

Taking control of your financial affairs:

‘Find Out How You Are Currently Doing With A Financial Health Check’

Think of this one as a financial MOT, common sense if you want to get ahead financially.

Luv Asha x

**Asha's
Financial Academy**

If only they had taught us this at school...



Inspirational financial education and guidance to help you plan and create the life you want to live!

Find out how you are currently doing with a Financial Health Check.

The financial health check consists of 2 parts:

- Part 1 ~ completing a financial questionnaire**
- Part 2 ~ completing a personal financial statement**



There's no hiding place now!

It goes without saying that the state of your personal finances, just like your teeth should ideally be checked on a regular basis to make sure they are in a good state of health.

By completing your own financial questionnaire and personal statement on a regular basis (or via a professional adviser) you can see if you're in good shape and if any actions or adjustments need to be made to get you on the right track.

You'd be surprised how many people never go through this type of exercise, yet its common sense!
Are you ready?



Part 1. Completing a financial questionnaire

Now it's time to find out how are you doing financially?

The following financial questionnaire covers all the broad aspects of personal financial planning with 16 straight-forward questions. It is designed to highlight any areas that may require attention or further review.

So, go and dig out your financial paperwork so you have it to hand and answer the following 16 questions across the 5 sections by ticking YES, NOT SURE or NO.

Leave blank any questions that are not applicable to you, then refer to the analysis at the end of the questions.

Let's begin.....



Section 1 ~ Personal Borrowing

Yes Not Sure No

1a. Do you know exactly how much outstanding debt you have on your personal borrowing - loans credit/store cards etc, (not mortgages)?

1b. Do you know how much interest you are paying on your personal borrowing?

1c. Did you know you may be able to consolidate these to a better deal?

Section 2 ~ Savings & Investments

Yes Not Sure No

2a. Are you saving enough at the moment to provide what you'll need in the future?

2b. Are you making best use of all the tax efficient products available?

2c. Are you making the most of your personal tax allowance?

Section 3 ~ Retirement Planning

Yes Not Sure No

3a. Will your current retirement plans be sufficient to maintain your standard of living when you retire?

3b. Do you know the level of income your current pension arrangements will provide you with, when you retire?



Section 4 ~ Protecting Your Health & Wealth

Yes

Not Sure

No

4a. If you/your partner is unable to work for a while due to suffering from an accident, sickness or a redundancy, will you be able to maintain your current standard of living?



4b. If you/your partner suffered a long term illness and were unable to work, would you be able to maintain your current standard of living?



4c. If you/your partner ever suffered a serious illness like a heart attack or contracted cancer, would you be able to continue paying the mortgage/rent and other essentials from your current provisions?



4d. If you died, would your partner have enough money to maintain their current standard of living without the level of income you currently provide?



4e. If you died would your assets be passed on to the right person?



Section 5 ~ Your Home

Yes

Not Sure

No

5a. Are you sure the interest you are currently paying on your mortgage is the most competitive?



5b. Are you fully aware of the ways you can reduce the total amount of interest you pay for your mortgage?



5c. Are your home and contents adequately protected against any potential loss or damage?



Questionnaire Analysis

Look at all of your individual answers, check them against the following guide and act accordingly:



Green

– This area of your finances appears to be in good shape



Amber

– This area of your finances needs to be reviewed (see below)



Red

– This area of your finances requires attention (see below)

For total clarity, the table below specifies which area, each question relates to:

	Specific area you need to review/consider taking action
1a	Unsecured borrowing arrangements
1b	Unsecured borrowing arrangements
1c	Unsecured borrowing arrangements
2a	Pension and Saving/Investment arrangements
2b	Saving and Investment arrangements
2c	Saving and Investment arrangements
3a	Pension arrangements
3b	Pension arrangements
4a	Mortgage/Income protection (short term) arrangements
4b	Income protection (long term) arrangements
4c	Critical/Serious Illness arrangements
4d	Life Insurance and Family Income Benefit arrangements
4e	Current will
5a	Mortgage arrangements
5b	Mortgage arrangements
5c	Home and Contents arrangements

Professional Help & Advice

See Section 17 '**Action Plan & Guidance to Help You Put it all Together**' for more details about how to get the right professional help and advice for your individual needs.



