

WHERE AM I FINANCIALLY? – Part 1
DETERMINING OUR PRESENT FINANCIAL CONDITION
(We must know where we are to get to our destination)

ASSETS

- Items owned, not necessarily paid for; Not items leased (owned by someone else)
- Fair market value (may differ considerably from original purchase), the price the asset can reasonably be expected to sell for currently

Financial Assets

- Various forms of liquid funds (readily converted to cash)
- Cash, savings, investments, money loaned out (only those expected to be repaid)

Non-financial Assets

- Real estate, automobiles, furniture, jewelry, clothing, recreational equipment, collections (Fair market value, see above)
- Business ownership interests in non-incorporated businesses

Deferred Assets

- Retirement plans: IRAs, 401Ks, etc.

LIABILITIES

- Real estate mortgages, bank card and department store charges, installment loans, etc.

Bills Outstanding

- All items that must be paid for in the near future
- Short-term obligations for purchase of clothes, consumable goods and services; bank card charges, charge account balances, utility bills, rent, insurance premiums, etc.
- All outstanding charges—even if you have not received the bill—must be shown as bills outstanding

Installment loan balances

(Only the outstanding loan balance should be shown as a liability)

- All debts for which a series of payments are required over a specified period of time—usually six months to four years
- Appliances, furniture, automobiles, etc.
- Mortgage loans for purchase of real estate
- Educational loans

NET WORTH

- Amount of actual wealth, or equity, in the assets owned
- The amount that would remain after all assets sold for estimated value and all liabilities and debts are paid
- Assets minus Liabilities equals Net Worth
- Net Worth less than zero (0) is considered technically bankrupt and reflects the absence of financial planning.