

Increasing Your Net Worth Every Day

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Many years ago, I was asked to teach a class on real estate finance at Seattle Pacific University. One of the concepts of finance that needs to be understood and monitored is the concept of Net Worth. The simple formula is Assets, minus Liabilities, equals Net Worth. A rather simple formula to be sure, but understanding it in detail requires a bit more contemplation. The idea of Net Worth is to have an estimate of what our personal financial value is at any one point in time. As the value of assets and liabilities change, our net worth changes accordingly. The reality of it all has always disturbed me. Is my “Net Worth” subject to the ever changing winds of economic time? If a cap rate goes up due to economic changes, the value of my asset goes down. My net worth falls. If an interest rate adjusts upward, my net operating income becomes less, the value of my asset falls again. Can I control cap rates and interest adjustments? When unemployment goes up, rents go down to meet the market. When rents go down the value of my asset goes down. Can I control national unemployment? I have always been disturbed at the lack of control and the volatility of the changes that can occur in Net Worth. This discontent has led to the creation of a worth evaluation that is within our complete control. Like building a “Net Worth”, it takes deliberate focus, drive and intention, but it is exempt from ill effects and downfalls other than those initiated or created by ourselves. Please allow me to introduce the concept of creating and building a “Life Net Worth”.

Using the same formula, *Assets* minus *Liabilities* equals *Net Worth*, let's start by defining what these words mean.

Asset:

- “A valuable or desirable thing to have.”
- “The cash converted value of an economic resource.”

Liability:

- “An obligation for which a person is directly responsible.”
- “legal responsibility, obligation, accountability.”

Worth:

- “Good, or important enough to justify.”
- “The quality that renders something desirable, useful, or valuable.”

Once we have an idea of the meaning of the words in the equation, let me suggest that the currency for our measure is not money but rather time. I think on a story a young agent in my office tells of my mentor Abie Label. Abie asks Asa what he wanted more, time or money. Asa, being a young kid, answered like most 22 year olds would. He said he had plenty of time, but had no money. Therefore, what he wanted was money. Abie offered a trade. He said that he would trade him all his millions to exchange their age. Abie would become poor and 22, Asa would be wealthy and 72. “Do we have a deal”, said Abie. Quickly Asa got the point. I would like to suggest that the true currency, and most valuable currency is time.

True Currency:

Time is the true currency. The wealthiest among all are those whose time is found in the asset ledger, and none found spent in the liability ledger. It is the goal we should all seek. Maximum personal Worth is when all of our time is spent doing that which we value and value greatly. Pursuit of this should be our holy grail.

True Assets:

We think of “assets” as the “good” stuff. The stuff of value. In the financial world, an asset is the cash equivalent of something of value. I would like you to think in terms of this word from a much broader sense. In your life, what do you value the most? When we think of life, we think of our “time” living. What has been the best use of your time from a true value standpoint? What “time spent” has been the most rewarding? If giving away time is an exchange of purported value, what has been the best deal you have ever done? What has been the best deal in terms of the amount of return garnered from the time committed to gain it? Think outside the normal measures of gain. Think about laughter, and peace, and feeling alive, and soulful returns, not just monetary returns. An asset can be far more than just a cash equivalent of something. Some things are truly “priceless”. Think in terms of these.

True Liabilities:

When we think of “liability” we think of the “negative” stuff. To me, waiting in any kind of a line is a liability. When ever I need to wait in a line, I am prepared to do so while organizing pictures on my computer or reading a book. In this way, I am taking the time and moving it from the liability column and pushing it into the asset column. The same can be done with

things we normally think on as mundane responsibilities. What would happen if we framed the “responsibility and accountability” of it all as a privilege? What if we merged the “negative” connotations of Liability and framed those to look more like an asset? Immediately the bottom line just went upward, did it not? If it were a “privilege” to pay for my home because of the way it makes me feel in terms of providing for my family, then the liability of it all has become an asset because of the positive return it gives me inside. True liabilities are those things that we cannot place a positive value on. True liabilities are things that consume our time and give nothing in return that can in any way be framed an asset.

