

A SIX LESSON SERIES

MANAGE *YOUR* MONEY

Lesson 6: *Your Net Worth and Financial Records*



THE OHIO STATE UNIVERSITY



MANAGE YOUR MONEY

Lesson 6

This lesson uses Worksheet N and Activity 6-1

Your Net Worth and Financial Records

The first part of this final lesson will cover net worth and various types of ownership, and the second part will cover ways to organize and store important financial records.

Net Worth

If you completed the first five lessons in this series, you have already taken important steps to manage your income, credit, and spending. Now, you will look at your overall financial situation.

A net worth statement is a summary of your financial position at a particular point in time. Creating a net worth statement will show you where you stand financially right now. To get a complete financial picture over time, compute your net worth around the same time each year to learn if you are getting ahead financially.

A net worth statement is a list of all your financial assets (what you own) and all your financial liabilities (the debts you owe). Net worth is the dollar amount you have when you subtract everything you owe from everything you own. You will need to know your net worth when you:

- Borrow money
- Apply for a home mortgage
- Move to a new rental property
- Determine insurance needs
- Plan your retirement
- Write your will and determine estate planning needs in the event of death, divorce, or remarriage
- Settle a divorce

Use the two-page **Worksheet N: My Net Worth** at the end of the first half of this lesson to calculate your net worth. It may take a few days to gather the information needed to complete the worksheet.

What are Your Assets?

Any possession you own that you could sell or trade for money is an asset. When completing a net worth statement, the value should be listed



as the amount it would likely sell for, not what you paid for it or what you think it's worth.

Assets include things such as:

- Cash on hand or in savings account, checking account, or in certificates of deposit
- Stocks, bonds, mutual funds, and exchange-traded funds (ETFs)
- Cash value (not face value) of life insurance
- Money others owe to you (But only if you are fairly certain you will be paid back)
- Annuities, retirement accounts, health savings accounts
- Employee benefits such as company stocks
- Your home
- Other real estate
- Business interests that can be sold
- Automobiles, trucks, other vehicles
- Household furnishings, antiques, jewelry, books, coins, artwork, etc.

What are Your Liabilities?

Liabilities are the financial obligations or debts you owe to other persons or institutions. When completing your net worth statement, the information you gathered and recorded during the **Know What You Owe Worksheet F** in Lesson 2 should help you identify your liabilities. Examples of liabilities are:

- Mortgages
- Installment loans (car loans, cash advances, etc.)
- Credit card debts
- Taxes owed
- Unpaid bills (medical, utilities, etc.)
- Money owed to family members or friends
- Any other debt

Figure Your Net Worth

Total up your assets and then total up your liabilities. Subtract the liabilities from the assets. The result is your current net worth.

Now that you have taken the time to complete these activities, how do you feel about your financial situation? If you feel a bit discouraged, keep in mind that a negative net worth may easily happen to someone who is just starting out on their own or to someone who is just now taking charge



of their spending. Just as a photograph shows how you looked at one specific time, so, too, your net worth statement reflects your financial situation at only one specific time. It should be updated at least once a year or whenever your financial situation changes significantly.

If you are like most people, your overall goal will be to increase your net worth each year. Developing a financial plan means taking control of what you have now and disciplining yourself to manage money to reach your personal and family goals.

If you have negative net worth, think about why? Are your largest liabilities investments that are likely to improve your financial situation in the future such as student loans, a house mortgage, or a solid business investment? Or are they debts that will not improve your bottom line such as credit card purchases? Generally investment liabilities are better than debt liabilities.

If you are not satisfied with your net worth and want it to grow, develop a plan to increase it. You can do this by increasing your assets, decreasing your liabilities, or by working to do both.

Assets are increased by earning more income, collecting on debts, or improving investment growth. To decrease liabilities, you may need to change your spending habits and lower living expenses. To increase your savings, you may have to cut spending in some areas. You might consider reducing your present debt level by making



larger regular payments and not adding any other debts.

Consider these strategies and come up with more of your own as you work to increase your net worth. And as you do, remember that success will require both a realistic plan and persistence, as these changes take time, often years. Additionally, if you do plan to work to increase your net worth, you may want to return to your list of goals from Lesson 1 and add increasing net worth as a goal.

