

Your Net Worth: The Ultimate Score Card

Written on February 4, 2014 by [Sharon O'Day](#) in [Finances](#), [Handling Money](#), [Taking Control of Finances](#), [Women and Money](#)

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<http://sharonoday.com/your-net-worth/>



“Your net worth is not your self worth.”

You read and hear that everywhere. And it’s true. *How much you have in the bank, or how few debts, is not a measure of your worth as a person.* Especially when you look at things through a spiritual prism, having money does not make you a better person ... or even a happier one.

Nonetheless, net worth does have a role to play. It is the ultimate financial score card (again, in non-spiritual terms).

So What Is Net Worth?

Net worth is the number you get when you subtract “what you owe” from “what you own.” In financial terms, it is assets minus liabilities.

Depending on which is bigger (what you own or what you owe), your net worth could be positive or negative. Positive is obviously better.

Keeping track of it is like keeping a score card. Early on, especially right after college, net worth is likely negative as school loans weigh heavily and what you own is limited. Then, just

as you think you're bringing that debt down, you buy your first house and take out a mortgage. The house is an asset, but the mortgage is a liability.

What this means is that ***throughout life you'll be adding to and subtracting from your net worth***. That, in turn, means that being in the negative is not necessarily bad. It's the reflection of a moment in time.

But what must stay clearly in your mind is that ***your ultimate goal is to get your net worth growing in the positive column because it is what you will have when you look at the possibility of retiring***.

How to Calculate Your Net Worth

Calculating your net worth is pretty simple.

On a piece of paper or a spreadsheet, ***list everything of value that you own (your assets)***: cash in bank accounts and on hand, value of all your investments, how much equity you have in your home, as well as how much you could sell your car(s), jewelry and other valuables for today. Don't forget any valuable collections. This requires guessing or estimating street market value for many things, but that only has to be done once. And it doesn't have to be super precise.

Next, ***list all your debts, anything you owe (your liabilities)***: the balance on your mortgage and any car loans, the total owed on your credit cards, anything left on school loans or any other loans you've taken out. (That includes money borrowed from friends and family, if any.)

Lastly, ***subtract your liabilities from your assets. What you get is your net worth. Positive or negative***.

Why Do You Want to Know Your Net Worth?

By the time you retire, your goal is to have all assets and no liabilities. ***By keeping track of your net worth over time, you get a clear picture of whether you are headed towards that goal—or away from it***. If you're headed away from that goal, it can serve as a gentle alarm for you to look at your money decisions and behaviors.

How often should you check it? The answer is similar to that of how often you should step on the scale if you're dieting. For diets, it shouldn't be every day or you'll get discouraged after eating one overly rich or salty meal.

For net worth, every six months is a good frequency, because fluctuations in credit card debt or a bonus received at any moment could skew the general direction you're moving.

What's most important is to keep the judgment out of that number. It's a score card, remember? And you have the power to move that number up or down. While it's pretty easy

to fool ourselves about how we're doing financially, this is one way to stay real honest with ourselves.

It's a terrific little tool. And no one needs to know the number but you. (And your mortgage broker if you decide to take out a loan ...)

A Little Perspective

The net worth of American families took a real hit in 2008. Today, according to [Motley Fool contributor Selena Maranjian](#), it is back up somewhere between \$100,000 and \$200,000. Most of that is in the form of home equity.

Home values are starting to head higher, so fewer homes are “underwater” (where the mortgage balance is higher than the market value of the house). And those people able to play the stock market successfully have benefited from its skyrocketing performance.

Let us know in the Comments section below if you've ever figured out your net worth and if this explanation might make you more likely to do so.

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Bio: [Sharon O'Day](#) fixes financial lives. She is a tell-it-like-it-is money expert with a successful career in global finance, plus an MBA from [the Wharton School](#). Today she specializes in getting entrepreneurial women over 50 back on their game so they can have more money, less stress and more joy. With her “Over Fifty and Financially Free” strategies, they take actions that lead to their ultimate goal: [financial peace of mind](#).

