are holistic and affect many aspects of your life. Your net worth is used in determining proper insurance coverage, creditworthiness, and as an overall barometer of your financial health. Understanding your net worth can help you set long-term goals to maximize your financial freedom and minimize future financial worry.

### **What is Net Worth?**

Net worth is defined as your assets minus your debt. Assets can be things you own that have a cash value, actual cash in the bank or even the cash value of insurance policies. Your debt is anything you owe to another party.

Here are some common forms of assets and debt.

#### **Assets (what you own):**

- Real estate
- Vehicles
- Boats
- Cash (checking/savings)
- Investments (stocks/bonds/interests in a business)
- Retirement accounts
- Cash Value of insurance policies

#### **Debt (what you owe):**

- Mortgage
- Car loan
- Student loan
- Credit card debt
- Medical debt
- Family loans

As an indicator of financial health, it is ideal to strive for your net worth to be a positive number, meaning you should own more than you owe. Your net worth will be different depending on your age and it is not uncommon for net worth to fluctuate over time. As an example, if you purchased your home with a mortgage, it can take time for the loan to be paid down and the equity to build. Also, it is best to think of your net worth statement as a snapshot in time as spending and inflows during a month can affect account balances day-to-day. To best value assets like your home or car, you can use websites that specialize in giving live price quotes. For Pathstone clients, the easiest way to calculate your net worth is to utilize the Net Worth Balance Sheet that we have created and provided to you.

### **How Can You Achieve Your Desired Net Worth?**

Now that you have the steps to determine your net worth you can begin creating long-term goals. Perhaps you would like to contribute more toward your retirement, begin a college savings account for your grandchildren, or diversify your

investments to create more passive income. Regardless of your goals, we encourage you to reach out to your Pathstone Advisor who can help tailor a financial portfolio to fit your net worth goals.

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