

What Is a Personal Balance Sheet?

A personal balance sheet (also known as personal financial statement) is a document that details the assets and liabilities of an individual, couple, at a specific point in time. Typically, the document consists of two columns, with assets listed on the left and liabilities on the right.

Why Is A Personal Balance Sheet Useful?

A personal balance sheet is a tool that can be used to analyze your current financial status, enabling you to track net worth and set financial goals. These statements are often reviewed by lenders when a client applies for credit or a loan, including a mortgage.

What Are Personal Assets and Liabilities?

Personal assets are investments and property of significant value that can be used as collateral to secure a loan. While salary and other forms of income are not listed as assets, lenders will typically ask to see them, listed separately, to gain a better understanding of your ability to manage liabilities. Common assets include:

- Account balances: savings, certificates, money market accounts
- Investment balances: stocks, ETFs, mutual funds, bonds, annuities, cash-surrender values of life insurance, commodities
- Retirement accounts: 401(k)s, IRAs
- Real estate
- Valuable personal property: vehicles, boats, jewelry, or collectables

Personal liabilities are accounts that carry a balance to be paid down by regular installments. Monthly expenses (utilities, cable, cell phone, insurance payments, rent, food, and other general living expenses) are excluded. Common liabilities, however, do include balances for:

- Credit cards
- Student loans
- Unpaid medical bills or unpaid taxes
- Mortgages or vehicle loans
- Loans that you have co-signed

How Is Personal Net Worth Calculated?

Personal net worth is calculated by simply subtracting total liabilities from total assets. Whether your net worth is positive or negative, it is a starting point. It tells you where your personal finances currently stand and provides motivation for setting personal financial goals. While a personal balance sheet is a snapshot of your net worth at a specific point in time, your personal net worth is constantly in motion as investment balances, property values, and changes in personal liabilities.