

Senior Seminar

Personal Finance



Classroom Session 2

Lesson II (Part 1):

Net Worth Statement - Assets

Money Journal	Net Worth Statement	
<p><u>Inflows</u></p> <ul style="list-style-type: none"> ➤ Income <p><u>Outflows</u> <i>Goals</i></p> <ul style="list-style-type: none"> ➤ Savings → ➤ Expenses <ul style="list-style-type: none"> ○ Fixed ○ Variable ○ Periodic 	<p><u>Assets</u> (<i>what you own</i>)</p> <p>Cash & Cash Equivalents</p> <p>Investments</p> <p>Use Assets</p>	<p><u>Liabilities</u> (<i>what you owe</i>)</p> <p><u>Net Worth</u> (<i>what you're worth</i>)</p>
	<p>Assets = Liabilities + Net Worth</p> <p>Assets – Liabilities = Net Worth</p> <p>What you Own – What you Owe = What you are Worth</p>	

Risk (Volatility) & Return

Lower

Higher

Cash Equivalents (*Loan*)

Savings Accounts
 Certificates of Deposit (CDs)
 Money Market Demand Account
FDIC insured
(up to \$250k per account type)

Money Market Mutual Funds

Deposit **Principal**
 Earn **Interest**

Rate of Return based on interest earned
(Principal x Interest x Time)

Used for:
 Goals <= 3 years
 (Emergency Savings)

Bonds (*Loan*)

U.S. Savings Bonds
 Government Bonds & Notes
 Corporate Bonds
Short-term to Long-term
Domestic and International

Bond Mutual Funds

Invest **Principal** (\$1,000 Par Value)
 Earn Semi-Annual **Interest**
 Receive Principal back at **Maturity**

Rate of Return based on interest earned *if held to maturity*

Used for:
 Goals > 3 years

Stocks (*Own*)

Public company shareholder
 You own a piece of company assets and earnings
Large and Small
Mature and New
Domestic and International

Stock Mutual Funds

Invest **Capital**
 May earn quarterly **Dividends**

Rate of Return is based on any dividends received +/- change in share price between purchase and sale

Used for:
 Goals > 5 years

Historical Average Annual Rates of Return (1926-2015)
(Inflation 2.9%)

U.S. Treasury Bills 3.4%

Intermediate Gov't Bonds 5.2%
 Long-term Gov't Bonds 5.6%
 Long-term Corp Bonds 6.0%

Large Company Stocks 10.0%
 Small Company Stocks 12.0%

Money Journal

Inflows

- Income

Outflows

- Savings
- Expenses
 - Fixed
 - Variable
 - Periodic

Goals



Net Worth Statement

Assets (what you own)

Cash & Cash Equivalents

- Checking & Savings
- CDs
- Money Market

Investments

- Mutual Funds
- Bonds
- Stocks

Use Assets

- House
- Vehicles
- Personal Property

Liabilities (what you owe)

Net Worth (what you're worth)

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

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

$$\text{What you Own} - \text{What you Owe} = \text{What you are Worth}$$