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## **Spring Cleaning: Lists You Need to Get Your Affairs in Order**

### **Do You Know What You Own?**

Americans' median household net worth (meaning half the households have more and half the households have less) is around \$193,000, while the average net worth is just over \$1 million, according to the Federal Reserve, the central bank of the United States.<sup>1</sup> The median gives a more accurate picture because it shows what most people are experiencing without being skewed by a small number of ultrawealthy Americans.

The Federal Reserve tracks household net worth as an indicator of the overall health of the US economy and to gain a long-term perspective that influences future monetary decisions. You should track your net worth for similar reasons. This process involves creating an inventory of your assets (everything you own) and keeping it updated so that it can be measured, analyzed, and readjusted to keep your financial and estate planning goals on track.

### **Majority of Americans Do Not Know Their Net Worth**

Your financial plan and your estate plan are deeply intertwined. Trying to create an estate plan without a clear picture of your finances is like planning a journey without knowing your beginning point.

Do you want to ensure that your loved ones are taken care of when you are gone? Do you want to leave a gift to a charity you care about? Do you want to ensure that the money you have saved and the assets you have acquired benefit the people and causes you care most about? If so, start planning now. Your plan begins with an assessment of your net worth.

Many Americans are unsure about how to calculate their net worth—or even what it is.

Around half of Americans told Credit Karma they do not know how to calculate their net worth.<sup>2</sup> Sixty-seven percent also said they do not track their net worth, and nearly 20 percent said they do not know what actions to take to increase their net worth.<sup>3</sup> More than one in five believe the term net worth applies only to the wealthy.<sup>4</sup>

Net worth is calculated by subtracting your liabilities (what you owe) from your assets (what you own).

- Add up the value of all of your assets. Assets are the things you own that have value, such as cash, investments, real estate, and personal property.
- Add up the value of all of your liabilities. These are your debts, including credit card balances, loans, and mortgages.
- Subtract the total liabilities from the total assets.

While this calculation is straightforward, you cannot figure out your net worth if you do not have an accurate picture of everything you own and the value of individual assets, which can be trickier to calculate.

### **How an Asset Inventory Fits into an Estate Plan**

To provide for your beneficiaries and fulfill other estate planning goals, such as charitable giving, you need to know how much your estate (everything you own) is worth—and therefore how much you have to give.

Compiling an inventory not only helps you measure, grow, and distribute your wealth; it also helps those who must step in if you become incapacitated (unable to manage your affairs) or when you pass away, such as your estate executor, trustees, and agents under a power of attorney decision-makers.

We can help you compile a comprehensive list of your assets and fill in any gaps. Before meeting with us, create a list that includes the following information:

**Types of assets and detailed descriptions.** Include as much information as possible about each asset, including the following details:

- **Bank accounts:** The last four digits of the account number, the full legal name of the financial institution, and whether it is a checking, savings, money market, CD account, etc. Note if the account is held jointly with another person and specify their name and relationship. List the named beneficiary for the account and any contingent (backup) beneficiaries, if you have already completed these forms.
- **Investments:** Name of the brokerage firm or investment company, the last four digits of the account number for each investment, the types of investments (stocks, bonds, mutual funds, ETFs, retirement accounts, annuities, etc.), and supporting information such as the number of shares owned. Specify whether the account is held individually, jointly, or in a trust and list the primary and contingent beneficiaries for each account, if you have already completed these forms.
- **Real estate:** Complete street address, the legal description of the property as recorded in the deed, lender name, loan number, mortgage details (principal balance, interest rate, and monthly payment), ownership type, and annual property taxes.
- **Personal property:** Vehicles (make, model, VIN, and loan information), art, antiques, coins, stamps, jewelry, and other collectibles (including any appraisals, provenance information, or insurance information), and items such as musical instruments or electronics with significant value.
- **Digital assets:** Online banking and investment accounts, online payment platforms (e.g., PayPal), cryptocurrency wallets, domain names, intellectual property, and online businesses. Include documentation that proves ownership of these assets, such as crypto wallet addresses and keys.

**Acquisition date.** Documenting when you acquired an asset can be helpful for tax purposes and tracking progress toward your financial and estate planning objectives.

**Present value.** An inventory is a snapshot in time and needs ongoing review and updates. Use a professional appraiser for items such as antiques, art, jewelry, collectibles, memorabilia, and furniture.

**Storage.** We can keep an up-to-date asset list for you, but you should have your own copies. Secure the list in a water- and fireproof home safe. Create backups that are digitally stored with other important documents on an encrypted cloud service or external hard drive kept in a separate, safe location. Use cloud services with features that allow you to share specific folders or files with trusted individuals or provide those individuals with login information for the cloud service or physical drive.

## **Your Wealth Journey Starts Here**

You need to know the value of everything you own to grow your net worth. You also need to know how much wealth you have to ensure that your estate planning wishes are achievable. Depending on your age, you could have years or decades left to acquire more assets, pay down your debts, and grow your wealth so that you have enough financial resources to fulfill your wishes by the time your estate plan takes effect. You cannot get to where you want to go on your wealth journey if you do not understand where you are right now. The first step of this journey is creating a current, comprehensive asset list and meeting with an estate planning attorney.

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1) Jeannine Mancini, If the Average American Household Is a Millionaire with a Net Worth of \$1.06 Million, Why Do People Feel So Broke?, Yahoo!Finance (Oct. 28, 2024), <https://finance.yahoo.com/news/average-americanhousehold-millionaire-net-193035068.html>.

2) Americans Have a Net Worth Problem, and It's Not Positive, Creditkarma (Apr. 17, 2023), <https://www.creditkarma.com/about/commentary/americans-have-a-net-worth-problem-and-its-not-positive>.

3) Id.

4) Id.