

What is a millionaire?

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-An individual who has a net worth of \$1 000 000 or greater.

What do you think a Net Worth is?

We had a badminton canteen last year. We started with an empty cash box and had \$400 dollars in the cash box at the end of the tournament. Our grocery bill to get ingredients was \$150.00, what was our profit?

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$$\$400 - 150 = \$250.00$$

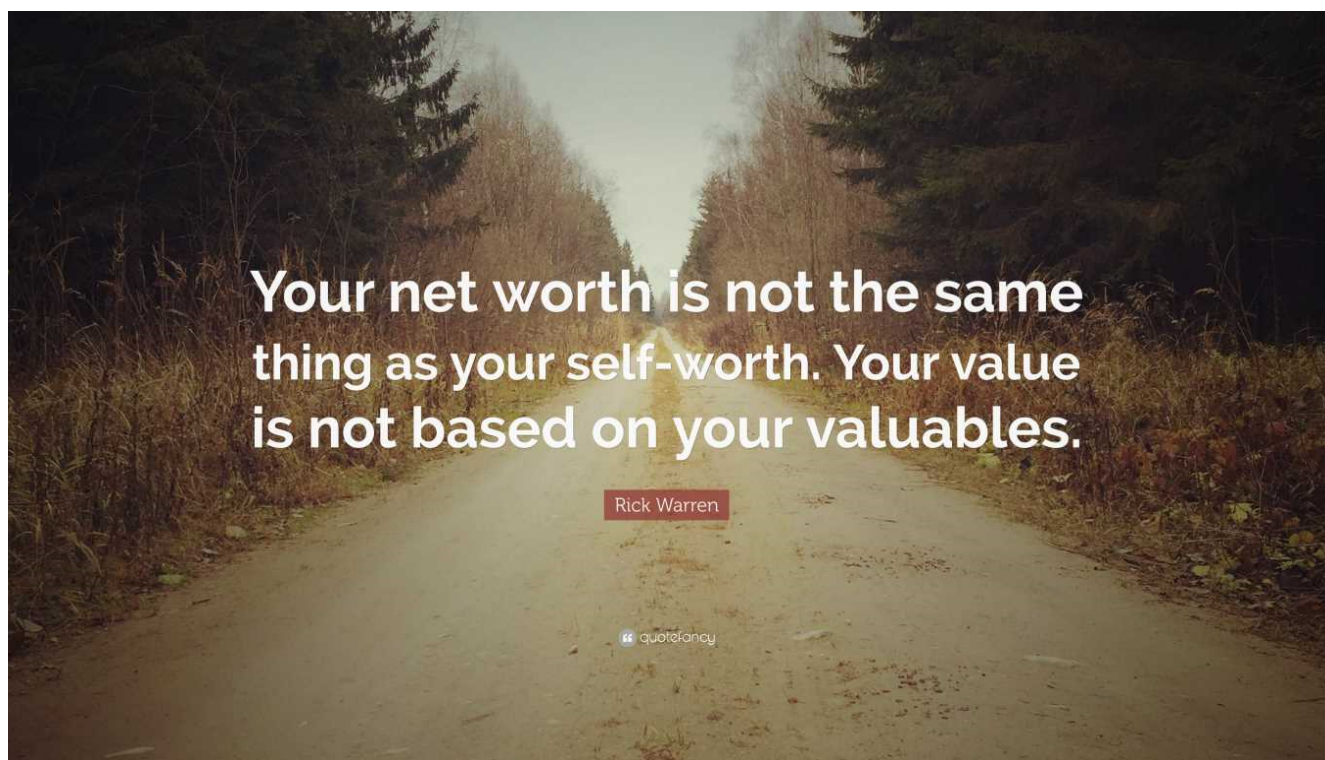
Therefore our profit was \$250.00

Net worth is the financial value a person has.

Net Worth= Assets - Liabilities

Just like profit was Income - Expenses

Please know that net worth is just your financial wealth. I do not actually think you are worth a certain price, you're all priceless!



Your net worth is not the same thing as your self-worth. Your value is not based on your valuables.

Rick Warren

quotefancy

Net worth is the financial value a person has.

Net Worth= Assets - Liabilities

We will be creating a Net Worth Statement which will show all the assets and liabilities and the subtracted amount is the net worth.

Assets

3 Types:

- 1. Liquid
- 2. Investments
- 3. Large

Liabilities

Subtraction

Personal Net Worth Statement			
Name		<input type="text"/>	
Date		<input type="text"/>	
Title	Current Value	Subtotal	Total
Assets			
Liquid Assets			
	<input type="text"/>		
	<input type="text"/>		
Total Liquid Assets		\$0.00	
Investments			
	<input type="text"/>		
	<input type="text"/>		
Total Investments		\$0.00	
Large Assets			
	<input type="text"/>		
	<input type="text"/>		
Total Large Assets		\$0.00	
Total Assets			\$0.00
Liabilities			
	<input type="text"/>		
	<input type="text"/>		
Total Liabilities			\$0.00
Net Worth			\$0.00

$$\text{Net Worth} = \text{Assets} - \text{Liabilities}$$

Assets: anything of value an individual owns.

-this may include what is owed to them (if it's worth a significant value and is reliable to be paid back.)

