

UNDERSTANDING YOUR NET WORTH

*The Most Important
Financial Number*



KNOW YOUR POSITION.

Understand your true financial picture.



TRACK YOUR PROGRESS.

Measure growth and stay on track.



MAKE BETTER DECISIONS.

Plan with clarity and confidence.



BUILD A STRONGER FUTURE.

Increase assets. Reduce debt.
Grow your net worth.



Awareness today.
Financial **freedom** tomorrow.



Understanding Your Net Worth

The Most Important Financial Number

If someone asked you how financially successful you are, what number would you use to answer the question?

Would it be your salary?

Your bank balance?

The value of your home?

The size of your investment portfolio?

While all of these numbers may provide useful information, none of them tell the complete story. ***The most accurate measure of your financial position is your net worth.***

Understanding and tracking your net worth is one of the most powerful habits you can develop because it provides a clear picture of your financial progress and helps you make better financial decisions.

Quite simply, your net worth tells you whether you are moving closer to financial independence or further away from it.

What Is Net Worth?

Net worth is the difference between what you own and what you owe.

The calculation is straightforward:

Net Worth = Assets – Liabilities

Assets are items of value that you own.

Liabilities are debts and obligations that you owe.

The resulting figure represents your true financial position at a specific point in time.

Understanding Assets

Assets are everything you own that has a measurable financial value.

Examples include:

Property

- Primary residence.
- Holiday homes.
- Investment properties.

Investments

- Retirement annuities.
- Pension funds.
- Preservation funds.
- Tax-Free Savings Accounts.
- Unit trusts.
- Shares.
- Exchange-traded funds (ETFs).

Cash and Savings

- Bank accounts.
- Money market funds.
- Fixed deposits.

Business Interests

- Shares in private companies.
- Partnership interests.
- Business ownership.

Other Assets

- Vehicles.
- Collectables.
- Valuable personal assets.

When calculating your net worth, it is important to use realistic market values rather than inflated estimates.



Understanding Liabilities

Liabilities include all outstanding debts and financial obligations.

Examples include:

- Home loans.
- Vehicle finance.
- Credit card balances.
- Personal loans.
- Overdraft facilities.
- Store accounts.
- Business loans for which you are personally liable.
- Tax liabilities.

Many people focus heavily on building assets but overlook the impact that debt has on their overall financial position.

Reducing liabilities can improve net worth just as effectively as increasing assets.

A Practical Example

Consider the following example:

Assets

- Home: R2,500,000
- Retirement investments: R1,800,000
- Unit trust investments: R500,000
- Savings account: R150,000
- Vehicle: R250,000

Total Assets: R5,200,000

Liabilities

- Home loan: R1,100,000
- Vehicle finance: R150,000
- Credit card: R20,000

Total Liabilities: R1,270,000



Net Worth

$$R5,200,000 - R1,270,000 = \underline{\mathbf{R3,930,000}}$$

Although this individual owns assets worth over R5 million, their true financial position is represented by their net worth of R3.93 million.

Why Net Worth Matters More Than Income

Many people judge financial success based on income.

However, income alone can be misleading.

A person earning R2 million per year may have significant debt and very little accumulated wealth.

Another individual earning considerably less may have substantial investments, little debt, and a higher net worth.

Income is important because it creates opportunities to build wealth.

Net worth measures whether those opportunities have actually been converted into wealth.

This is why net worth is often a better indicator of long-term financial health than income alone.

Track Progress, Not Perfection

One of the biggest mistakes people make is comparing their net worth to others.

Financial journeys differ significantly based on:

- Age.
- Career stage.
- Family circumstances.
- Business ownership.
- Inheritances.
- Investment history.

The objective is not to compete with others.

The objective is to ensure that your net worth is increasing over time.

A person whose net worth grows steadily year after year is generally making sound financial progress, regardless of their starting point.

How to Increase Your Net Worth

There are only two ways to improve net worth:

Increase Assets

This may include:

- Saving more.
- Investing consistently.
- Acquiring appreciating assets.
- Growing a business.
- Increasing retirement contributions.

Reduce Liabilities

This may include:

- Paying off high-interest debt.
- Reducing vehicle finance.
- Settling credit card balances.
- Paying down home loans.

The most successful wealth builders typically focus on both simultaneously, they build assets while gradually reducing debt.

Your Personal Balance Sheet

Businesses prepare balance sheets to measure their financial position.

Individuals should do the same.

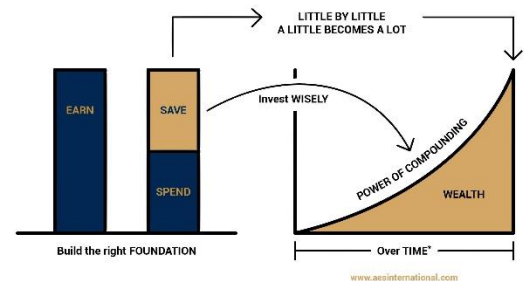
Creating a personal balance sheet annually can help you:

- Measure financial progress.
- Identify weaknesses.
- Track debt reduction.
- Monitor investment growth.
- Set realistic financial goals.

A simple annual review often provides valuable insights into your overall financial health.

HOW TO GET **WEALTHY***

- 1 Build the right foundation
- 2 Spend < earn
- 3 Invest wisely



The Role of Retirement Planning

For many individuals, retirement investments eventually become their largest financial asset.

Regular contributions to:

- Retirement annuities.
- Pension funds.
- Preservation funds.
- Tax-Free Savings Accounts.

can significantly improve net worth over time.

This is one of the reasons why starting early and investing consistently are such powerful wealth-building strategies.

Net Worth and Financial Independence

Financial independence occurs when your assets generate sufficient income to support your lifestyle without relying on employment income.

Your net worth therefore becomes a key indicator of how close you are to achieving this goal.

As your assets grow and your liabilities decrease, financial freedom becomes increasingly attainable.

Tracking your net worth allows you to measure that progress objectively.

The Importance of Annual Reviews

Many people only review their finances when there is a problem.

Successful individuals take a proactive approach.

An annual financial review allows you to assess:

- Changes in asset values.
- Investment performance.
- Debt reduction progress.
- Insurance requirements.
- Estate planning needs.
- Retirement readiness.

Small adjustments made regularly can have a significant impact on long-term outcomes.

Wealth Is Built Gradually

One of the most important lessons in personal finance is that wealth is rarely created overnight.

Most financially successful individuals build wealth gradually through:

- Consistent saving.
- Disciplined investing.
- Prudent debt management.
- Long-term planning.

Tracking your net worth helps you recognise and appreciate that progress, even when it feels slow.

Over time, those small improvements accumulate into meaningful financial security.

Key Takeaways

- Net worth is calculated by subtracting liabilities from assets.
- It is one of the most accurate measures of financial health.
- Income alone does not determine wealth.
- Building assets and reducing debt both improve net worth.
- Tracking net worth annually helps measure financial progress.
- Retirement investments often become a major contributor to long-term wealth.
- Financial independence is ultimately linked to growing net worth over time.



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