How to Determine Your Net Wealth

Let’s talk about net worth. What is your net worth today? What net worth do you want to have in the coming years?

Here’s a way to test your net worth. If you had to go to the bank and say “this is how much cash I could get from selling everything I have,” because cash is all banks care about, what would that cash figure be?

Don’t count your clothes, furniture or lawn equipment. They’re worth about as much as ten cents on the dollar. Add up the equity you may have in your home or property with the liquidated value of any vehicles or durable goods you have. If you had to sell everything you owned, how much could you get? That’s a kind of scary thought.

If you’re worth $100,000 today, you may want to be worth $125,000 at the end of next year. Most people who have become wealthy have done so at between 10 and 20 percent per year. They don’t break the bank at Monte Carlo, they just get rich slow.

Today in America things are a little different because of the state of the economy, unless you bought low and sold high. But very few of us did that. But 10 to 20 percent per year after taxes and expenses, in terms of growing your net worth, is a pretty good goal. And it’s ultimately achievable.

So write down five figures representing your target net worth over the next five years. It seems remarkable, but the fact is that the starting point of increasing your income or your net worth is very simple. Can you guess what it is? You must decide to do it. Make a decision to become financially independent.

You may say that it’s not that simple, but it really is just that simple. It’s just not easy. The primary reason that people don’t succeed in life or finances is because they never decide to, and then back up their decision with determination.

There are a lot of things you can do once you’ve made a decision. There are very few things you can do before making a decision, or without making a decision at all.

So make the decision. Your decision may be wrong or it may be inaccurate, but at least it’s a great starting point. It’s like drawing a line in the sand to step over. Don’t worry
about hitting a particular deadline. Just get your goal down on paper, and take the first step.