-Only include things that are worth value and are owned, for example, a gym membership is a service and cannot be owned.

3 Types:

1. Liquid Assets

-Assets that can be quickly converted into cash without losing value

Examples: Cash, bank accounts (can withdraw cash without a penalty), the cash value of insurance policy.

2. Investments

-Putting money to start/expand a business or project, or the purchase of an asset with the goal of earning income or capital appreciation. (We will cover these in more detail later in the course, but it is important to know for now that investments do not provide a return until the future so this involves risk.)

-In order to include a dollar amount, you will need to estimate what the investment would be worth if you sold it today.

Examples: Stocks, bonds,

Your home or land may be an investment if your purpose is to sell it for more in the future.

3. Large Assets

-Large Assets (Often called personal assets) have a current value of \$500.00 or more.

-When calculating dollar amount, you will need to estimate the current value. Research is necessary, not just guessing.

Examples: House (current market for similar size), Car (autotrader.ca), Furniture (kijiji), Artwork, Boat, Jewelry, etc.

Appreciation vs. Depreciation

Appreciation: increase in value of an asset due to economic and other factors (ex: scarcity) not due to additions/improvements.

Examples: homes, land, gold, copper,

This is not set in stone. Homes tend to appreciate over time, as the cost of homes now is way more than the cost of the same home many years ago. However, oil was once considered appreciating, as it was extremely important for energy. However now, due to climate change and other sources of energy, oil is no longer an appreciating asset.

Depreciation is the decrease in value of an asset with time.

Examples: vehicles, furniture, electronics.

https://www.youtube.com/watch?v=_Uoa_k18Wkl



Net Worth = Assets - Liabilities

Liabilities: legally binding financial obligations

-Includes Debt (owed by one party to another, usually in the form on money but could be items, services, etc.)

-Includes credit card debt, lines of credit, loans, mortgage.

Wait, we have home listed as a large asset and home listed as a liability?

As an asset, it's how much we could sell it for today.

Under liabilities, it's how much we owe on it.

BUT.....with liabilities, it's not the amount you borrowed, it's the amount you must pay back.

For example, if you owe \$1000.00 to be paid over the next two years at a rate of 5% interest each year, that's actually \$1100.00.

Liabilities include interest and fees.

$\text{Net Worth} = \text{Assets} - \text{Liabilities}$

$\text{Overall Equity} = \text{Assets} - \text{Liabilities}$

$\text{Asset Equity} = \text{Current Value} - \text{Amount Owed}$

Overall equity is the same as net worth, however equity can also be calculated for just one asset.

A business owner has equity in the business. To figure out how much, we would calculate the amount the business assets could be sold for and subtract the amount they still owe.

Small things provide little to no equity because they depreciate. A vehicle starts depreciating as soon as you buy it.

Negative equity: value of asset falls below outstanding balance

(you owe more on the asset than it is worth)

We refer to this as being "upside down".

Lesson 4-Net Worth

Personal Net Worth Statement			
Name		<input type="text"/>	
Date		<input type="text"/>	
Title	Current Value	Subtotal	Total
Assets			
Liquid Assets			
	<input type="text"/>		
	<input type="text"/>		
Total Liquid Assets		\$0.00	
Investments			
	<input type="text"/>		
	<input type="text"/>		
Total Investments		\$0.00	
Large Assets			
	<input type="text"/>		
	<input type="text"/>		
Total Large Assets		\$0.00	
Total Assets			\$0.00
Liabilities			
	<input type="text"/>		
	<input type="text"/>		
Total Liabilities			\$0.00
Net Worth			\$0.00

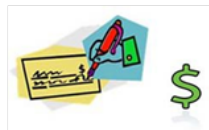
Example: Maxwell's Assets and Liabilities:

- > \$150 Cash
- > \$1,200 Chequing Account
- > \$2,500 Savings Account
- > \$500 GIC
- > \$2,300 TFSA
- > \$1,500 RRSP
- > 1997 Chevrolet Camaro Anniversary Edition
- > 64GB iPhone 8 from SaskTel
- > Asus Gaming Laptop
- > Four-Piece Leather Living Room Furniture Set
- > Five-Piece Maple Bedroom Furniture set, with Queen Bed
- > \$1,750 in Inherited Jewellery
- > \$150 MasterCard
- > \$11,700 Student Loan
- > \$800 Line of Credit

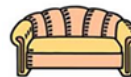
Lesson 4-Net Worth

- > Family A owns a 3 bedroom house valued at \$100,000 and one car. The home is furnished with modest furniture. The only valuable jewelry they own are wedding bands valued just under \$800. They have an emergency savings account, a college savings account and a retirement savings. They also have two credit cards.
- > Family B owns a 5 bedroom house valued at \$400,000, a car, and a SUV. The house is furnished with luxurious furniture. They also own a valuable piece of art and expensive jewelry. The family has a retirement savings and 6 credit cards.

Family A



Family B



- > Which family do you think has a higher net worth? (You can't calculate it because you're missing numbers, but which seems wealthier?)

Let's calculate!

Group 1 will calculate for Family A, group 2 will calculate for Family B and then we'll switch families and calculate for the other, to make sure we all got the same numbers.

Try it individually!