Types of Ownership

For estate planning, preparing a will, and in the case of a divorce settlement, it is important to consider the ways in which you own property.

Review the first page of the **Net Worth Statement Worksheet N**. This page deals with assets – things you own. You’ll notice a column titled “Type of Ownership,” and additional columns to the right. If you have a spouse, your family assets are legally owned by either one individual (sole) or by the two of you together (joint) There are two “Sole” columns, one for each spouse or partner, and one “Joint” column.

Individual, also known as sole ownership (S), refers to property that has one owner. When the owner dies, the property passes to heirs according to the provisions of the will, or if there is no will, according to the laws of the state.

Joint Tenancy with Rights of Survivorship (JTRS) means that property is owned by two or more people (called “tenants” in legal documents).

When one tenant dies, that share passes automatically to the surviving tenant(s). A joint checking account would be an example.

Tenancy in Common (TC) refers to property owned by two or more tenants in equal or unequal shares. When one dies, the share is passed to the deceased’s heirs according to the will or state law.

Property ownership rights vary state to state so if you own property, you need to become familiar with ownership rights and responsibilities in your state.

Keeping Records in Order

Many families accumulate papers and records that are important to them. This lesson focuses on having an efficient home filing system and simplifies the record-keeping process by dividing it into three steps:

1. Begin by evaluating your current system and your needs for household record-keeping. The questions in the following text box, **Activity 6-1: Record-Keeping Survey** will help you assess how well your current system is working.
2. The next step is to determine which documents should be saved and how to categorize them for effective filing and retrieval.
3. The third step is to create or modify the system so that it serves your household needs. Some important decisions are outlined to help you establish a customized system.

The lesson concludes with suggestions for periodically revising and updating your household record-keeping system.



Activity 6-1: Record-Keeping Survey

Take some time to answer these questions about your records:

- Can you quickly locate last year's income tax return and the documents used to complete the return?
- Do you know where your original Social Security card, marriage license, and birth certificate are? What about those of every family member?
- Do you have hard copies of bank statements, credit card statements, and other documents that contain sensitive account numbers in a secure place in your home? If you use online banking, receive or use electronic accounts and billing, do you use a different password for every location and do you regularly change your passwords?
- If your wallet or purse is stolen, you are responsible for reporting the theft of all credit cards. Do you know what credit cards you normally carry and do you have the phone numbers of all these credit card companies stored outside your wallet or purse?
- Could a non-family member locate important information about what to do in case of an emergency?
- In the event of your death, could someone locate burial instructions and your will?
- Do you know where to find the insurance policy for your car?
- Can you locate the warranties for major home appliances?
- In the event of a house fire, could you provide your insurance agent with an accurate list of all the damaged or lost household goods to settle your claim?

If you answered "No" to two or more of these questions, it's time to make changes in your record keeping.



Benefits of a Record-Keeping System

Having a good system for keeping important records can save time, money, and effort. A good system can help you:

- Quickly find needed information on a day-to-day basis
- Help someone else locate important documents should you become unable to do so
- Organize your household financial activities such as budgeting, credit management, and investment planning
- Better handle an emergency situation
- Plan for securing hard-to-replace documents
- Provide evidence of significant events (birth, marriage, etc.) or of an important financial transaction (such as a loan repayment or major purchase)
- Simplify the claims process if loss occurs from fire, theft, flood, or other insured casualty
- Prove ownership in a legal dispute (such as divorce, inheritance, etc.)

What Records Do You need to Keep?

No single list of records will apply to every household, however, typical items are listed in the "What to Keep Where" chart on page 9. Use the chart as a guide for organizing your records. Delete and add items to fit your situation.

Be sure to shred any documents with sensitive and personal information when the documents are no longer needed. Examples of 'sensitive information' are your social security number, account numbers, tax and income information.

Where to Keep Your Records

Safe Deposit Box

A safe deposit box within the vault of a local bank is a secure place to store anything valuable that will not be needed regularly, or on short notice. You will pay an annual rental fee for a safe deposit box. Although the items you store in a safe deposit box are not insured, they are less likely to be lost due to theft, fire, flood, or storm than if they are stored in your home. So as a general rule, a safe deposit box is a great place to store any record that is difficult, costly, or impossible to replace.

