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Business Finance

BFIN 2201

Seton Hall University

Homework 5

Net Worth

For a company, shareholders equity is defined as total assets minus total liabilities. Just like companies, individuals have assets and liabilities. Unlike companies, however, we don't have shareholders. For this reason, the difference between an individual's assets and their liabilities is known as "net worth." Net worth measures how much we would have after paying off all our creditors. Understanding your net worth is an important measure of financial health, both today and over time. It tells us how much we would have if we paid off all our debt. To help you analyze your personal net worth, answer the following questions:

1. Read the Forbes' article "Your Net Worth Probably Won't Land you on the Forbes 400, but it's Still Important to Know." Do you think tracking your net worth is important? Why or why not?

I believe tracking your net worth is important because it help a prospect make future financial decisions. If the prospect has a low or negative net worth, they may be over leveraging or they bring home more earnings or retain their savings. If the prospect has a higher than expected net worth, the prospect could act sooner on financial plans like buying a house or a car, or doing something that can cause income disruption like switching to a new job, starting a business, or retiring.

2. What factors influence somebody's net worth? To what extend to vou think vou can control your net worth?

The factors that can influence somebody's net worth are their asset to debt ratio. If somebody's total debt value exceeds their total asset value, they will have a negative net worth. However, if the total debt value is less than their total asset value, they have a positive net worth. Aspects of someone total asset value include their cash, equity like stocks, bonds, home, and other personal property. Aspects of someone total debt value are loans for higher education, car, mortgage, and credit card. These factors can be control their net worth by reducing their loan like not going to school, not using a credit card, not getting a mortgage instead getting an apartment, or not getting a car instead using public transportation. However, this fails to take into account the future financial planning, getting a higher education usually leads to higher potential income, having a car increase your travel distance for a job. Furthermore, a person's capability to control their net worth is dependent on their income and salary.

3. Do you consider yourself to be a saver or a spender? How does this impact your net worth?

As a college student, I would consider myself to be a spender. My priority is to increase my human asset through education like college, taking online courses to obtain certifiction and acquire projects, and purchase books on personal finance and investment. At this stage of my life, I do not have the salary to start saving after paying my necessary living expenses like rent, utilities, WiFi, and groceries. Anytime I would try to investment my money, emergencies arise and unfortunately, I need to liquidate my assets to address the emergency like textbooks or expenses at home.

4. Complete a personal net worth statement. Below is a sample outline of categories you may include in your personal net worth statement (feel free to adjust them to suit your situation).

In [1]:
```
import pandas as pd

# Input the correct integer value for your personal net worth statement for assets
cash = int(input("Enter your cash asset amount: $"))
stocks = int(input("Enter your stocks asset amount: $"))
bonds = int(input("Enter your bonds asset amount: $"))
retirement_savings = int(input("Enter your retirement savings asset amount: $"))
home = int(input("Enter your home asset amount: $"))
car = int(input("Enter your car asset amount: $"))
personal_property = int(input("Enter your personal property asset amount: $"))
other_asset = int(input("Enter your other asset amount: $"))

# Input the integer value for your personal net worth statement for debts
student_loan = int(input("Enter your student loan debt amount: $"))
car_loan = int(input("Enter your car loan debt amount: $"))
credit_card = int(input("Enter your credit card debt amount: $"))
mortgage = int(input("Enter your mortgage debt amount: $"))
other_debt = int(input("Enter your other debt amount: $"))

# Create a dictionary with column names as keys and integer lists as values
data = {'Assets': ['Cash', 'Stocks', 'Bonds', 'Retirement Savings', 'Home', 'Cars', 'Personal Property', 'Other Asset'],
        'Asset Value': [cash, stocks, bonds, retirement_savings, home, car, personal_property, other_asset],
        'Debts': ['Student Loans', 'Car Loans', 'Credit Card', 'Mortgage', 'Other Debt', ' ', ' ', ' '],
        'Debt Value': [student_loan, car_loan, credit_card, mortgage, other_debt, ' ', ' ', ' ']}

# Create a dataframe from the dictionary
df = pd.DataFrame(data)

# Print the dataframe
print(df)

# Print the summation of all asset factor as total asset value
asset_value = df['Asset Value'].sum()
print("The total asset value of the prospect is: $", asset_value)

# Print the summation irst five indexes of the debt factor as total debt value
debt_value = df['Debt Value'].iloc[:5].sum()
print("The total debt value of the prospect is: $", debt_value)


# Print the prospect's net worth, the difference between total asset value and total debt value
net_worth = asset_value - debt_value
print("The prospect's net worth is: $", net_worth)
```

```
Enter your cash asset amount: $300
Enter your stocks asset amount: $1100
Enter your bonds asset amount: $0
Enter your retirement savings asset amount: $0
Enter your home asset amount: $0
Enter your car asset amount: $0
Enter your personal property asset amount: $0
Enter your other asset amount: $0
Enter your student loan debt amount: $19000
Enter your car loan debt amount: $0
Enter your credit card debt amount: $0
Enter your mortgage debt amount: $0
Enter your other debt amount: $0
               Assets  Asset Value          Debts Debt Value
0                Cash          300  Student Loans      19000
1              Stocks         1100      Car Loans          0
2               Bonds            0    Credit Card          0
3  Retirement Savings            0       Mortgage          0
4                Home            0     Other Debt          0
5                Cars            0
6   Personal Property            0
7         Other Asset            0
The total asset value of the prospect is: $ 1400
The total debt value of the prospect is: $ 19000
The prospect's net worth is: $ -17600
```

5. Create a hypothetical net worth statement for yourself based on where you think you'll be in 5 years.

In the next 5 years, I have a goal of having a net positive worth. I hope to have a net positive worth of $10000. In the next 5 years, I hope that my cash asset is 8000, stock asset is 10000, and bond asset is 10000. In addition, I would hope to pay a reasonable mortgage and monthly car payment plan. Furthermore, I would hope that my student loan debt would be 0.

