

How to Calculate Your Net Worth

Have you ever been watching the news and heard that Jeff Bezos or Bill Gates have a networth in billions? Do you know what networth is? Today I want to show you how you calculate your networth.

I'm Will with today's Tuesday tip from the Making Money Personal podcast.

First, what is Net Worth?

Your net worth is simply everything you own of significance (your assets) minus what you owe in debts (your liabilities). Assets include cash, investments, your home and other real estate, cars and anything else of value you own. Liabilities are what you owe in the form of debt. Think car loans, personal loans, your mortgage, student loan debt, credit cards, etc.

Now, that we know what Net Worth is, let's learn how to Calculate it.

Calculating your net worth isn't hard. You'll need a calculator, pen(cil) and paper or a computer with Excel (Google Sheets works great), and patience.

First, let's calculate how much you own (**assets**)

Make a list of everything you own and their approximate worth. Let's make up an example:

1. House - \$250,000
2. Car - \$5,000
3. 401(K) – 75,000
4. Savings - \$12,000

Total Assets: \$342,000

Next, let's make a list of our debts (**liabilities**)

1. Mortgage - \$223,500
2. Credit Card Balance - \$3,500

3. Car Loan – \$3,400
4. Student Loans - \$45,000

Total Liabilities: \$275,400

Finally, let's subtract liabilities from the assets. The result is your net worth. Assets – liabilities = net worth. $\$342,000 - \$275,400 = \$66,600$.

Now, what if your calculations gave you a negative number? First... do not panic! There are a lot of people, especially younger millennials, who calculate their net worth and discover that it's in the red. While this is totally normal, you now know where you stand, which is better news than you might think, and can begin to focus on turning it around and getting it to go the other way. People with a negative net worth are usually people with student loan debt, a recent mortgage, consumer debt, and/or a loan on a car that is depreciating faster than one would like.

If you want to increase your net worth, consider focusing on paying off your debt. Every time you make one of those debts smaller your net worth will go up. The same is true when you add money to your 401(K) or add money to your emergency fund.

Don't go crazy with calculating your net worth too often. I personally recommend checking it at least once a quarter but no more than once per month.

Look for Triangle Credit Union on Facebook, Twitter and Instagram and let us know what you think. There may be someone else out there who could use the extra tips.

This is Wil and thanks for listening to today's Money Tip Tuesday. Be sure to check out our other tips and episodes on the Making Money Personal podcast.

Catch you next time!