For convenient reference, keep a list of what you have stored in your safe deposit box in your home file. If you're looking for an alternative to a safe deposit box, you may be considering installing a fireproof safe in your home. Unfortunately, very few of these truly are fireproof, and they are certainly not theft proof.

At Home and Electronic Storage

Most of your records will be kept at home and include current financial records and those that are more permanent and unchanging. If you store information electronically, it is important to ensure that your device of choice, such as

laptop or external hard drive is secure. The Federal Trade Commissioner has additional information on this at consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure (this is up-to-date as of June 2018).

Many people receive bank and billing statements by email notification. These will link you to your password protected online account where the financial documents can be viewed. If you chose to go paperless in this way, be certain you download the documents to your computer or flash drive so you have a copy of them.

Information may also be stored “in the Cloud” but you need to be sure that it is secure and that your personal information will be safely stored in an agency-managed data center protected by a username and password that you create and update regularly.

Types of Financial Records:

Current Financial Records

Current records are those that are updated regularly, often monthly. These include bank statements, bills and record of their payment, receipts, and records of activities such as doctor/dental visits as well as pet care.

Having a separate file for tax return

Importance of a Will and Advance Directives

Life's end is not something most people want to dwell on. However, thinking about what will happen to your loved ones and your assets and personal possessions is important. Doing all you can to make their lives easier can give you peace of mind.

A will is a legal document designating the transfer of your property and other assets after you die. If you die without a will to indicate your wishes (“intestate,” as the law calls it), the court distributes your property according to state law.

It's also important to name a guardian for minor children in your will in case neither you nor your spouse is able and willing to act. If you do not name a guardian for minor children in your

will, a judge will appoint one, and it may not be someone you would have chosen.

Other important documents include Advance Directives such as a Living Will, and Powers of Attorney (health care and financial). An

Advance Directives packet of information and forms is available at the American Association of Retired Persons (AARP) website. Search for “advance directives” at their website: aarp.org/caregiving/financial-legal





documentation (taxable income, expenses for itemized deductions, etc.) will be helpful when it is time to prepare your tax return.

Permanent Files

If convenient filing space is limited, consider how often you use a particular file, and move the less used files to a more permanent spot. Active files (those used at least once a year) should be kept handy. On the other hand, inactive files containing permanent or long-term items can be stored in a dry, out-of-the-way place in the home.

To keep your current financial files updated, it is best to clean them out each year. Tax time is a convenient time to do this. As you sort items for tax reporting, discard or shred what you no longer need, and transfer items over a year old that you might need in the future to your permanent files. According to the IRS, personal tax records should be kept for three years unless you file a claim for a loss from worthless securities or a bad-debt deduction. In that scenario, keep your tax records for seven years.

Mastering Your Records

Setting up a household record keeping system takes time. There is really no right or wrong way to do it.

You may need to experiment before you find the system that best fits your needs. However, you will need to make certain decisions before setting up a new system or improving the one you already have.

1. Decide on specific household locations for hard copies of current, active, and inactive records. Where you store your records might be as elaborate as a home office or as simple as a shoe box. Whatever you decide to use, be certain your storage is sturdy, convenient to use, and out of the reach of young children or nosy visitors.
2. One family member should take on the responsibility for regular financial record keeping. However, everyone in the family should cooperate and understand how the system works. Adults in your household might switch roles once a year to balance duties and to be sure each knows the record keeping details, as well as where everything is stored and how to access all files and documents.
3. Developing and sticking to a regular schedule for record keeping will help decrease the amount of time spent on record keeping in the long run.

Where are Your Valuable Papers?

This lesson has focused on the importance of maintaining complete and well-organized record keeping practices. Could you or your family members now locate valuable records and papers for review? In the case of an emergency like fire or flood, are your records safe? If they are lost, stolen, or destroyed, would you be able to replace them?

Along with maintaining your records, it is beneficial to keep an up-to-date household inventory or systematic list of all of your most valuable household possessions. Check with your insurance agent for company requirements of proof of purchase and/or ownership of personal property items. In some cases, receipts are required; in other cases, a written inventory and/or photographs are adequate documentation.

You should probably make copies of the regularly updated inventory list, keeping one copy in a safe deposit box or with a friend or relative away from your place of residence. Make sure that all copies of your inventory list are regularly updated, especially after you purchase new household items, such as a new television or computer.

