

Getting Your Financial House in Order: Taking Inventory

– Video Transcript

Knowing where you are financially helps you to determine how to get where you want to go.

The keys are understanding what you have to work with; in terms of assets, and in terms of income.

Assets are anything of financial value, including personal items, cars, houses, and investments.

Liabilities are what you owe – financial obligations you are paying or will have to pay.

Your net worth is the value of all your assets – what you could sell them for – minus the present value of all your liabilities.

Tracking your net worth shows your financial progress over time.

Your income is money you bring in from all sources, including employment and side hustles.

Gross income is the total of what you make or earn.

Net income is what's left over after subtracting things like taxes and insurance.

Expenses are things you use your money for.

Fixed expenses stay stable over time, such as most loan payments.

Other expenses vary upon your needs, such as for travel or entertainment.

Your cash flow equals your income minus your expenses.

Cash flow is what you have to work with to pursue your goals.

The steps you take to improve your net worth and cash flow may help you build a brighter financial future.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.