Part 2. Completing a personal financial statement

A personal financial statement is effectively a personal balance sheet. The financial health check is designed to highlight current areas you need to pay attention to, whereas the personal financial statement is designed to show you how you are currently doing financially.



Think of it as an **honest financial inventory** of your current financial situation to establish precisely where you are prior to embarking on your journey towards financial freedom. This may at first sound difficult or even a little scary, but it's a simple process, and if you commit to doing it, you will be amazed at what you can learn about yourself.

Numbers are like words, put them together and they tell a story, when you put a financial statement together, the numbers will tell a financial story about you in 3 areas:

- **1. Where you have been**
- **2. Where you are right now**
- **3. How to get where you want to go**

We're not interested in the first area, as we cannot alter the past, the only benefits which can be derived from the past is any relevant knowledge and wisdom obtained along the way. The second and third area is where we are going to focus on.



Blank statement: First of all, I'll show you over the next 2 pages what a statement and an analysis looks like, then I'll guide you through completing and analysing your own statement.

So, don't fill it in just yet though, that comes a little later, before you do that, we'll go over 3 fictitious example statements together to help guide you and more importantly to show you how to read and interpret what the numbers are telling you (the story).

Personal accountancy

I must stress, the importance a doing a financial statement should not be under-estimated, you are examining your own finances the same way an accountant would evaluate a business. However, it is not intended to make you feel guilty for having mishandled your finances in the past, it's simply about being specific with your current financial position so you can chart a course for your future.

You will probably find several of the areas are not applicable to you right now, don't feel intimidated as this statement is designed to cover all broad aspects of income, expenses, assets and liabilities, it covers everybody from the lowest wage earner right up to billionaires like Richard Branson.

Just think of it as 'drawing a line in the sand' so you know precisely where you currently stand ready to begin your journey along the road to financial freedom.



Personal Financial Statement

Income	
Earned Income	
1. Job & Self Employment (net)	£ _____
Passive Income	
2. Property (net)	£ _____
3. Business (net)	£ _____
Portfolio Income	
4. Interest	£ _____
5. Dividends	£ _____
<u>A. Total Income</u> <small>(Salary + Passive + Portfolio)</small>	£ _____
Expenses	
Expenses	
Mortgage Payment	£ _____
Household (food/utilities)	£ _____
Car Payment	£ _____
Entertainment	£ _____
Insurance	£ _____
Credit Cards & Other Loans	£ _____
Other Payments	£ _____
<u>B. Total Expenses</u>	£ _____

Assets	Liabilities
1. Bank Accounts £ _____	1. Mortgage £ _____
2. Stocks/Bonds £ _____	2. Car Loans £ _____
3. Investment Property £ _____	3. Personal Loans £ _____
4. Business Value (Net) £ _____ <small>(Market Value – Mortgage)</small>	4. Credit/Store Cards £ _____
5. Home Value £ _____	5. Other £ _____
6. Other £ _____	<u>D. Total Liabilities</u> £ _____
<u>C. Total Assets</u> £ _____	'Net Worth' £ <small>(total assets C – liabilities D)</small>
<u>E. Revised Total Assets</u> £ _____ <small>(total assets C – any 'toys' value from 6)</small>	Real Net Worth £ <small>(revised total assets E – liabilities D)</small>



Analyzing your Financial Statement

1. How much did you keep?

- A. Total monthly net income £ _____
- B. Total monthly expenses £ _____
- C. Difference £ _____
- Percentage of income kept C/A _____ %

2. Did your money work for you?

- A. Total monthly income £ _____
- B. Total earned income £ _____
- C. Total passive & portfolio income £ _____
- Percentage passive & portfolio income C/A _____ %

3. What is your return on assets?

- A. Total Revised assets £ _____
- B. Total passive & portfolio income £ _____
- C. Cash on asset return (annualized) C/A _____ %

4. How Wealthy are You (months)?

- A. Total Assets £ _____
- B. Total Expenses £ _____
- Divide A/B _____ **Months**



How to fill in a Personal Financial Statement.

