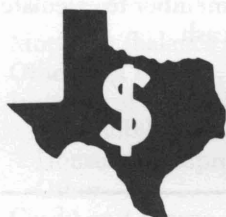


# FACT SHEET



## MONEY MATTERS

### WHAT'S MY FINANCIAL HEALTH?

Bonnie L. Piernot\*

Businesses and organizations periodically take inventory and complete a balance sheet to check their financial health and to record the progress or lack of progress made during a particular period of time.

Households can be viewed as mini-businesses, since many of the functions of planning, purchasing and record-keeping are the same as for any other type of business, large or small.

Your financial health is a vital part of your life. It is the key to your credit standing. It is essential to help you save money on taxes. It also provides a continuing indication of your financial progress.

Checking your financial health means determining how much you are worth in dollars and cents, or assessing your net worth.

This is done simply by filling out a net worth statement. The difference between the total of what you own (assets) and the total of what you owe (liabilities) is how much you are worth. By assessing your financial health at about the same time each year, and allowing room for several years on the same record, you can see at a glance how you are doing.

If you aren't making the financial gains you expected, you can decide how and where to change your direction. There may be good reasons why you fall behind, such as when you pay for education, have large health expenses or experience a loss of income. Knowing where you presently are is half of the fiscal battle.

#### WHY A FINANCIAL CHECKUP?

- To determine present financial condition,
  - To plan a budget to meet financial goals,
  - To determine insurance needs,
  - To assist in preparing income tax forms,
  - To assist in estate planning,
  - To assist in settling an estate or a divorce.
- and,
- To assist in loan application.

\*Extension family resource management specialist, The Texas A&M University System.

## YOUR FINANCIAL CHECKUP

### Net Worth Record

*Step 1.* Write down the figures for all the items listed under liquid assets. These are the funds you can count on now. They convert into cash more easily for emergencies or other unexpected expenditures.

*Step 2.* Figure out the present market value for all your other possessions such as your home, car, TV and dishwasher. Include the cash value of your company retirement fund, although these funds are usually freed only when the employee leaves the company. It takes time to convert these assets into money. Remember to calculate the market value — the price you would get right now if you wanted to sell or convert to cash.

*Step 3.* Add up the total of all your assets.

#### ASSETS

<u>I OWN (ASSETS)</u>	198__	198__	198__	198__
<b>LIQUID ASSETS (readily convertible to cash)</b>				
Cash .....	\$ _____	\$ _____	\$ _____	\$ _____
Bank accounts				
checking .....	_____	_____	_____	_____
savings .....	_____	_____	_____	_____
Savings bonds .....	_____	_____	_____	_____
Bonds (government, municipal, corporate) .....	_____	_____	_____	_____
Stocks .....	_____	_____	_____	_____
Mutual funds .....	_____	_____	_____	_____
Life insurance (cash value) .....	_____	_____	_____	_____
Miscellaneous				
Prepaid taxes .....	_____	_____	_____	_____
Prepaid insurance .....	_____	_____	_____	_____
Other (gold, silver) .....	_____	_____	_____	_____
<b>OTHER ASSETS</b>				
Real Estate (market value today) .....	_____	_____	_____	_____
Other Real Estate .....	_____	_____	_____	_____
Other Real Estate .....	_____	_____	_____	_____
Car(s) .....	_____	_____	_____	_____
Cash value of company retirement fund .....	_____	_____	_____	_____
Cash value of private pension fund .....	_____	_____	_____	_____
Cash value of profit sharing .....	_____	_____	_____	_____
Personal Property (jewelry, furniture, etc.) .....	_____	_____	_____	_____
Personal Property (stamps, art, coins, etc.) .....	_____	_____	_____	_____
Money owed to me .....	_____	_____	_____	_____
<hr/> <hr/>				
<b>TOTAL ASSETS</b>	\$ _____	\$ _____	\$ _____	\$ _____

Step 4. Write down all you owe — current short-term, intermediate-term and long-term debts, such as the balance you owe on your revolving charge accounts and the amounts you still owe on your car and home.

Step 5. Add up the total of all of your liabilities.

**LIABILITIES**

<b>I OWE (LIABILITIES)</b>	<b>198__</b>	<b>198__</b>	<b>198__</b>	<b>198__</b>
Mortgage (balance due).....	\$ _____	\$ _____	\$ _____	\$ _____
Other real estate.....	_____	_____	_____	_____
Installment debts (balance due)				
Automobile loan.....	_____	_____	_____	_____
Household improvement loan.....	_____	_____	_____	_____
Other.....	_____	_____	_____	_____
Credit and charge cards				
Multipurpose (bank, travel, entertainment).....	_____	_____	_____	_____
Oil company.....	_____	_____	_____	_____
Department store.....	_____	_____	_____	_____
Other.....	_____	_____	_____	_____
Insurance premiums				
Automobile.....	_____	_____	_____	_____
Household.....	_____	_____	_____	_____
Life.....	_____	_____	_____	_____
Personal property.....	_____	_____	_____	_____
Other.....	_____	_____	_____	_____
Taxes owed				
Property.....	_____	_____	_____	_____
Income.....	_____	_____	_____	_____
Other current bills				
Telephone.....	_____	_____	_____	_____
Utility.....	_____	_____	_____	_____
Cable TV.....	_____	_____	_____	_____
Other.....	_____	_____	_____	_____
<b>TOTAL DEBTS</b> \$ _____ \$ _____ \$ _____ \$ _____				

Step 6. Subtract your total liabilities from your total assets. This gives your net worth and indicates your financial health as of this date.

**NET WORTH**

<b>Net Worth equals total assets</b>	<b>Total</b>				
	<b>Assets</b>	\$ _____	\$ _____	\$ _____	\$ _____
<b>minus total liabilities</b>	<b>— Total</b>				
	<b>Liabilities</b>	\$ _____	\$ _____	\$ _____	\$ _____
<b>NET WORTH</b> \$ _____ \$ _____ \$ _____ \$ _____					

Calculating your net worth may not change your spending habits but it can point out whether you are overextending your use of credit and indicate if you are moving toward your financial goals. A net worth statement is handy when requesting a loan, in assessing insurance needs and in planning your estate.

The overall effect of knowing your net worth is to help you understand the nature and extent of your resources. And by making an effort to obtain an accurate and realistic balance sheet at least once a year, you'll know where you have been, where you are, and most importantly, what you have to do to achieve your goals.

For further assistance with your financial planning refer to publications L-1352, "Your Family Spending Plan," or MP-1304 "Financial Record Book," available from your county Extension agent.

## REFERENCES

- Matejic, Denise M. *How Much Am I Worth*. New Jersey: Cook College Rutgers University, 1979.
- Nelson, Roger H. *Personal Money Management: An Objective and Systems Approach*. Reading, Massachusetts: Addison-Wesley, 1973.
- Raihall, Denis T. *Family Finance*. New York: Little, Brown and Co., 1975.
- Stark, Sharon, Ed. *Everybody's Money*. Madison, Wisconsin: Perry Printing, 1974.

1 OWN ASSETS

Real Estate

Personal Property

Life Insurance

Other Assets

2 LIABILITIES

3 NET WORTH

*Educational programs conducted by the Texas Agricultural Extension Service serve people of all ages regardless of socio-economic level, race, color, sex, religion or national origin.*