
Strategies to increase your net worth

How are you doing financially? Are you accumulating wealth at a quick enough pace? Are you making progress toward achieving your financial goals? A good indicator is your net worth. Keeping track of your net worth on a regular basis is an effective yardstick to measure your progress.

To [calculate your net worth](#) just add up your assets and your liabilities. Then subtract the total liabilities from the total assets. What is left is your net worth.

Your assets are what you own or are buying over time - cash, savings and checking accounts, real estate, investments, household goods, as well as the cash value of pension plans and insurance policies. Your liabilities are what you owe - mortgages, loans, credit card debt, dental bills, car payments and other debts not yet paid in full.

If your net worth is positive - your assets are larger than your liabilities – you’re heading in the right direction. If not, you have some serious work to do. You have to sit down and analyze your financial life. And then you have to take control of it. You have to decide if you’re running the show or is it running you.

The first thing you can do is look this list over and see if you’re guilty of any of these bad financial habits? Are you doing things like:

- Spending more money than you’re earning
- Spending money on unnecessary things
- Not knowing where your money is going
- Treating luxuries as necessities that you must have
- Carrying balances on high-interest credit cards
- Making financial decisions based on emotion
- Making investments based on tips and hearsay
- Investing your money without proper research
- Not considering the after-tax returns of your investments
- Making important financial decisions without proper research
- Going into debt for the wrong kinds of things
- Not having funds set aside for emergencies
- Procrastinating on important decisions
- Not making certain decisions at all
- Not taking advantage of your RRSP benefits (Every \$1,000 invested in your RSP can generate a \$400-\$500 tax savings if you’re in the top tax bracket)

If you’re like most people, there are likely one or two or even three of these bad habits that you are indeed guilty of. But much more than that and you’re simply not going to be accumulating wealth anywhere near as quickly as you might. Even worse, you could be heading for serious financial difficulty.

On the other hand . . .

Accumulating money isn’t everything. Life has many other rewards and pleasures that have nothing to do with money. Family, friends, activities you enjoy, causes you support – all have to be balanced against money.

That old tired and worn cliché still rings loud and clear, even though you’ve heard it a million times: “the best things in life are free”. But at the end of the day, most of

the other things aren't free, so although perspective must be kept, a certain amount of wealth must still be accumulated.

Do you spend more than you can afford?

If you want to accumulate wealth and achieve your financial goals, you have to spend less than you earn. Of course that is rather obvious but with credit so easy to get, many people spend more than they earn, and do it year after year.

Then one day they turn around and find themselves \$50,000 in debt with nothing to show for it but a leased fancy car, stylish wardrobe and photos of all the great vacations. Worst of all, the debt is usually on credit cards, so the interest alone can cost \$10,000 or more a year.

Why do people do this to themselves? Why do so many people spend more than they earn? Because in our society, it takes will power and discipline not to.

We are a consumer society, and are constantly exposed to a barrage of messages urging us to buy. We're under pressure from all sides pushing us to indulge our desires. For example, one luxury carmaker says in a recent ad: "Stop torturing yourself. What you want is what you need."

So what's the solution?

If you spend more than you earn, you can solve the problem in one of two ways: either earn more or spend less. Generally, it's a lot easier to spend less.

First thing to do – analyze your spending and eliminate what isn't really, really necessary. Simple secret to spending less: Learn to love what you have instead of what you don't have. Don't fall prey to the messages of self-indulgence. What you want is not necessarily what you need.

And reduce your expensive credit card debt. Get a bank loan and pay off the cards – it could save you thousands of dollars. And avoid using consumer credit in the future. If you want the convenience of a credit card, no problem. Just pay the balance before the due date each month and you'll pay no interest charges.