

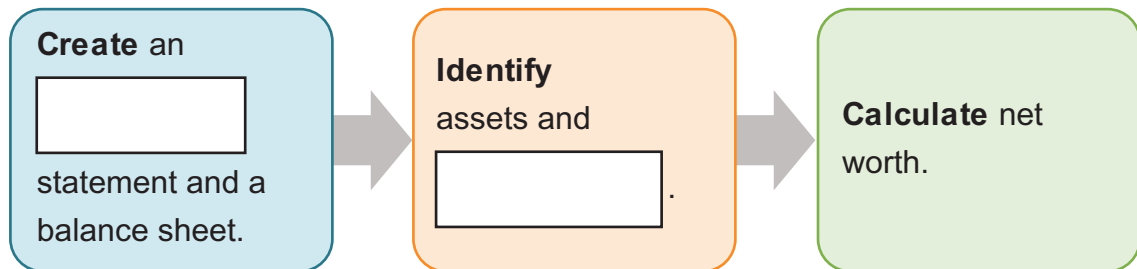
Warm-Up

Understanding Net Worth

?

Lesson
Question

Lesson Goals

W
2K

Words to Know

Fill in this table as you work through the lesson. You may also use the glossary to help you.

	the value of ownership in an asset in excess of debts owed on it
	things owned that have economic value
	debts owed
	a statement of the difference between what is owned (assets) and what is owed (liabilities), usually calculated annually
	a summary of your assets, liabilities, and net worth at a specific period in time; usually calculated monthly or quarterly
	a statement of net income, or revenues minus expenses

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Income and ExpensesIncome is money you .Expenses are money you .

- Wages
-
- Bonuses
- Allowance
- Investments

- Utilities
- Food
- Clothing
- Transportation
- Medical insurance

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Income StatementsAn **income statement** shows net income.Net Income = Total – Total *Circle Net Income on the statement.*

Theresa Smith Monthly Income Statement September 2013			
Income (after taxes)		Total income	
Wages	\$2,500		\$2,500
Expenses			
Food	\$150	Clothing	\$50
Rent	\$700	Medical Insurance	\$60
Transportation	\$80	Car Insurance	\$40
Total expenses:			\$1,080
Net income (income – expenses):			\$1,420

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Examples of Assets

Assets are things you that have economic value.

- House
- Car
- Computer
- Artwork
- Furniture
- Savings account
- Stocks

Examples of Liabilities

Liabilities are debts you to an outside lender.

- Mortgage
- Rent payment
- Car loan
- Student loan
- Credit card bills

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Calculating an Asset's Equity**STRATEGY**

Equity represents in an asset.

$$\text{Asset} \quad \boxed{} = \text{Asset value} - \text{Asset debts}$$

A house is valued at \$200,000. The owner has a mortgage of \$125,000.

$$200,000 - 125,000$$

$$= \$ \boxed{}$$

The equity in the house is \$75,000.

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Personal Balance Sheet

A **balance sheet** is a summary of your , liabilities, and net worth.

Theresa Smith's Balance Sheet (June 30, 2013)			
Assets		Liabilities	
Cash	\$800	Credit card	\$300
Investments	\$500	Student loan	\$2,000
House	\$200,000	Mortgage	\$125,000
Car	\$15,000	Car loan	\$9,000
Jewelry	\$700		
Total	\$217,000	Total	\$136,300

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Calculating Net Worth

STRATEGY

Net worth is the between the total value of your assets and your total .

Theresa Smith's Balance Sheet (June 30, 2013)

Assets		Liabilities	
Cash	\$800	Credit card	\$300
Investments	\$500	Student loan	\$2,000
House	\$200,000	Mortgage	\$125,000
Car	\$15,000	Car loan	\$9,000
Jewelry	\$700		
Total	\$217,000	Total	\$136,300

Net Worth = (Assets – Liabilities) =

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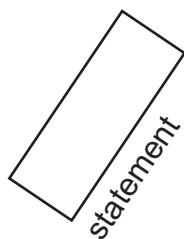
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Net Worth Statement

A **net worth statement** shows the difference between what you (assets) and what you (liabilities). It reflects the financial status of an individual for a given year.

Theresa Smith's Net Worth (Jan 1, 2014)			
Assets		Liabilities	
Cash	\$1,200	Credit card	\$100
Investments	\$900	Student loan	\$1,500
House	\$200,000	Mortgage	\$120,000
Car	\$15,000	Car loan	\$8,000
Jewelry	\$700		
Total	\$217,800	Total	\$129,600
Net Worth = (Assets – Liabilities) =		<input type="text"/>	

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Using Balance Sheets and Net Worth Statements

Theresa Smith's Balance Sheet (June 30, 2013)			
Assets		Liabilities	
Cash	\$800	Credit card	\$300
Investments	\$500	Student loan	\$2,000
House	\$200,000	Mortgage	\$125,000
Car	\$15,000	Car loan	\$9,000
Jewelry	\$700		
Total	\$217,000	Total	\$136,300
Net Worth (Assets – Liabilities) = \$80,700			

Remember, you want to shoot for a positive net worth. That means you own than you owe.

Summary

Understanding Net Worth



Lesson Question

How can you determine your net worth?



Answer

Use this space to write any questions or thoughts about this lesson.