In [2]:
```
import pandas as pd

# Input the correct integer value for your personal net worth statement for assets
cash = int(input("Enter your expected cash asset amount in five years: $"))
stocks = int(input("Enter your expected stocks asset amount in five years: $"))
bonds = int(input("Enter your expected bonds asset amount in five years: $"))
retirement_savings = int(input("Enter your expected retirement savings asset amount in five years: $"))
home = int(input("Enter your expected home asset amount in five years: $"))
car = int(input("Enter your expected car asset amount in five years: $"))
personal_property = int(input("Enter your expected personal property asset amount in five years: $"))
other_asset = int(input("Enter your expected other asset amount in five years: $"))

# Input the integer value for your personal net worth statement for debts
student_loan = int(input("Enter your expected student loan debt amount in five years: $"))
car_loan = int(input("Enter your car expected loan debt amount in five years: $"))
credit_card = int(input("Enter your expected credit card debt amount in five years: $"))
mortgage = int(input("Enter your expected mortgage debt amount in five years: $"))
other_debt = int(input("Enter your expected other debt amount in five years: $"))

# Create a dictionary with column names as keys and integer lists as values
data = {'Assets': ['Cash', 'Stocks', 'Bonds', 'Retirement Savings', 'Home', 'Cars', 'Personal Property', 'Other Asset'],
        'Asset Value': [cash, stocks, bonds, retirement_savings, home, car, personal_property, other_asset],
        'Debts': ['Student Loans', 'Car Loans', 'Credit Card', 'Mortgage', 'Other Debt', ' ', ' ', ' '],
        'Debt Value': [student_loan, car_loan, credit_card, mortgage, other_debt, ' ', ' ', ' ']}

# Create a dataframe from the dictionary
df = pd.DataFrame(data)

# Print the dataframe
print(df)

# Print the summation of all asset factor as total asset value
asset_value = df['Asset Value'].sum()
print("The total asset value of the prospect is: $", asset_value)

# Print the summation of first five indexes of the debt factor as total debt value
debt_value = df['Debt Value'].iloc[:5].sum()
print("The total asset value of the prospect is: $", debt_value)

# Print the prospect's net worth, the difference between total asset value and total debt value
net_worth = asset_value - debt_value
print("The prospect's net worth is: $", net_worth)
```

```
Enter your expected cash asset amount in five years: $10000
Enter your expected stocks asset amount in five years: $13500
Enter your expected bonds asset amount in five years: $5000
Enter your expected retirement savings asset amount in five years: $15000
Enter your expected home asset amount in five years: $0
Enter your expected car asset amount in five years: $0
Enter your expected personal property asset amount in five years: $0
Enter your expected other asset amount in five years: $0
Enter your expected student loan debt amount in five years: $8000
Enter your car expected loan debt amount in five years: $5000
Enter your expected credit card debt amount in five years: $300
Enter your expected mortgage debt amount in five years: $0
Enter your expected other debt amount in five years: $0
               Assets  Asset Value          Debts Debt Value
0                Cash        10000  Student Loans       8000
1              Stocks        13500      Car Loans       5000
2               Bonds         5000    Credit Card        300
3  Retirement Savings        15000       Mortgage          0
4                Home            0     Other Debt          0
5                Cars            0
6   Personal Property            0
7         Other Asset            0
The total asset value of the prospect is: $ 43500
The total asset value of the prospect is: $ 13300
The prospect's net worth is: $ 30200
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6. What steps will you take to achieve the hypothetical, 5-year out net worth statement you created above?

The steps I would take to achieve the hypothetical, 5-year out net worth statement above would be to get a high paying salary. This can be achieved by getting an undergraduate degree, professional career certification in my desired professional, projects for portfolio, and a graduate degree if possible. While these will help me qualify for a high paying job, after taxes, I will need to pay my student loans, car loan, and credit card loan. Furthermore, I will need to allocate money into my stocks, bonds, and real estate to that interest can create their values over time and provide another source of income that can be reinvested. As time passes, it will be essential that I continue my financial education reading books, the newspaper, and observing the market trends.

7. What are your financial goals? Do you think they are achievable?

My finanical goal is to become a millionaire. I do think that the goal of millionaire is achievable. It may take ten years to twelve years, but I do think that is is attainable. Unfortunately, I expected that most of my value will be in assets and I won't have a million dollars to spend in cash. However, that is okay because I want to start a family and provide them with the opportunities I was not afford due to my financial constraints.

8. What did you learn from this assignment?

From this assignment, I learn that acquiring a high income helps to alleviate the stress of money. In addition, I learned that retirement is reserved for fortunate individuals that make a lot of money and can properly manage their finances correctly. In addition, I that my net worth is negative which on paper would make me a bad investment. However, it fails to take into account my human capital like technical skills, pursuing higher education, and refusing higher pay and/or hours because they would interfer with my studies. Outside the scope of the class, I learned to create a asset and debt spread sheet that takes inputs and produces an output. While I am not pursuing a career in finance, this homework has helped me understand net worth and it's importance. I am more concious of my money because I have admitted my current financial situation and will work to obtain a satisfactory level.

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