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[51 Comments](#) - [Leave a comment!](#) -

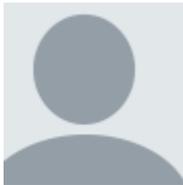
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- 51 comments



Join the discussion...

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[Dawn Lanier](#) • [a year ago](#)

I've calculated my net worth many times in my adult life, but not with any particular frequency, so I don't always know 'in the moment' where I stand. After reading this, think I'll adjust my sails accordingly. Thanks for the nudge!

▪



[Sharon O'Day](#) Mod [Dawn Lanier](#) • [a year ago](#)

I hope you will, Dawn. We each have a different rhythm to our lives, so ideal frequency for calculating our net worth will differ from person to person. But you'll know when you're getting enough information for your type of work, financial situation, etc. (And you're most welcome for the nudge!)

o



[sammyfabjewelry](#) • [a year ago](#)

Thank you for the great advice and breakdown of net worth. I haven't really had the chance to take a look at mine yet but I will definitely take a closer look now!



[Sharon O'Day](#) Mod [sammyfabjewelry](#) • [a year ago](#)

Especially as a business owner, it's really critical to do this. It's an early warning system if things are going wonky ... and very reassuring when things are headed in the right direction.

○



[Veronica Solomon](#) • [a year ago](#)

Thanks for breaking this down for us Sharon. I actually used to like the number I see, but as a business owner, there are times when my number isn't that great. Great motivation to get back on track



[Sharon O'Day](#) Mod [Veronica Solomon](#) • [a year ago](#)

Veronica, it comes down to whether the numbers fluctuate because you're 'investing' in the business or just spending. And only you can know that. But

tracking something like net worth gives you a valuable guide to tell you when to look deeper into the decisions you're making. Do yourself that favor ...

o



[robindaavidman](#) • [a year ago](#)

A really informative article, Sharon! I've been using Quicken for many years and it makes it easy to track net worth. It certainly can be a good motivator to watch the changes. Your article is a very good motivator too!

▪



[Sharon O'Day](#) Mod [robindaavidman](#) • [a year ago](#)

Quicken is great, Robin. Even if we have an occasional 'wrong direction' month, it means we can catch it early and turn around whatever that behavior was. And those rising positive numbers sure do feel great, don't they? ;-)

o



[Susan Schiller](#) • [a year ago](#)

Great information on tracking our net worth, Sharon, and keeping us pointing to our retirement goals. Your last section gave me a few chills, though... it's nice to know many of us are again making a recovery after 2008.

▪



[Sharon O'Day](#) Mod [Susan Schiller](#) • [a year ago](#)

Too many have already forgotten the lessons of 2008, Sue, but many others have truly taken them to heart. And tracking our net worth is the only way to know which group we fall into.

○



[Barbara Klein](#) • [a year ago](#)

Great information and tips, Sharon, I am working on it! Meaning reaching my goal of having no liabilities and some assets ... You help me to remember keeping my goals in sight - thanks, my dear!

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[Sharon O'Day](#) Mod [Barbara Klein](#) • [a year ago](#)

Glad to hear I'm your financial 'string on the finger' to keep you on track, my friend! It takes time to see big results, but those are truly the accumulation of little results ...

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[Marielle Altenor](#) • [a year ago](#)

About 4 months ago I started to face my debt problems. I joined a site called networkiq. Each first of the month you have to enter the amounts you have and the amounts you owe and they calculate your networth. It's interesting to see how well (or not so well) I do from month to month.

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[Sharon O'Day](#) Mod [Marielle Altenor](#) • [a year ago](#)

Congratulations, Marielle, for taking the initiative of getting your debts under control. Seeing the impact of your spending decisions each month will be a terrific teacher ... especially for creating long-term financial peace of mind.