True Worth:

So it seems, in following the formula, that in terms of “life time”, the worth of our life is greatest when we spend the majority of it doing the asset stuff, and as little as possible doing the true liability stuff. It seems too simple an equation. And if so....why isn't everyone a millionaire, metaphorically? Said another way, why would someone spend their time doing more of the stuff that has no value, and less of that which has true value? Seems crazy, but simple observation says it all. Everywhere.....people walking around with a negative net worth! How can it be? And more importantly, how do we proactively stay in the black consistently? True net worth is when we are spending a larger portion of our life time doing those things that have great value than that which we have determined has no value. A positive net worth is when our asset time choices outweigh our liability time choices.

Awareness and Proactivity are the keys to an ever increasing Net Worth!!

In an attempt to challenge the minds of my University students, I developed a scorecard whose intent was to measure our Net Worth. This card recorded “moments”. The dictionary defines a “moment” as a “period of importance, influence, or significance. A period of time that is characterized by quality, excellence, or distinction.” What I did was hand out a card to keep track of “moments”. It was a simple spreadsheet. One column was for the date, the next column for the time, and the third column was where the participant would “recap the moment.” The idea was simple. When we are aware of what we value, (our true assets) we should keep track of these. When we keep track of these, we notice patterns and likelihoods. When we see patterns and likelihoods, we can more frequently put ourselves in position for “moments” to happen. Most people think on “moments” as purely serendipitous. The fact of the matter is this, when we know what a moment looks like, we can put ourselves in the path where moments frequent for us. Proactive positioning of moments! If you were hunting pheasants, you would do so in a Walmart parking lot? You would find cover that looked like where pheasants would want to live. The likelihood of finding pheasants in a fresh cut corn field is greater than in a Walmart parking lot. So it is with “moments”.

When I gave these students these cards, with a deadline of two weeks to fill out the card and turn it in, the assignment itself did a couple of things. First, they had to ask the question; “what is a moment to me?” Next, they had two weeks to fill in the card, and so they automatically were seeking the right environment where a “moment” would likely be. Everyone is different in their evaluation of a “maximum moment”. When we think on time being the currency, a “maximum moment is where our time / return exchange is at its peak. Think on the time when you said to yourself, “there is no place other than here I would rather be right

now in the whole world!” This is a maximum moment. As students were obligated to fill out their cards, they became aware of “moments” and what has value to them, they became proactive in finding these because of the assignment deadline, and they spent more currency (time) creating and living moments than they spent with the liabilities, and therefore their net worth skyrocketed!

What is a “moment” for you? If I were hunting for you having a “moment”, where would I look? I talked with a friend and client recently who was at a quilting convention. As she described this, it was 17 women in a room at a convention center talking and “quilting”. To her, it was a “maximum moment”. For me, it would be an “extreme liability”. Every person defines a moment differently. Once you know what a moment looks like for you, ask yourself where this moment is most often found. Put yourself in a position for moments to happen. Set a deadline for yourself to log in a certain number of moments each week. This exercise increases awareness and priority. Moments are the asset of life. More assets, less liabilities, equals a true Life Net Worth!

An awareness of the “liabilities” is equally as important as recognizing and seeking the “assets”. Thoreau writes...”to put to route all that was not life....”. This awareness of liability is critical to the overall Net Worth picture. Often times we give too much time and stage dwelling on the liabilities. Learning to identify the liability and quantify the exchange, or lack thereof, is the first step to controlling the currency spent on that which produces no return. I again reflect on something Abie taught me years ago. He declared that he and his wife Susie, following a first year of marriage argument, had never argued since. I asked him about this once, and he explained that it was an exercise without a positive exchange. “Why spend time doing something that adds up to a negative return?” His awareness led to a change of policy, a change that lasted over 60 years of marriage!

My challenge to you would be this: Make a list of assets. Make a list of those things that are a fair exchange for your time. Make a list of those things that bring out joy, laughter, passion, and a feeling of connectedness to whom and what you really are.

Make a list of liabilities. Make a list of those things that take of your precious currency and do not pay a return. Make a list of those things that bring our anger and frustration and bitterness and produce a feeling of a wasted life.

Once you are aware of the difference, seek assets! Put yourself in the position and at the crossroads of where assets happen and live. Distance yourself from liability. Stay away from those spaces and places and people that make you feel worn out, frustrated and used.

Do these things consistently, and I contend that your Net Worth will always be on the rise! Do these things, and your currency will become more and more valuable! Do these things, and you will give people permission to do the same....to live a life that has a positive and growing Net Worth!

Living Deliberately,
Greg and Shauna Pinneo and the Reach Team