



Understanding your Net Worth

Planning for financial goals requires that you become fully aware of your current financial position. Your net worth is the most important measure for assessing your wealth.



WHAT IS 'NET WORTH'?

Your net worth is the value you get by subtracting your liabilities (what you owe) from your assets (what you own). It is a common way to measure how much individuals or businesses are worth. A constant increase in net worth reveals a sound financial health.



Why is your net worth important? Your net worth statement helps you understand your current financial situation to better plan your financial goals. It provides a measure of your progress in accumulating financial wealth. Financial goals should work to increase your wealth over time.



There are three ways to increase your net worth over time: increase savings, increase the market value of your assets, such as a house, or decrease the amount of your liabilities or debts.

WONDER HOW MUCH YOU ARE WORTH?

Your net worth is similar to taking a financial snapshot at one point in time, showing your assets and your liabilities.



+ **ASSETS**

If your **assets** are greater than your liabilities, then you have a **positive** net worth.



- **LIABILITIES**

If your **liabilities** are greater than your assets, then you have a **negative** net worth.



NET WORTH



WHAT DOES YOUR NET WORTH MEAN?

Knowing the value of your net worth helps provide the big picture and an understanding of your current financial situation. Your net worth can influence many financial decisions and financial goals, timing and more.



Financial Planning: Understanding your current financial situation will help set realistic financial goals, both long-term and short-term.



Debt Management: Understanding the exact amount of debt you owe and timeframes, provides opportunities to improve your financial situation.



Estate & Legacy Planning: Understanding your assets and their current value will influence how you plan your estate.



HOW TO CALCULATE YOUR PERSONAL NET WORTH STATEMENT

Calculating your personal net worth is easy, using simple math to get a rough estimate.

A more comprehensive statement can be compiled by your Financial Advisor.

ASSETS

Assets are defined as items owned which have monetary value. Liquid assets include cash on hand or an asset that can be readily converted to cash, while non-liquid assets can take time to liquidate quickly, such as a home.



- Money in your bank accounts (savings, TFSA, chequing)
- Value of your investments (RRSPs, bonds, mutual funds, stocks, etc.)



- Vehicles (car, boat, motorcycle, etc.)
- Market value of your properties (home, cottage, rental properties, etc.)



- Personal property (jewelry, art, furniture, heirlooms, etc.)
- Value of insurance policies (life, term...) or pension plans

LIABILITIES

When calculating liabilities, use the full amount of the debt owed, such as your current credit card balance. List your liabilities and add up the outstanding balances. Include items such as:



- Mortgages
- Car loans
- Student loans



- Credit cards & line of credit
- Taxes outstanding



- Outstanding medical bills
- Other debts



The biggest liability that many people have is their mortgage. However, over time, as the mortgage is paid off, the house becomes an asset. A house as an asset will substantially increase one's net worth.



Just like going to the doctor on a regular basis to maintain your health, calculating and tracking net worth on a regular basis is essential for your financial health. Net worth check-ups help you understand if you are still on track for meeting both your long-term and short-term goals. Assessing your net worth is a good measure of your financial health. However, it's not the only component in assessing your financial situation and planning your goals. Building a comprehensive financial plan with strategies to reach them, will ensure you are on the right path.

Do you know what your net worth is? Do you know how to use your net worth to reach your financial goals? As your Advisor, I can help with your overall financial planning.

Call our office today to review your financial plan.



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