

Summary of Assets on Net Worth Statement

Liquid Assets	Investment Assets		Personal Assets
	Non Registered	Registered <sup>(1)</sup>	
<ul style="list-style-type: none"> <li>Chequing and savings accounts</li> </ul>	<ul style="list-style-type: none"> <li>Different types of mutual funds</li> </ul>	<ul style="list-style-type: none"> <li>Defined benefit pension plan (DBPP)</li> </ul>	<ul style="list-style-type: none"> <li>Principal residence</li> </ul>
<ul style="list-style-type: none"> <li>Term deposits or GICs, up to one year</li> </ul>	<ul style="list-style-type: none"> <li>Fixed-income securities and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>Defined contribution pension plan (DCPP)</li> </ul>	<ul style="list-style-type: none"> <li>Vacation property/cottage</li> </ul>
<ul style="list-style-type: none"> <li>Treasury bills (T-bills)</li> </ul>	<ul style="list-style-type: none"> <li>Hard assets, such as precious metals and collectibles</li> </ul>	<ul style="list-style-type: none"> <li>Deferred profit sharing plan (DPSP)</li> </ul>	<ul style="list-style-type: none"> <li>Automobiles</li> </ul>
<ul style="list-style-type: none"> <li>Canada savings bonds (CSBs)</li> </ul>	<ul style="list-style-type: none"> <li>Tax shelters, such as limited partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Registered retirement savings plan (RRSP)</li> <li>Locked-in Retirement account (LIRA)/locked in RRSP</li> </ul>	<ul style="list-style-type: none"> <li>Recreational vehicle, boat, snowmobile</li> </ul>
<ul style="list-style-type: none"> <li>Money market funds</li> </ul>	<ul style="list-style-type: none"> <li>Investment real estate and raw land</li> </ul>	<ul style="list-style-type: none"> <li>Registered retirement income fund (RRIF)</li> <li>Life income fund (LIF)/ Locked-in retirement income fund (LRIF)</li> </ul>	<ul style="list-style-type: none"> <li>Household contents (to be conservative could ignore)</li> </ul>
<ul style="list-style-type: none"> <li>Life insurance policy's cash surrender value (CSV)</li> </ul>	<ul style="list-style-type: none"> <li>Business assets</li> </ul>	<ul style="list-style-type: none"> <li>Registered education savings plan (RESP)</li> </ul>	<ul style="list-style-type: none"> <li>Jewellery, art, collectibles</li> </ul>
	<ul style="list-style-type: none"> <li>In-trust account for minor child (footnote on parent's net worth statement)</li> </ul>		

<sup>(1)</sup> **Details of Investment Assets for Registered Plans:** There are no investment details for a DBPP, since the pension fund manager is responsible for the plan's investment decisions. (For asset allocation purposes, some financial planners assume that the DBPP's commuted value is invested in fixed-income securities). The investment details for all other registered assets (e.g., fixed-income securities, equity securities, etc.) should be recorded on the net worth statement, since this asset allocation information is required to complete both the investment and retirement plans.

Table 2

**Summary of Liabilities on Net Worth Statement**

Short-term Liabilities	Long-term Liabilities
<ul style="list-style-type: none"> <li>• Credit cards (current and overdue balance)</li> <li>• Personal line of credit (PLC): for emergency use</li> <li>• Other current debt</li> <li>• Unpaid property taxes</li> <li>• Unpaid income taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage: Principal residence</li> <li>• Mortgage: Vacation property for personal use</li> <li>• Mortgage: Investment real estate<sup>(1)</sup></li> <li>• Personal line of credit (PLC): For investment purposes<sup>(1)</sup></li> <li>• Deferred income taxes</li> <li>• Automobile loan</li> <li>• Home improvement loan</li> <li>• Consolidation loan</li> <li>• Personal inter-family loans</li> <li>• Student loans</li> <li>• Loan under RRSP home buyers' plan (HBP)<sup>(2)</sup></li> </ul>
<p><sup>(1)</sup> References loans where the interest is tax-deductible.</p> <p><sup>(2)</sup> If RRSP assets were used as part of a down payment on a home, the RRSP HBP loan should be referenced as a footnote on the net worth statement</p>	

**Table 3**

## 1.6 Valuation of Liabilities

All liabilities, such as unpaid taxes and outstanding loans, should be recorded on a client's net worth statement at their current market value. Most liabilities are easier to value than assets, since they usually involve a legally binding contract in which the amounts and terms of payments are explicitly stated. Note that only the current outstanding loan balance—not the initial loan principal—should be recorded as the liability on the net worth statement. (Also, remember that the outstanding principal amount does not include future interest payments.)

## 1.7 Net Worth

Net worth is the amount of actual wealth or equity a client has in owned assets. The net worth statement is a snapshot at a given date, where net worth is the amount of funds that would remain if the client sold all assets and paid off all liabilities. If net worth is negative, the client may technically be insolvent. Insolvency is the financial state in which an individual has liabilities due and accruing that exceed the value of assets and the individual is unable to meet obligations to creditors.

## Managing Net Worth

A client's net worth is an important assessment of wealth and a benchmark that can be used to evaluate progress toward achieving financial objectives and enhancing wealth. Ideally, a client's net worth should reflect an appreciating trend on a year-by-year basis. However, it is essential to assess how each of the specific categories of a client's assets and liabilities has changed over the period. For example, a client's net worth may reflect an appreciating trend over the past year. However, this does not necessarily reflect sound management of net worth, since the client's principal residence may have increased significantly in value with a simultaneous increase in the client's outstanding credit card debt.

Therefore, the financial planner must assess the underlying factors that affect a client's changing net worth on a year-by-year basis. Table 4 summarizes the key factors that affect changes in a client's net worth.

**Changes to a Client's Net Worth**

<b>Increase in Net Worth</b>	<b>Decrease in Net Worth</b>
<b>Increase in Assets and/or Decrease in Liabilities</b>	<b>Increase in Liabilities and/or Decrease in Assets</b>
<p>Examples:</p> <ul style="list-style-type: none"><li>• Purchase of assets that have potential to appreciate in value</li><li>• Increase in value of existing assets (e.g., house renovations, increased return on investment assets)</li><li>• Full or partial repayment of liabilities</li></ul>	<p>Examples:</p> <ul style="list-style-type: none"><li>• Sale of assets with proceeds used for consumption purposes</li><li>• Decrease in value of existing assets (e.g., depreciation of automobile, negative return on investment assets)</li><li>• Increase liabilities by borrowing for consumption purposes (e.g., borrowing funds to take a vacation)</li></ul>

**Table 4**