The statement is in 4 parts:

1. Income
2. Expenses
3. Assets
4. Liabilities

Here's how to fill in the **income** and **expenses** boxes:

Income	
Earned Income	
1. Job & Self Employment (net)	£ _____
Passive Income	
2. Property (net)	£ _____
3. Business (net)	£ _____
Portfolio Income	
4. Interest	£ _____
5. Dividends	£ _____
<u>A. Total Income</u>	£ _____
<small>(Salary + Passive + Portfolio)</small>	
Expenses	
Expenses	
Mortgage Payment	£ _____
Household (food/utilities)	£ _____
Car Payment	£ _____
Entertainment	£ _____
Insurance	£ _____
Credit Cards & Other Loans	£ _____
Other Payments	£ _____
<u>B. Total Expenses</u>	£ _____

1. Completing income boxes:

Earned income is the net amount of money you receive each month from employment or self-employment net income, this amount goes in box 1.

Passive income any net income each month from property goes in to box 2, while net passive income from any business activity goes into box 3.

Portfolio income you receive as interest goes into box 4, while dividend income goes in box 5.

Total: add all the figures together and place your total monthly income in box A.

2. Completing expenses boxes:

Expense covers all regular monthly expenditure, this section is very straight forward, and you simply divide your expenses into the 7 categories listed. Any expenditure you can't account for in the first 6 categories simply goes under 'other payments' in category 7.

Once you have listed all of your expenses **total** them up and enter in box B.

Notes for completing assets & liabilities are on the next two pages...



Here's how to fill in the **asset** boxes:

Assets	
1. Bank Accounts	£ _____
2. Stocks/Bonds	£ _____
3. Investment Property	£ _____
4. Business Value (Net) (Market Value – Mortgage)	£ _____
5. Home Value	£ _____
6. Other	£ _____
<u>C. Total Assets</u>	£ _____
E. Revised Total Assets £ _____ (total assets C – any 'toys' value from 6)	

...notes continued

Total Assets - Once you have completed all 6 boxes, add them up and enter your **total asset** value in **box C**.

Revised Total Assets – deduct the value of any 'toys' you have 'included' (from box 6) from the Total Assets and enter in **box E**

Important note:

On the analysis section when we look at the real wealth, we exclude the equity in the home on the basis that we all need somewhere to live. It is a potential asset if we chose to sell or downgrade but we're excluding it as an asset for wealth analysis purposes.

3. Completing asset boxes – notes

In **box 1** put the total of **all** your bank account balances, only include your main current account balance at the end of the month after all of your regular expense has been deducted.

Box 2 is for your equity portfolio assets, put the total value of any stocks & bonds in box 2. As the value of portfolio assets are constantly changing it is better to put down a conservative figure rather than trying to be too exact.

Box 3 is Investment Property – Total all the market values for each property then deduct the total mortgage debt secured against the properties; this will give you your total investment property asset value.

Box 4 is for any business's owned – Take the sale value of any businesses, deduct any borrowings against the business, this will give the total business assets.

Box 5 is the market value of your own home. Although we describe your property as a liability as it takes money out of your pocket, you still add it to your asset column so the equity becomes included in your net worth after the mortgage balance has been deducted. This is because you can get access to it by downgrading your property or borrow against it, if you do borrow against it, the borrowing will either go into your asset or liability column depending on what you do with it.

Box 6 covers any other assets or items of value not listed above. This includes your car if owned or could be a collection of antiques, wine or a classic car etc, any items of value that you could be sold for a profit. I want to make a couple of distinctions here, it is best to only include items you know are **sought after** and would be easy to sell otherwise it is easy to overestimate their value because of sentimental reasons. I have referred to items like cars, motorbikes, stereos, furniture and computers as 'toys' on the financial statement as these need to be deducted from your total assets to calculate your **real net worth** ~

Your **net worth** includes the total value of everything you own (this is how your bank would do your financial statement), your **real net worth** is the same total minus any 'toys' as these have value but are not true assets e.g. your car may be worth £10,000 now, but you are going to need something to drive and it will depreciate quickly so we don't include this or any other 'toys' to give you a true asset total, this revised total is entered as the **revised total asset** (box E) on the financial statement.

Continued in notes box on left....



