

# Virginia Cooperative Extension

A partnership of Virginia Tech and Virginia State University

 **VirginiaTech**  
College of Agriculture  
and Life Sciences



School of Agriculture  
Virginia State University

## Prince William County Office

8033 Ashton Avenue, Suite 105  
Manassas, Virginia 20109  
703/792/6287 Fax: 703/792/4630  
[www.ext.vt.edu/offices/prince.william](http://www.ext.vt.edu/offices/prince.william)



## Financial Education Program

### How to Complete Financial Assessment Forms

GENERAL INSTRUCTIONS - Please read all instructions before filling out the forms.

1. Gather pay stubs, check books, tax returns, bills and other financial records.
2. Use pencil. Most likely every item will not be applicable, having blank lines is OK.
3. Estimate those items that apply if you do not have an exact figure. If you cannot provide an estimate, leave blank until meeting with counselor.
4. Round your figures to whole dollars. Do not show cents. For example, an item for \$87.75 should be entered as \$88.
5. If you need more room, use an empty row or strike out something that does not apply and use that row.
6. ***Complete the forms as best as you can. Problems in filling out the forms can be worked out with the counselor at the meeting. Call if you have questions – (703) 792-6287.***
7. Our financial health can be determined by assessing four financial items:

**Assets & Liabilities**

**Income & Expenses**

The enclosed forms are structured around these four items.

[www.ext.vt.edu](http://www.ext.vt.edu)

Extension is a joint program of Virginia Tech, Virginia State University, the U.S. Department of Agriculture, and state and local governments.

Virginia Cooperative Extension programs and employment are open to all, regardless of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. An equal opportunity/affirmative action employer.

# Assets

**Assets** have a dollar value and consist of cash, savings, investments, and property.

- The current dollar value of savings and investments can be obtained from monthly or quarterly statements.
- If you have a life insurance policy where your premium pays for both a life insurance and a savings/investing element, your policy may have “cash value”:
  - ◆ The cash value of certain life insurance policies is the money you can obtain from the policy by borrowing it from the company or by canceling the policy.
  - ◆ You may have to obtain this number from your insurance company and enter the item and amount on a blank line in the Investment section.
- The value of property is its current dollar value or market value, i.e., how much you can sell the property for today. You can start with your tax assessments for real estate and vehicle values. “For sale” advertisements for vehicles and other kinds of property is another source for valuing your property as well as Web sites, professional appraisers and your insurance company.
- Enter values in each of the three areas, sub total each area and compute total assets by adding the three sub totals.

# Liabilities

**Liabilities** consist of those things on which we owe money, our debts.

- Usually all of the information needed will be on your monthly loan and credit card statements.
- There are two categories of Debt:
  - ⇒ “Good Debt” generally means borrowing to purchase such things as education, real estate or your own business that will retain or increase in value over the long term. But you can have too much of a “good” thing if you take on more debt than you can afford, or in the case of education loans, your potential earnings are insufficient to repay the debt.
  - ⇒ “Bad Debt” is also called consumer debt because the items depreciate in value or are used before the debt is repaid. This category includes car loans, credit card balances, and other debt for such things as furniture or other retail items, medical care, loans from family or friends, etc. If you pay your credit card bill in full every month, you do not have a credit card balance.
- Columns
  - ⇒ *Annual Rate* - Look up the annual percentage rate (APR) of your loan and enter here.
  - ⇒ *Monthly Payment* - Enter what you normally pay each month on each card or loan.
  - ⇒ *Past Due* - If you have missed any payments, enter the total amount. This amount should be on your statement, if applicable.
  - ⇒ *Balance* - Determine how much you have remaining to pay off. For home loans, the figure may be obtained from your mortgage company.
- Subtotal the “Good Debt” and the “Bad Debt”. Add them together at the bottom of the page for your Total Liabilities.

## **Measure of Financial Health: Net Worth**

**Financial Net Worth** answers the questions “Do I owe more than I own?” and “Am I getting ahead?” Compute Net Worth by subtracting Liabilities from Assets. The result can be a positive or negative number.

- ⇒ If negative, pay down debt, increase income and reduce expenses.
- ⇒ If zero, pay down debt, increase income and save.
- ⇒ If positive, along with meeting savings goals, start investing for the future.

# ***Income***

**Income** is either Earned or Unearned. Use monthly income figures on these forms. The form allows for three sources of income in each category. For example, one spouse may work one full time job, while the other spouse may work two part time jobs. This provides three incomes. The same is true for unearned income. If there are more than three sources, just add a column for each source.