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[Lynn O'Connell](#) • [a year ago](#)

I've always kept track of my net worth -- probably because I own a business. (And my parents were accountants!)

▪



[Sharon O'Day](#) Mod [Lynn O'Connell](#) • [a year ago](#)

Two solid reasons, Lynn! Although I do mentor many people who own businesses and have no idea of their net worth ... until I gently drag them through the process. But having accountant parents is a wonderful head start!

○



[jessica](#) • [a year ago](#)

yikes! i'm not sure i want to know my net worth! thanks for sharing!

▪



[Sharon O'Day](#) Mod [jessica](#) • [a year ago](#)

Yes, you do, Jessica! It's never too early to know, even if it proves to not be where you'd like it to be. How else will you ever know?

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[Carly Alyssa Thorne](#) • [a year ago](#)

You always create such amazing posts... Thanks for such great information to contemplate on

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[Sharon O'Day](#) Mod [Carly Alyssa Thorne](#) • [a year ago](#)

Thanks, Carly, for the supporting words. It makes it that much easier to keep coming up with more ways to clarify (and simplify) this thing called finance! ;-)

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[Robin Pedrero](#) • [a year ago](#)

wow!! I've never completely measured this.

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[Sharon O'Day](#) Mod [Robin Pedrero](#) • [a year ago](#)

I hope you will now, Robin. Whatever the number, it's reassuring to know exactly where we stand and what we need to do to be even better off.

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[Roslyn Tanner Evans](#) • [a year ago](#)

We also want to look at our net worth when creating a will. Helps figure out division of property, assets, possessions, etc. I remember when we looked at our net worth (because we have no debt other than car and mtge) we were shocked. Living within our means has been an important value we share.

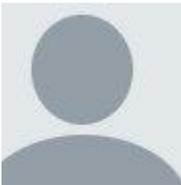
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[Sharon O'Day](#) Mod [Roslyn Tanner Evans](#) • [a year ago](#)

All planning (estate planning included) needs straightforward units of measure such as net worth. And NOT living within our means can only result in one thing: steadily declining net worth. So, as always, you're right, Roz!

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[Connie, smBuzzmeister](#) • [a year ago](#)

Great article, thank you. It's a good argument as to why we don't want to put all our assets in one basket as we've learned that sometimes "easy come, easy go" is all too familiar.

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[Sharon O'Day](#) Mod [Connie, smBuzzmeister](#) • [a year ago](#)

Very few people are expert enough to know for certain what an asset class is going to do, 100 percent. So diversifying is the only sensible strategy for the rest of us! And, yes, I remember when everyone moved major parts of their retirement funds into Enron because it was growing so fast. Then, when it tanked, they were upset. Hmmm ...

○



[Tereza](#) • [a year ago](#)

Very interesting post! And it's right, we're the responsible ones to keep the number up or down!

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[Sharon O'Day](#) Mod [Tereza](#) • [a year ago](#)

You got it, Tereza: no one else is responsible for our numbers. If we mess up, take stock, change things, let go of any guilt and move on. But do move on and UP!

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[Nate Leung](#) • [a year ago](#)

This has been a work in progress for me, but I know that I am going to be free and clear soon. Thanks for the great post!

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[Sharon O'Day](#) Mod [Nate Leung](#) • [a year ago](#)

That you're focused on it--and working actively on it--is half the battle, Nate! You can only fix what you know needs fixing ... and imagine how good it will feel when you ARE free and clear! (Start thinking of how you'll celebrate ...)

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[Alexandra McAllister](#) • [a year ago](#)

Thanks, Sharon, what an amazing explanation of net worth and how to calculate it! I am working at this, slowly.

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[Sharon O'Day](#) Mod [Alexandra McAllister](#) • [a year ago](#)

I know you are working at this, Alexandra. And I can feel you're getting more momentum in your business, so I hope you can get to that place very soon where every month you're adding to your net worth!

