

Building Your Net Worth

The first step to developing more personal wealth is determining your net worth. It's also a way to see where you stand financially and benchmark your progress. The term's basic definition? Your net worth equals your assets less any debt you owe.

NET WORTH = ASSETS – DEBT

Once you determine where you stand, you can take the next step in saving more and building your wealth.

State your goals.

Goals will vary depending on where you are in life. For instance, are you close to retiring, just starting out or somewhere in between? Goals are personal. But be sure to include specific objectives, such as, "I want to save \$2,400 in 24 months." Or, "I want to retire by the year 2030." General goals could be, "I want to spend less money on eating out."

See where you're spending.

Track your cash outlay. Do you need to adjust or tighten your belt when it comes to spending? Try using a chart to track expenses. Cut back on the small things, like coffee from your favorite café or snacks from the gas station.

Stick to a budget.

After you've tracked your spending, what's left? If you're spending more than what's coming in, look for ways to cut back. Also, categorize *how* you're spending money, and determine categories for utilities, housing, clothing, transportation, emergencies, and entertainment.

Try not to take things to the extreme. Keep your budget realistic and feasible, rather than unattainable.

Reduce your debt.

When you reduce your debt, it's easier to save for the future and build your net worth. It also eliminates interest expense. Avoid bad debt, like payday lenders and excessive credit card debt. These types of loans are expensive and are hard to recoup from.

Reevaluate and recharge.

Review and revise your budget and net worth regularly, perhaps every six months. Are you getting closer to your goals? If not, you may need to modify your plan or budget. Or, you may need to adjust your goals to something more realistic.

If you need help saving or budgeting, see us. There are many financial tools available to make things easier.