Determining Your Total Net Worth

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Net worth is a common measurement of determining the wealth of an individual, and is a very different thing entirely than simply how much cash they have in their wallet. In basic terms, it’s a calculation based on what a person owes, subtracted from what they own. It’s a simple calculation in theory, but it can be difficult to calculate, especially when you factor in non-liquid assets such as art and property, which makes things much less straightforward. Here, we talk you through how to calculate someone’s net worth. You can use this method of calculation to work out your own net worth, or on behalf of somebody else. It can be difficult to acquire the exact figures though, so sometimes you’ll just have to settle for an estimated net worth.

Step One: Cash Calculation

The first thing to do is to calculate how much cash you have, by reviewing bank and ISA statements. If you’re working it out on behalf of another person and don’t have access to these documents, you can make an estimate based on the information you have at hand such as salary details, any bonuses received and assets that have been recently liquidated, from the sale of a house for example.

Step Two: Assets

Assets are property and financial instruments that a person can see or cash in, for example houses, furniture, shares and cars. Of course, it’s easier to make a list of these assets if you’re working out your own assets or in cooperation with someone else, but you can estimate based on the information you already have. You can work out the value of a person’s home by using a property value estimation tool such as Zoopla – simply enter the postcode or street name into the valuation box and you’ll get an estimate based on what the property has previously sold for. You can also use car valuation tools to work out the estimated values of any vehicles.

Step Three: Liabilities

What a person owes counts just as much towards net worth as what they own, and liabilities include the amount left on your mortgage, any debts, and financial obligations such as school fees. You can find out the rough interest rate of someone’s mortgage by looking at Bank of England data. Next calculate the value of those liabilities, but don’t just include the total value of all debt, be sure to just base your calculations on debts that are outstanding. If someone has a mortgage on a house that is worth £200,000, chances are they’ve paid off a large amount of that if they’ve owned the house for ten or fifteen years. Finally, subtract the value of the liabilities from the total assets to get the final net worth figure. In some cases, this number will be a minus figure so you may want to think about liquidating some of those assets, by either selling a car or moving into a smaller, less expensive house.