Here's how to fill in the **liability** boxes:

Liabilities	
1. Mortgage	£ _____
2. Car Loans	£ _____
3. Personal Loans	£ _____
4. Credit/Store Cards	£ _____
5. Other	£ _____
D. <u>Total Liabilities</u>	£ _____

<u>'Net Worth'</u>	£
(total assets C – liabilities D)	

Real Net Worth	£
(revised total assets E – liabilities D)	

4. Completing liability boxes – notes

In **box 1** put the outstanding balance of your mortgage.
In **box 2** put the outstanding balance of any car finance
In **box 3** put the outstanding balance of any personal loan(s)
In **box 4** put the outstanding balance of any credit and store cards
In **box 5** put the outstanding balance from any other debts not covered in boxes 1 – 4
Now total up all the figures to give you your total Liability and enter in **box D**.

Now the Crunch ~ Your Net Worth!

To determine your '**net worth**,' take your total asset value in **box C** (assets) and deduct your total liability value in **box D** (liabilities).

Your Real Net Worth

To determine your **real net worth**, take your revised assets total **E** (assets), and deduct the Liabilities total in **box C** (liabilities).

Don't forget your dog counts as an asset, however it is hard to put an actual value on the benefit of all that unconditional love, loyalty & affection ☺



Examples

To help you complete and analyse your own statement, we will now go through and analyse 3 example statements. Remember it is what the figures are telling us that matters, you will see how to interpret the figures from the corresponding analysis sheets.

Example 1. ~ Susan

Susan is 24 years old and single. She works for a local construction company as a PA earning £17,500 a year. Susan owns her own house that she purchased 2 years ago after being promoted to her current position. Although Susan has had to restrict her social life since she took on a mortgage, she still manages to go with the girls at least once a week, as she likes to 'live it up' when she can. Let's have a look at her financial statement and analysis on the pages 13 & 14:

Example 2. ~ Peter & Jane 'Jones'

Peter & Jane are both in their late thirties with 2 teenage daughters. Peter works as an Architect and earns £35,000 while Jane works at the local secondary school as a teacher earning £22,000. They have a nice modern house that they have spent a lot of time and money decorating to their required tastes. Both Peter & Jane drive new cars, they take 3 family holidays abroad each year and like to get away for weekends as often as possible. Their financial statement and analysis is shown on pages 15 & 16.

Example 3. ~ Frank & Anthea

Frank & Anthea are both in their fifties and live alone now their 3 children have 'flown the nest'. Frank earns £42,000 as manager of a hotel while Anthea earns £18,000 as an office manager for a local solicitor. They have 5 investment properties in addition to their own and a stock portfolio built up from regular investments and windfalls. Their financial statement and analysis are shown on pages 17 & 18.

So, let's see how they all fair on paper and what the figures are telling us!



Personal Financial Statement

Income		Name: <u>Susan</u>
Earned Income		Date: _____
1. Job & Self Employment (net)	£ <u>1,200</u>	
Passive Income		
2. Property (net)	£ <u>0</u>	
3. Business (net)	£ <u>0</u>	
Portfolio Income		
4. Interest	£ <u>0</u>	
5. Dividends	£ <u>0</u>	
A. Total Income	£ <u>1,200</u>	
<small>(Salary + Passive + Portfolio)</small>		
Expenses		
Expenses		
Mortgage Payment	£ <u>350</u>	
Household (food/utilities)	£ <u>270</u>	
Car Payment	£ <u>155</u>	
Entertainment	£ <u>215</u>	
Insurance	£ <u>40</u>	
Credit Cards & Other Loans	£ <u>110</u>	
Other Payments	£ <u>60</u>	
B. Total Expenses	£ <u>1,200</u>	
Assets	Liabilities	
1. Bank Accounts	£ <u>0</u>	1. Mortgage
2. Stocks/ Bonds	£ <u>0</u>	£ <u>60,000</u>
3. Investment Property	£ <u>0</u>	2. Car Loans
4. Business Value (Net)	£ <u>0</u>	£ <u>4,500</u>
<small>(Market Value – Mortgage)</small>		3. Personal Loans
5. Home value	£ <u>70,000</u>	£ <u>2,300</u>
6. Other (car)	£ <u>4,000</u>	4. Credit/Store Cards
C. Total Assets	£ <u>74,000</u>	£ <u>1,200</u>
E. 'Revised Total Assets'	£ <u>70,000</u>	5. Other
<small>(total assets C – any 'toys' value from 6)</small>		£ <u>0</u>
		D. Total Liabilities
		£ <u>68,000</u>
		'Net Worth'
		£ <u>6,000</u>
		<small>(assets C – liabilities D)</small>
		Real Net Worth
		£ <u>2,000</u>
		<small>(Revised total assets E – liabilities D)</small>



