

Transcript: Learn How to Calculate Your Net Worth in One Minute | 1:27

The net worth of a person is simple to calculate—all you have to do is subtract the money that person owes from the combined value of all his assets.

Let's assume John owns an apartment which is worth \$100,000, a car with a current market value of \$10,000, and various other random objects with a combined market value of \$5000. In other words, the combined value of his assets is \$115,000.

Now let's look at this debt level and assume the only debt he has is \$15,000 that he owes to his brother. After drawing the line, he has \$115,000 in assets and \$15,000 in debt. After subtracting the \$15,000 debt from the \$115,000 value of his assets, we're left with his net worth of \$100,000.

It's important to understand that a person's net worth fluctuates. Maybe a year from now, he paid off \$5000 of his debt to his brother, leaving him with only \$10,000 in debt. On the asset front, we'll assume his apartment is still worth \$100,000, that his random objects are still worth \$5000, but that the market value of his car dropped to 7000 dollars. In other words, he now has \$112,000 in assets and \$10,000 in debt. So, a net worth of \$102,000.

It's ridiculously easy to determine a person's net worth. When was the last time you calculated yours?