

# 11 Personal Finance Numbers

## You Should Know

I hate to be the bearer of bad news, but if you do not know all or most of these numbers, you probably do not have a financial plan.

What I have come to realize is that very few people know their important financial numbers. When thinking about your financial future and creating a financial plan, there are some numbers that you really need to know.

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### **1. Net Worth**

This could be argued as the most important financial metric to track as you go through life. This tells you what you own versus what you owe.

**Total Assets - Total Liabilities = Net Worth**

### **2. Post Tax Take-Home Pay**

This is the amount that actually hits your bank account each pay. It takes out deductions, taxes, etc. You need to know this number so that you can plan your cash flow.

### **3. Average Monthly Fixed Cash Flow**

What do you spend on your housing each month, car payments, insurance, etc?

### **4. Average Monthly Variable Cash Flow**

What is the average amount you spend on variable costs like gas, utilities, groceries, entertainment, shopping, etc? These will vary each month. It is just important to try and keep monthly spending consistent over the long run.

### **5. Average Monthly Surplus**

This is the extra amount that you average each month to plan with. You can use it to save, invest, give, or pay down debt. Will this number get you to your goals? If not, we need to look at making more money or decreasing spending.

**Take-Home Pay - Avg. Monthly Variable and Fixed Cash Flow = Surplus**

## 6. Emergency Fund Goal and Balance

An emergency fund is highly recommended to protect yourself from an unforeseen event. This balance will vary for everyone. It depends on monthly expenses, job security, deductibles, dependants, etc.

## 7. Retirement Account Details

Are you offered a defined benefit plan or a defined contribution plan? Does your defined benefit plan have a cost of living adjustment? If so, what is it? Is there a match on your defined contribution plan? If so, what is it, and what do you have to contribute to get the full amount?

## 8. Details of Debt

Do you know the total balance and interest rate on all the debt you have? This will help you make the decision if you should be paying it down quicker or only making the monthly payments.

## 9. Percentage of Income Going to Debt

### Payments

You want to know how much of your income is going to pay others back. You want to have a good balance so that you know you aren't debt payment rich and cash poor.

## 10. What Do You Have to Accumulate to Retire Comfortably

There are many variables that go into this number, but it is important to have a reasonable idea based on your factors. Some of the factors are retirement age, how much you plan to spend in retirement, where are your retirement funds going to come from, etc.

## 11. Credit Score

The higher your credit score the better. This will allow lenders to lend to you at a lower rate. This plays a big factor in big-ticket items such as your mortgage.

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It is hard to make progress if you don't know where you stand to begin with. It is important to have a grasp of your finances so you know where you are and where you want to go. I would be happy to help you monitor your financial health and give you guidance.

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