Analysing your Financial Statement - Susan

1. How much did Susan Keep?

A. Total monthly net income	£ <u>1,200</u>
B. Total monthly expenses	£ <u>1,200</u>
C. Difference	£ <u>0</u>
Percentage of income kept C/A	<u>0</u> %

2. Did her money work for her? ~ No

A. Total monthly income	£ <u>1,200</u>
B. Total earned income	£ <u>1,200</u>
C. Total passive & portfolio income	£ <u>0</u>
Percentage passive & portfolio income C/A	<u>0</u> %

3. What is her return on assets?

A. Total Revised assets (exc her home)	£ <u>0</u>
B. Total passive & portfolio income	£ <u>0</u>
C. Cash on asset return (annualized) B/A	<u>0</u> %

4. How Wealthy is she (months)?

A. Total Assets (exc her home)	£ <u>0</u>
B. Total Expenses	£ <u>1,200</u>
Divide A/B	<u>0</u> Months

Summary

Susan's money certainly doesn't work for her as she spends all her income and currently doesn't have any assets. If Susan lost her income, she wouldn't be able to survive a single month without resorting to drastic measures such as selling the car/house or increasing her credit card balance, none of these measures would really help her situation. Does she need to take a serious look at her finances and change her habits, **I think it's a categorical YES.**



Personal Financial Statement

Income		Name: <u>Peter & Jane</u>
Earned Income		Date: _____
1. Job & Self Employment (net)	£ <u>3,800</u>	
Passive Income		
2. Property (net)	£ _____	
3. Business (net)	£ _____	
Portfolio Income		
4. Interest	£ _____	
5. Dividends	£ _____	
A. Total Income	£ <u>3,800</u>	
<small>(Salary + Passive + Portfolio)</small>		
Expenses		
Expenses		
Mortgage Payment	£ <u>770</u>	
Household (food/utilities)	£ <u>760</u>	
Car Payment	£ <u>310</u>	
Entertainment	£ <u>800</u>	
Insurance	£ <u>175</u>	
Credit Cards & Other Loans	£ <u>865</u>	
Other Payments	£ <u>695</u>	
B. Total Expenses	£ <u>4,375</u>	
Assets	Liabilities	
1. Bank Accounts	£ <u>1,500</u>	1. Mortgage
2. Stocks/Bonds	£ _____	£ <u>110,000</u>
3. Investment Property	£ _____	2. Car Loans
4. Business Value (Net)	£ _____	£ <u>10,500</u>
<small>(Market Value – Mortgage)</small>		3. Personal Loans
5. Home Value	£ <u>160,000</u>	£ <u>16,500</u>
6. Other (BMW)	£ <u>12,000</u>	4. Credit/Store Cards
C. Total Assets	£ <u>173,500</u>	£ <u>9,700</u>
		5. Other
		£ _____
		D. Total Liabilities
		£ <u>146,700</u>
E. Revised Total Assets	£ <u>161,500</u>	'Net Worth'
<small>(total assets C – any 'toys' value from 6)</small>		£ <u>26,800</u>
		<small>(total assets C – liabilities D)</small>
		Real Net Worth
		£ <u>14,800</u>
		<small>(revised total assets E – liabilities D)</small>



Analysing your Financial Statement ~ Peter & Jane

1. How much did they Keep?

A. Total monthly net income	£ <u>3,800</u>
B. Total monthly expenses	£ <u>4,375</u>
C. Difference	£ <u>-575</u>
Percentage of income kept C/A	<u>0</u> %

2. Did their money work for them?

A. Total monthly income	£ <u>3,800</u>
B. Total earned income	£ <u>3,800</u>
C. Total passive & portfolio income	£ <u>0</u>
Percentage passive & portfolio income C/A	<u>0</u> %

3. What is their return on assets?

A. Total Revised assets (exc their home)	£ <u>1,500</u>
B. Total passive & portfolio income	£ <u>0</u>
C. Cash on asset return (annualized) B/A	<u>0</u> %

