

Personal Investor: Know and grow your household net worth



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Your Personal Investor

There are many ways to measure wealth, but the most definitive way of breaking down our worth in dollars is household net worth.

Consider it a financial benchmark for life – milestones to strive for on the road to a comfortable retirement.

Net worth boils down to everything you own, minus everything you owe. Put another way: assets minus liabilities.

Assets

To get an accurate gauge on your net worth you need to be realistic and consistent. Statistics Canada keeps regular tabs on household net worth. Its criteria is pretty generic but assets generally come down to savings in registered retirement savings plans (RRSP), tax-free savings accounts (TFSA), company pensions, and any other savings vehicles.

Assets also include the appraised value of the family home and any other real estate owned by the family. Business owners can also include equity in their businesses. Works of art, or collections that hold their value should also be included. Statistics Canada includes the value of vehicles but it might be safe to exclude items that depreciate quickly just to be safe.

Liabilities

Debt is basically classified as liabilities. That includes mortgages on principal and secondary residences, and second mortgages. It also includes consumer lines of credit, student loans and any other debt.

If you don't include your vehicles as assets, there's no need to include vehicle loans as liabilities. In many cases, financing rates are low and the value of the vehicles should fall in proportion to the debt over time.

Adding it up

Your household net worth is what is left once liabilities are subtracted from assets. According to the 2016 Statistics Canada consensus, the average household net worth that year was just under \$300,000.

Many younger households with small savings, big mortgages and student debt will probably have a negative net worth. That's okay. Implementing a long-term plan to boost savings and reduce debt will eventually push that net worth above water and toward the sky.