

Motley Fool's *Rule Your Retirement* Newsletter

Your Retirement Roadmap, Step 1: What Are You Worth?

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January 19, 2017

Retirement planning is a journey, not a destination.

While the day you actually retire may indeed be a single point in time, there are many key stops along the way. Managing your career, buying and selling homes, putting the kids through college, learning to (legally) lower your taxes, determining how much to save and how to invest that money – they all represent hundreds of financial decisions you've made (and will continue to make) that have had (and will continue to have) an impact on your retirement security.

It doesn't stop when you retire. You may no longer have a paycheck, but you still have a job: making sure your money lasts as long as you do.

To help you navigate this journey, today we launch a new series: *Your Retirement Roadmap*.

Each month, we'll cover a key aspect of charting your path to financial independence. If you follow along, I can promise that you'll reach the end of the series more knowledgeable, more empowered, and more secure.

How can I promise that? Because we've run similar series in the past (and indeed will borrow from them, while updating all the rules, tips, tricks, and tools for 2017). For example, here's what members told us after our "Year of Fiscal Fitness" series from 2009:

- "I feel lighter knowing that my money is more organized and accessible."
- "I feel more in control when I have a plan."
- "It is better to know your financial facts than worry what they might be."
- "It allowed me to see exactly where I'm spending my money and where I can trim."
- "I am increasing savings by \$500 a month."

The *Your Retirement Roadmap* series will help you assess where you are, determine where you want to go, and figure out how to best get there – while protecting what you've accumulated along the way.

We start this journey by taking an inventory of what you'll be relying on to propel you along the path to financial independence.

For All You're Worth

"Do I have enough?"

If you're like most Americans, you've wondered that at one point or another. It's the fundamental question of retirement planning.

One aim of this series is to help you answer it.

The first step: Determine your net worth.

The formula is simple: assets (i.e., all you own) minus liabilities (i.e., all you owe). Yet gathering all the information and creating a net worth statement may take time, and it won't be the most exciting activity of your day.

Believe me, it will be well worth the effort.

Your net worth statement is like your progress report; it's a snapshot of what you've done so far, identifying where you're earning an A-plus ... and where you may need to turn in missed assignments and do some extra credit. If you do it annually, you'll see if and by how much your resources are growing from year to year.

This is the first step on the Your Retirement Roadmap series because you will be gathering valuable information necessary to complete other important financial tasks (which, it just so happens, we'll be doing in subsequent steps of this series). For example, creating and maintaining your net worth statement will:

- Give you a list of all your assets and investments, which will be helpful for insurance and estate-planning purposes
- Provide crucial information when using a retirement calculator or (if you're retired) determining a safe amount to withdraw from your portfolio each year
- Determine whether your emergency fund and [income cushion](#) (if you're retired) are sufficient

Hopefully, we've convinced you of the value of a net worth statement. Now, let's dig a little deeper into what goes into it.

Your Assets

Technically, an asset is anything you own, including:

- The contents of your investment and bank accounts (including retirement and college-savings accounts)
- Your house, everything in it, and the property it sits upon
- Vehicles (cars, boats, private jets)
- Electronics and appliances
- Jewelry
- Collectibles and antiques
- Cash-value life insurance policies
- Trusts
- Stock options, restricted stock, or deferred compensation
- Patents, copyrights, royalties
- Businesses or partnerships
- Loans you've made to others
- Money you're due (such as tax refunds, flexible-spending refunds, and legal judgments)

One big question about each asset: Do you plan to use it to fund your retirement? If so, include it among your resources when we cover retirement-plan analysis in a future installment of the Retirement Roadmap series.

Your Liabilities

This is money you owe, including credit card debts, school loans, mortgages, home equity loans, and 401(k) loans.

Why care about debt? Because it's a claim on your current and future cash flow. It can consume resources that would otherwise be devoted to investing or more enjoyable spending. It's also a non-discretionary budget item, which -- as we'll explain in next month's installment -- factors into the calculation of your emergency fund and portfolio withdrawal rate in retirement.

Even if your portfolio goes nowhere but you gradually pay down your debts, you're making real progress. If you haven't yet, check out these past *RJR* articles that explain how paying down debt and increasing home equity can fortify your financial fortress:

- [The Guaranteed Way to Strengthen Your Retirement](#)
- [Should You Use Home Equity to Buy Stock?](#)
- [How to Turn Home Equity Into Retirement Security](#)

Do It!

The first decision you have to make is how to record and tally the value of your assets and liabilities. Everyone's financial empire is different, so there's no one right way. But the ideal method would be one that allows your net worth to be easily updated and tracked. Here are the two best choices:

- Financial software such as Quicken, Mint, HelloWallet, and Personal Capital, which can update information from many of your accounts with the click of a mouse. But because these services specialize in aggregating information from financial-services companies, you'll have to manually input the values of your other assets, and some programs are better at handling that than others.
- Spreadsheets are ideal for customization, but might require manual updating of account and property values. You don't have to start from scratch; check out pre-made templates from [Microsoft Office](#) and [Google Docs](#) (search terms such as "net worth" and "balance sheet").

Attaching a dollar figure to most of these things is as simple as looking at a piece of paper or your computer screen. For the others, you'll have to make an educated guess. Read "[Valuing, Protecting, and Selling Your Non-Portfolio Possessions](#)" for some tips on valuing your assets.

The Foolish Bottom Line

As an investor, would you buy shares in a company that didn't know the value of its assets or liabilities?

Of course not!

Right now, you're investing in an entity that's more important than any stock: you. Knowing how much you own and how much you owe is the foundation of a financial plan that maximizes opportunities while managing risks.

So take the time to calculate your net worth. If you have any questions -- or any suggestions for tips, tricks, or tools -- let us hear 'em on the [Rule Your Resources discussion board](#).