4. How Wealthy are they (months)?

A. Total Revised Assets	£ <u>1,500</u>
B. Total Monthly Expenses	£ <u>4,375</u>
Divide A/B	<u>10.5</u> Days

Summary

Although Peter & Jane appear to be doing well on the outside with good jobs, 2 new cars and a nice house, the truth is they could be only days away from financial disaster (e.g. a redundancy or major unforeseen expense). The problem is, they spend more than they earn each month and have virtually no assets to fall back on, this is quite a common scenario in the UK. If they lost an income, they would probably have to downgrade their cars or property (compromising their lifestyle) in-order to survive. Do they need to take a serious review of their financial situation ~ **an obvious YES.**



Personal Financial Statement

Income	
Earned Income	
1. Job & Self Employment (net)	£ <u>4,200</u>
Passive Income	
2. Property (net)	£ <u>1,880</u>
3. Business (net)	£ _____
Portfolio Income	
4. Interest	£ <u>1,350</u>
5. Dividends	£ _____
<u>A. Total Income</u>	£ <u>7,430</u>
<small>(Salary + Passive + Portfolio)</small>	

Name: Frank & Anthea

Date: _____

Expenses	
Expenses	
1. Mortgage Payment	£ <u>300</u>
2. Household (food/utilities)	£ <u>540</u>
3. Car Payment	£ _____
4. Entertainment	£ <u>820</u>
5. Insurance	£ <u>150</u>
6. Credit Cards & Other Loans	£ <u>75</u>
7. Other Payments	£ <u>430</u>
<u>B. Total Expenses</u>	£ <u>2,315</u>

Assets	Liabilities												
1. Bank Accounts	£ <u>13,400</u>												
2. Stocks/Bonds	£ <u>220,000</u>												
3. Investment Property	£ <u>490,000</u>												
4. Business Value (Net) <small>(Market Value – Mortgage)</small>	£ _____												
5. Home Value	£ <u>245,000</u>												
6. Other: (BMW £18,000) <small>(antiques £24,000)</small>	£ <u>42,000</u>												
<u>C. Total Assets</u>	£ <u>1,010,400</u>												
<u>E. Revised Total Assets</u> £ <u>992,400</u> <small>(total assets C – any 'toys' value from 6)</small>	<table style="width: 100%; border: 1px solid black;"> <tr> <td style="padding: 5px;">1. Mortgage</td> <td style="text-align: right; padding: 5px;">£ <u>60,000</u></td> </tr> <tr> <td style="padding: 5px;">2. Car Loans</td> <td style="text-align: right; padding: 5px;">£ _____</td> </tr> <tr> <td style="padding: 5px;">3. Personal Loans</td> <td style="text-align: right; padding: 5px;">£ _____</td> </tr> <tr> <td style="padding: 5px;">4. Credit/Store Cards</td> <td style="text-align: right; padding: 5px;">£ <u>1,500</u></td> </tr> <tr> <td style="padding: 5px;">5. Other</td> <td style="text-align: right; padding: 5px;">£ _____</td> </tr> <tr> <td style="padding: 5px;"><u>D. Total Liabilities</u></td> <td style="text-align: right; padding: 5px;">£ <u>61,500</u></td> </tr> </table>	1. Mortgage	£ <u>60,000</u>	2. Car Loans	£ _____	3. Personal Loans	£ _____	4. Credit/Store Cards	£ <u>1,500</u>	5. Other	£ _____	<u>D. Total Liabilities</u>	£ <u>61,500</u>
1. Mortgage	£ <u>60,000</u>												
2. Car Loans	£ _____												
3. Personal Loans	£ _____												
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<u>D. Total Liabilities</u>	£ <u>61,500</u>												
	<table style="width: 100%; border: 1px solid black;"> <tr> <td style="padding: 5px;">‘Net Worth’</td> <td style="text-align: right; padding: 5px;">£ <u>948,900</u></td> </tr> <tr> <td colspan="2" style="padding: 5px;"><small>(total assets C – liabilities D)</small></td> </tr> </table>	‘Net Worth’	£ <u>948,900</u>	<small>(total assets C – liabilities D)</small>									
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	<table style="width: 100%; border: 1px solid black;"> <tr> <td style="padding: 5px;">Real Net Worth</td> <td style="text-align: right; padding: 5px;">£ <u>930,900</u></td> </tr> <tr> <td colspan="2" style="padding: 5px;"><small>(revised total assets E – liabilities D)</small></td> </tr> </table>	Real Net Worth	£ <u>930,900</u>	<small>(revised total assets E – liabilities D)</small>									
Real Net Worth	£ <u>930,900</u>												
<small>(revised total assets E – liabilities D)</small>													



