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Family and Consumer Sciences

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Preparing Family Net Worth and Income Statements

Laura Hendrix, Ph.D.
Assistant Professor - Family and Consumer Economics

Do you know your total family income for last year? Have you estimated your family income for this year? And do you know what the financial worth of your family is? Is it a positive net worth or a negative net worth? The best way to answer these questions is to prepare a family income and a family financial or net worth statement.

Your Family Income Statement

The first step toward understanding your family's financial situation is to know how much money is coming in now. There are many reasons you may want a family income statement. Your financial situation has changed, your income is irregular, you plan to apply for a credit card or a loan or you just want a better picture of your total income.

Use the Family Income Statement form on page 2 to begin writing your income statement.

An accurate income statement requires some homework. You may be able to use last year's income tax records to estimate your current total income. Paycheck stubs, broker statements and checking account records should be consulted. Recording income sources on check deposit forms provides a backup record. You may have to estimate some items. However, to avoid future cash flow problems, always underestimate income sources.

Your Family Net Worth Statement

Basically, your net worth or financial statement is the difference between what you own (**YOUR ASSETS**) and what you owe (**YOUR LIABILITIES**). It measures the financial well-being of a family.

Preparing a net worth statement will:

- $$ Help determine your progress toward a financial goal.
- $$ Provide a record of the value of your assets.
- $$ Help evaluate your investment, savings and insurance needs.
- $$ Help spot trouble areas if your net worth is declining.

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FAMILY INCOME STATEMENT FOR YEAR, _____	
Wages and Salaries (Gross)	
Household Member _____	
Household Member _____	
Household Member _____	
Bonuses and Commissions	
Child Support or Alimony	
Social Security Payments	
Pension or Profit Sharing	
Annuity Payments	
Veteran's Benefits	
Rental Income	
Business Income	
Farm Income	
Interest	
Savings accounts	
Certificates of deposit	
Bonds	
Loans to others	
Other	
Dividends	
Stocks	
Other	
Capital gain (or loss) from sale of assets	
Trusts	
Cash Gifts Received	
Other	
Other	
Total Family Income	
Average Monthly Income (Total ÷ 12)	

An accurate net worth statement is useful for comparing your financial position from one time period to the next. You will want to prepare a financial statement at the same time each year, such as when you complete your income tax statement. In this way, you can tell if your financial position is increasing or decreasing. If you have one or more retirement plans, are a homeowner, have personal savings or investments or own a business, you may be surprised at how much you have!

When you need credit, your net worth statement will:

$$ - Help a lender determine if you are - credit-worthy. -

$$ - Help you decide if you should take on - additional debt. -

Any time you apply for credit, such as a home mortgage, a car loan or a new credit card, creditors will examine your net worth statement carefully.

A home mortgage lender will want to know the amount of long-term debt (car loans, alimony, child support and balances on charge cards that will take more than 10 months to pay off) and if a mortgage (principal and interest) plus real estate taxes and homeowners insurance on the house you want to buy will be more than 33 to 36 percent of your gross income.

When you apply for a car loan, the lender will want to know if your long-term debt plus the new car loan will be less than 20 percent of your net income (gross income minus taxes and social security).

The credit card lender wants to know the outstanding balances on your current charge accounts and credit cards.

How do you make a net worth statement?

Net worth is the **difference** between your **total assets** and **total liabilities** for the **same** time period. Your net worth statement will consist of two lists – **assets** and **liabilities.** Use **current market** or **today's** dollar value for each item. Market value reflects the cash you would receive for an item should you have to sell it.

List assets in three broad categories:

$$ - Cash on hand and other liquid assets – those that can easily be converted to cash

$$ - Market value of investments

$$ - Personal and family assets

Liabilities are **today's** dollar value of **what you owe**. Use the **Net Worth Statement** worksheet on page 5.

Consider the following as you prepare your family net worth statement:

Assets

What liquid assets do you have?

$$ - Cash on hand

$$ - Cash in checking account

$$ - Savings account balances

$$ - Money market funds

$$ - Life insurance, cash surrender value

Use today's values. Your last month's statement can give you an estimate of the value of your money market fund. Your insurance agent can give you the cash surrender value of each policy.

What investments do you have?

$$ - Certificates of deposit

$$ - Loans owed to you

$$ - Savings bonds

$$ - Government securities

$$ - Municipal bonds

$$ - Preferred stock

$$ - Common stock

$$ - Corporate bonds

$$ - Mutual funds

$$ - Annuities, current values

$$ - IRA accounts

$$ - Vested retirement plans, current values

$$ - Ownership in a business, current value

$$ - Ownership in real estate, market value

You will need to consult a number of sources for the market value of your investments. The current cash value of a savings bond may be found on a table on the bond certificate. An estimate of the current value of your stocks and bonds may be computed from the various quotations in the daily newspaper. Call your broker for investments not listed in the newspaper. Periodic reports from your employer will give you the vested value of your retirement plan.

Which personal and family assets do you have?

$$ - Home(s)

$$ - Household furnishings

$$ - Personal (jewelry, art, etc.)

$$ - Automobile(s)

$$ - Appliances

$$ - Collectables (antiques, coin or stamp - collections, etc.) -

Most of the information in this category will be rough estimates. The price of the most recently sold house in your neighborhood will give you an estimated value of your home, an insurance agent will give you the blue book value of your car and retailers or appraisers can provide you with estimated values of jewelry and collections. For personal items, estimate a conservative market value should you be forced to sell.

Liabilities

When listing **liabilities**, check your latest balance(s) for the most up-to-date figures.

Among the liabilities you will want to include may be:

$$ - Mortgage debt – home(s)

$$ - Mortgage debt – other real estate

$$ Personal loans

$$ Business loans

$$ Medical and other current bills

$$ Taxes due

$$ Car loan(s)

$$ Credit card and charge account balances

$$ School loans

As you prepare your net worth statement, write account numbers and addresses of creditors and financial advisors in the **Financial Affairs Address List** provided on page 6 of this fact sheet. Lenders will need this information to verify the accuracy of the information you give them.

NET WORTH STATEMENT

Assets	
Liquid Assets	
Cash on hand	
Cash in checking account	
Savings account(s)	
Money market funds	
Life insurance, cash surrender value	
Other	
Other	
Total Liquid Assets	
Investments	
Certificates of deposit	
Loans owed to you	
Savings bonds	
Government securities	
Municipal bonds	
Preferred stock	
Common stock	
Corporate bonds	
Mutual funds	
Annuities, current values	
IRA accounts	
Vested retirement plans, current value	
Ownership in a business, current value	
Ownership in real estate, market value	
Other	
Other	
Total Investments	
Personal and Family Assets	
Home(s)	
Household furnishings	
Personal (jewelry, art, etc.)	
Automobile(s)	
Appliances	
Collectables (antiques, coins, etc.)	
Other	
Total Personal and Family Assets	
Total Assets (add all areas)	

Liabilities	
Mortgage debt – home(s)	
Mortgage debt – real estate	
Personal loans	
Business loans	
Medical and other current bills	
Taxes due	
Car loan(s)	
Credit card/charge account balances	
School loans	
Other	
Other	
Total Liabilities	

Net Worth Calculation	
Total Assets (+) add	
Total Liabilities (-) subtract	
Net Worth (=)	

FINANCIAL AFFAIRS ADDRESS LIST

	Name	Address	Account Number
Banks			
Lenders			
Investments			

DR. LAURA HENDRIX is an assistant professor - family and consumer economics with the University of Arkansas System Division of Agriculture in Little Rock.

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