Organizing all of these documents, receipts,

warranties, and other records may seem like a real chore to you right now. It will take time to gather everything together. But just think how much easier it will be to do it at a leisurely pace now, instead of in a panic during a crisis.

A time may come when other family members will need to manage things for you. Having all the necessary records organized and readily available will make this process much easier for everyone. It would be beneficial to keep these records in a specific notebook that is regularly updated, making sure to tell key family members the notebook's location so they can act on your behalf if there is an emergency.

Take the time right now to help yourself, your family, and others by taking charge and getting all of your important papers in order. You'll be glad you did! And, you will certainly feel a sense of accomplishment when the job is completed.

Action Steps for Lesson 6

Reading and thinking about your financial records and valuable papers are very important first steps. To be most useful in your situation, you need to "take action" to translate what you have learned into practice.

Check each step after you have completed it.

- Completed **Worksheet N: Net Worth Statement**
- Completed **Activity 6-1: Record-Keeping Survey**
- Listed needed household records and where they are located
- Listed records in my/our safe deposit box
- Established/revised household record center
- Decided who is responsible for record-keeping for next six months
- Established regular schedule for recordkeeping
- Set up "Active" home files
- Set up "Inactive" storage area for household records
- Put critical records and list of record location in notebook for trusted relative or friend to use in an emergency

- Told relative/friend where notebook is located

Congratulations!

You've reached the end of your "self-study" course. For information on a wide variety of home and family topics, contact your local OSU Extension office or visit fcs.osu.edu

More Information and Sources

Networth and Home Accounts

Stehulak, N., Carter, S., Dematteo, B., Hill, M. (2016). The Home Account Book. Ohio State University Extension
fcs.osu.edu/sites/fcs/files/imce/PDFs/Home%20Account_2015.pdf

Recording Keeping Information

Next Avenue: where grown-ups keep growing website:

nextavenue.org/financial-records-can-toss

Ryan, C. & Ryan, J. (2016). Managing Your Personal Finances. 7th edition. Boston, Massachusetts: South-Western Cengage Learning.

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What to Keep Where

Safe Deposit Box

- A list of other important papers/valuables and their location(s)
- Adoption Papers
- Birth and/or Death Certificates
- Bonds and Stock Certificates
- Certificates of Deposit
- Citizenship Papers
- Electronic Storage Device that contains Family Photos, Digital Video documenting your home's contents, and scanned receipts of major purchases
- Education Degrees/Certificates/Transcripts
- Marriage/Divorce Documents
- Military/Veteran's Documents
- Valuables such as coin collections or jewelry

- Property Titles and/or Deeds
- Social Security Card Stubs
- Stock/Bond Certificates
- Past Tax Records
- Passports (if you rarely travel outside the country)
- Copies of Your Will and Trust Documents (If you are the sole renter listed on the box rental agreement, do NOT store an original will, trust, or anything your heirs may need quickly in your safe deposit box.)
- Other Important Legal Documents (such as contracts)



Home Files (safe, fire-resistant place with a lock)

Addresses/Dates

- Business
- Personal
- Holiday Card List
- Magazine Subscriptions

Auto and Vehicles

- Titles of all vehicles: Autos, Trucks, RVs, Boats, etc.
- Warranties purchased

Bank / Credit Union Records

- Checking Accounts
- Savings Accounts
- Loan Contracts

Employment Records

- Contracts
- Retirement Plans
- Pensions
- Social Security Records
- Fringe Benefits

Equipment and Appliances

- Warranties
- Use and Care Manuals

Financial Records

- Budget
- Net Worth Statement
- Records of Earnings
- Records of Expenditures
- Credit and Debit Card Numbers and contact information for each card's account
- Property Tax Records
- Receipts and Paid Bills
- Safe Deposit Box (Key and List of Contents)

Housing

- Mortgage Payments
- Lease and Rent Payments
- Capital Improvements
- Household Inventory (keep second copy in safe deposit box)
- Utilities
- Floor Plan/Wiring Diagram/outdoor buried cable locations
- Income Tax
- Previous Returns
- Canceled Checks (related to taxes)
- Current Year Information, such as medical receipts, contributions, etc.