Analysing your Financial Statement ~ Frank & Anthea

1. How much did they keep?

A. Total monthly net income	£ <u>7,430</u>
B. Total monthly expenses	£ <u>2,315</u>
C. Difference	£ <u>5,115</u>
Percentage of income kept C/A	<u>69</u> %

2. Did their money work for them? ~ YES

A. Total monthly income	£ <u>7,430</u>
B. Total earned income	£ <u>4,200</u>
C. Total passive & portfolio income	£ <u>3,230</u>
Percentage passive & portfolio income C/A	<u>43</u> %

3. What is their return on assets?

A. Total Revised Assets (exc their home)	£ <u>685,900</u>
B. Total passive & portfolio income	£ <u>3,230</u>
C. Cash on asset return (annualised) B/A	<u>4.72</u> %

4. How Wealthy are They (months)?

A. Total Revised Assets (exc their home)	£ <u>685,900</u>
B. Total Expenses	£ <u>2,315</u>
Divide A/B	<u>296</u> Months (24 yrs & 8 mths)

Summary

Frank and Anthea are in an excellent financial position, they manage to keep 69% of their monthly income, they could quit their jobs and continue to enjoy the same lifestyle indefinitely as their passive & portfolio income exceeds their monthly living expenses. Alternatively, if we ignored the passive income, they could survive almost 25 years on their current lifestyle if they quit their jobs and sold all their assets, **this is the true measure of their wealth (not the amount)**.



Measuring real wealth

We all naturally think of wealth in terms of the amount of assets but it's subjective as it's the corresponding lifestyle that really matters. Let me explain:

If you retired with a million in the bank (no other income) and led a very expensive lifestyle that cost £20,000 a month, you'd be broke in just over 4 years if you didn't change your lifestyle. In this case, a million doesn't really make you wealthy.



If you're an adorable little cocker spaniel called Asha that gets fed and walked every day, receives lots of affection and has a few treats (cocktail sausages) you feel very wealthy indeed even though you don't have a penny to your name 😊. The point is:

It's all subjective.

This is why real wealth shouldn't be measured by the amount but how long you could survive with your current lifestyle if you stopped working.

MONEY = TIME

If you have long term passive income that exceeds the living expenses your chosen lifestyle, that's real wealth as you can effectively maintain lifestyle indefinitely (you still need to keep your eye on the ball though) regardless of whether you work or not.

Your turn: now it's time to complete your personal financial statement and get an honest, thorough financial portrait of yourself. Can I suggest you complete it on your own first and then get the right professional guidance and advice to help you get on track and move forward.

Remember wealth creation is a team sport, grab all the help you need!



Need professional advice?

I strongly recommend you seek the advice and guidance of a suitably qualified professional adviser/specialist for any financial advice and expertise you require. They will take you through a set process to establish your requirements and make suitable recommendations.

Pretty much all professional advisers will offer you a free consultation to explain how they work and can help you, simply view these initial consultations as an interview process (you're the boss) to decide if the adviser is right for your needs.

Section 7 Summary

Carrying out regular financial health checks (by yourself or with have a professional adviser) is an important feedback process to determine how you are currently doing:

By completing your own financial questionnaire and personal statement on a regular basis, it will enable you to confirm if you're in good shape financially and if any actions or adjustments need to be made to get you on the right track



Final Thought:

Make sure you have a regular (at least annually) financial health check up to stay in good financial health, think of it as a financial MOT!

Wishing you all the best,

Asha x

Tip: Don't ever try and "keep up with the Jones's" (unless you can fund it from passive income) as they're usually on a slippery slope to liability land!



Final Word:

"People who lack control of their cash flow, make the people who are in control of their cash flow, rich."

