



MAKING CENTS

CALCULATING NET WORTH TAKES WORK

-John P. Napolitano, CFP®, CPA, PFS, MST



OK, you know how much cash you have in the bank, a pretty good idea of the equity in your home and a basic understanding of how your investments are performing. But there's a lot more to consider when figuring out your net worth.

To total your assets, you'll need to list the value of everything you own.

Start with cash, including bank accounts, money market funds and certificates of deposit. Then move on to investments such as stocks, bonds, mutual funds, annuities and savings bonds.

Next, add in the fully vested portion of all retirement funds, such as 401(k) or 403(k) plans, IRAs, pension plans or other employer-sponsored retirement programs.

Now add in tangible assets and real estate based on the amount of current equity in your home or other real estate. That might include cars or other vehicles. Again, factor in the amount of current equity if you don't own these items outright. Use the Blue Book value for cars you own.

Next, count in the fair market value of other possessions, including furniture, jewelry, art,

collectibles and antiques. Fair market value is loosely defined as the price someone might reasonably pay for an item. An honest estimation is sufficient for these purposes.

After totaling your assets, turn to liabilities. Those might include the amount remaining on a mortgage, car loans, student loans or any other loan debts. Don't forget credit card balances, taxes owed, any bills coming your

way that you won't be able to pay off in full immediately. Also include any small debts: They may seem of little consequence to the big financial picture, but a few tiny debts can accumulate quickly into a liability.

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A sleeper for many is what us bean counters call deferred tax. That is the amount of taxes that you would owe if you did sell some appreciated property. For example, if you inherited a two-family home 20 years ago that is now worth \$500,000, the deferred tax amount would be the income taxes that you would owe if you sold the property today. This deferred tax item would appear as a liability reducing your net worth. Now that you have added up both the plus and minus columns, do the final math by subtracting your liabilities from assets.