What to Keep Where (continued)

Home Files (safe, fire-resistant place with a lock)

Insurance Policies

- Automobile
- Health
- Life
- Disability
- Homeowners
- Long-Term Care

Investments

- Annuities
- Bonds (Records of)
- Stocks (Records of)
- Real Estate Investments
- Other Investments

Organizations / Clubs

- Civic
- Business
- School
- Religious



Personal Records

- Education Records
- Marriage License
- Medical Records (copy)
- Military Records (copy)
- Pet Records
- Birth Certificate (copy)
- Divorce Papers (copy)
- Wills (copy)

Reference Materials

- Records of Trips/Vacations
- Crafts and Hobbies

Wills and Estate Planning

- Unsigned will(s)
- Letter of last instruction
- Advance directives (Living Will, Powers of Attorney, etc.)
- Burial instructions

Worksheet N: Net Worth Statement (page 1 of 3)

My/Our Financial Position on: Date: _____

| ASSETS (What I/We Own) | TYPE OF OWNERSHIP* | CURRENT VALUE | | | |
|---|--------------------------|-----------------------|-----------------------|-------|----------|
| | | Sole Owner's Name: | Sole Owner's Name: | Joint | TOTAL \$ |
| Real Estate – personal residence | | | | | |
| Other real estate | | | | | |
| PERSONAL PROPERTY (PRESENT VALUE) | | | | | |
| Automobiles/Vehicles | | | | | |
| Household Furnishings & Equipment | | | | | |
| Other (antiques, jewelry, precious metals, etc.) | | | | | |
| SAVINGS & INVESTMENTS | | | | | |
| Cash – Checking account(s) | | | | | |
| Cash – Savings account(s) | | | | | |
| Certificates of Deposit | | | | | |
| Health Savings Account | | | | | |
| Stocks | | | | | |
| Bonds | | | | | |
| Mutual Funds | | | | | |
| Exchange Traded Funds | | | | | |
| Life Insurance (cash surrender value) | | | | | |
| RETIREMENT FUNDS | | | | | |
| 401(k) / 403(b) offered by employer | | | | | |
| IRAs | | | | | |
| | | | | | |
| ACCOUNTS RECEIVABLE (OWED TO YOU) | | | | | |
| Other Assets of value | | | | | |
| TOTAL ASSETS | | \$ | \$ | \$ | \$ |

*S = Sole Ownership TE = Tenancy by the Entirety (not created in Ohio)
 TC = Tenancy in Common since April 4, 1985; deeds created prior to that
 JTRS = Joint Tenancy with Right of Survivorship date are still valid)

Worksheet N: Net Worth Statement (Page 2 of 3)

LIABILITIES

(What I/We Owe)

CURRENT VALUE

| | Sole Debtor's Name: | Sole Debtor's Name: | Joint Debt | TOTAL \$ |
|---|------------------------|------------------------|------------|-----------|
| Real Estate /Home Mortgage | | | | |
| Home Equity Loan | | | | |
| Other real estate | | | | |
| Closed-end/Installment Loans (balance due) | | | | |
| Automobile/Vehicle | | | | |
| Automobile/Vehicle | | | | |
| Furnishings/Appliances | | | | |
| Other | | | | |
| Student loan | | | | |
| Student loan | | | | |
| Medical | | | | |
| Other contracted loan (cash advance, title loans, etc) | | | | |
| Open-end lines of credit | | | | |
| Credit Card Debt(list) | | | | |
| | | | | |
| | | | | |
| | | | | |
| Home Equity Line of Credit (HELOC) | | | | |
| Other | | | | |
| Unpaid bills (past rent due, utility bills due, etc.) | | | | |
| Borrowed against retirement account | | | | |
| Tax & penalties owed | | | | |
| Accounts payable (money owed to other people) | | | | |
| TOTAL LIABILITIES | \$ | \$ | \$ | \$ |

Worksheet N: Net Worth Statement (Page 3 of 3)

NET WORTH

| | Person 1 (Sole Owner/Debtor) | Person 2 (Sole Owner/Debtor) | Joint | Total |
|---|---------------------------------|---------------------------------|-------|------------------------------|
| Total Assets from bottom of page 11 | \$ | \$ | \$ | \$ |
| Minus Total Liabilities from bottom of page 12 | – \$ | – \$ | – \$ | – \$ |
| TOTAL NET WORTH | \$ | \$ | \$ | Household Net worth \$ |



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Manage Your Money

Lesson:

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