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[Scott Glaze](#) • [a year ago](#)

Very informative! Makes me want to calculate my net worth =)

▪



[Sharon O'Day](#) Mod [Scott Glaze](#) • [a year ago](#)

Do it, Scott. With a business and a beautiful family, keeping this kind of 'scorecard' is very reassuring.

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[Norma Doiron](#) • [a year ago](#)

I like the phrase "your goal is to have all assets and no liabilities." Been working at this for a few years and getting there. Woohoo! :)

▪



[Sharon O'Day](#) Mod [Norma Doiron](#) • [a year ago](#)

And isn't it nice to know you're making progress in the right direction, Norma?
Why is it that some people figure they're better off with their head in the sand, not knowing what's going on? Baffles me!

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[Lorie Abela](#) • [a year ago](#)

Thank you for this. It reminds me about how I'm doing towards my financial goals.

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[Sharon O'Day](#) Mod [Lorie Abela](#) • [a year ago](#)

That's exactly right, Lorie!

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[Sandy K Hardy](#) • [a year ago](#)

I never have figured my net worth. I understand why keeping an eye on it as I grow older is something I should be doing. Thanks for explaining it so I could understand its benefits!



[Sharon O'Day](#) Mod [Sandy K Hardy](#) • [a year ago](#)

Do pick up on the momentum of understanding its benefits, Sandy. While some people see calculating net worth as a hassle, it really is a gift to yourself. You can't fix what you don't know is happening ... and you can only celebrate if you know you're doing a great job!

○



[Wingate Wyndham Sulphur](#) • [a year ago](#)

Great explanation of net worth and how to calculate it. I am interested to see how I am looking now. Thanks Sharon =)



[Sharon O'Day](#) Mod [Wingate Wyndham Sulphur](#) • [a year ago](#)

This is the perfect time in your life to start monitoring it, Heather. Make a note on your online calendar to do so every six months, long enough for it to be a habit and something you look forward to. (But ... be sure to DO it!) ;-)

o



[Kung Phoo](#) • [a year ago](#)

So what you are saying is i am worthless.. lol I sometimes look up what celebrities are worth, and did not know how they calculated it. Thanks for the education!

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[Sharon O'Day](#) Mod [Kung Phoo](#) • [a year ago](#)

By calculating it every so often you at least know if you're headed in the right direction, no matter where you are along the continuum, Rob. Worthless? You? No way! ;-)

o



[Simona R.](#) • [a year ago](#)

I like to pay off my credit cards monthly. I only use them so I can build a great credit score and a neat credit history. I guess in that case my net worth is what I have in my savings and debit card. :)

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[Sharon O'Day](#) Mod [Simona R.](#) • [a year ago](#)

That's a great start, Simona, and a perfect way to use credit cards. I'm guessing that means you're debt free? If so, keep up the good work, but don't forget to keep tabs of all other assets to be sure they are growing more than inflation.

○



[Don Purdum](#) • [a year ago](#)

Net worth is something many are struggling with right now as they've seen 401k's, their investments, and home prices drop. One thing not discussed is that the dollar is also less valuable, meaning it takes more money than it did a decade ago. Thanks for making me think a bit more about this right now.

▪



[Sharon O'Day](#) Mod [Don Purdum](#) • [a year ago](#)

Don, I was raised in Brazil where 45% inflation was normal for decades ... and 1000% was not unheard of. So I'm keenly aware of inflation. I'm baffled by why Americans have such blinders on ... maybe it calls for an article. Thanks for the "tweak."

○



[Pat Moon](#) • [a year ago](#)

I can see our net worth every time I open Quicken because I keep it up to date. Yes, we really took a hit right about 2008. Still have not recovered.. not a good place to be in our 70's but at least we are still positive.

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[Sharon O'Day](#) Mod [Pat Moon](#) • [a year ago](#)

Good for you, Pat. Quicken is a great tool, especially to help us out of the 'hits' we might take.

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