- Earned income is from a job or other paid work where taxes are withheld.
  - ⇒ Enter the monthly earned income. See Notes On Income, below, to calculate your monthly earned income. You can start with your pay stub.
  - ⇒ Subtract out all your monthly withholdings and deductions. Use the same method as for monthly earned income. This will give you your Take Home Pay.
  - ⇒ Add up all your Take Home Pay to get your Total Take Home Pay.
- Unearned income includes things like interest from savings, child support, or other sources not from a job.
  - ⇒ Enter your monthly unearned income from all sources. Obtain from bank statements, investment statements, etc.
  - ⇒ The form allows for several sources of various types of unearned income.
  - ⇒ Add up all your unearned incomes to get your Unearned Income Total.
- Add the Total Take Home Pay to your Total Unearned Income to get your overall Monthly Disposable Income or what you have available to pay debts and expenses and meet savings goals.
- Add your Total Gross Earned Income to your Total Unearned Income to get your overall Total Gross Monthly Income.

## ***Notes on Income***

1. Everyone does not get paid monthly. Monthly means the amount of money that comes into the household over a month's time or once per month.
2. Most people get paid twice per month (24 pay checks) or every two weeks (26 pay checks) or every week (52 pay checks).
3. The idea is to convert the way you get paid into a monthly figure. Since most expenses are paid monthly, this allows you to compare and budget your income to your expenses.
4. If you do not get paid monthly, you can either ESTIMATE your monthly income and withholding from your pay stubs or use the following table (you do not have to use this table.)

<b>Pay Frequency</b>	<b>Computation</b>	<b>Result</b>
Twice per month (24 pay checks per year)	Multiply each item on your pay stub by 2	Monthly Income
Every two weeks (26 pay checks per year)	Multiply each item on your pay stub by 26, then divide by 12	Monthly Income
Every week (52 pay checks per year)	Multiply each item on your pay stub by 52, then divide by 12	Monthly Income

Note: 40 hours per week for 52 weeks is 2080 hours per year.

### **Measure of Financial Health: Debt Ratios**

**Monthly Debt to Income Ratio** measures your monthly debt load.

- From the Liabilities page, take (F), Total Monthly Debt Payment and subtract monthly mortgage payment(s).
- Divide Total Monthly Debt Payment less monthly mortgage by Total Monthly Disposable Income to compute the Debt to Income Ratio.

⇒ Less than 15% = Manageable

⇒ 15% to 20% = Trouble Ahead

⇒ Over 20% = Too Much Debt

**Debt Danger Ratio** measures your “bad” debt load and answers the question “Have I taken on too much “bad” debt?”

- From the Liabilities page, take (E), Total Bad Debt and divide it by your Annual Gross Income (Total Monthly Gross Income X 12).

⇒ Less than 25% = Manageable; Over 25% = Trouble

⇒ Over our lifetime, this ratio should decrease to 0%.

⇒ The financially healthy amount of “bad” debt is 0!

# Expenses

**Expenses** include items such as savings, food, housing, clothing and debt payments. Use monthly figures or monthly averages. For bills paid other than monthly, determine what is paid in a year and divide by 12 to get a monthly figure.

- We use three categories of expenses:
  - 1) *Fixed Expenses* (1) – We use “fixed” in the sense that they will be required every month with little discretion on the part of the consumer.
  - 2) *Flexible Expenses* (2) – We use “flexible” in the sense that there is more discretion on the part of the consumer to manage how much is spent.  
HINT: to find a monthly average, add together six months of expenses in each category and divide by 6; figures can be obtained from credit card and bank statements, receipts and bills.
  - 3) *Periodic Expenses* (3) – This category takes yearly irregular or one time expenses and averages them out as a monthly expense.
- Do not list expenses already withheld from the paycheck.
- List only out-of-pocket Medical, Health or Childcare expenses; do *not* list expenses covered by flexible spending accounts or insurance.
- Add up each of the three types of expenses, and then transfer these numbers to the “Total Expenses” area.

## **Measure of Financial Health: Cash Flow**

**Cash Flow** answers the question “Am I living within my means?”

- Transfer the Total Monthly Disposable Income figure from the Income sheet to the Cash Flow area.
- Subtract Total Monthly Expenses from the Total Monthly Disposable Income.
- Ideally, the difference will be zero because all of the income is put into expense categories, including savings!
- If the difference is negative, trim expenses and look for ways to increase income – you can not spend more than you earn!
- If the difference is a positive number, put the money toward your bills and into savings; once savings goals are achieved, begin investing for the future.