

# **PERSONAL FINANCIAL STATEMENT**

**What You Really Need to Know  
in Your Life**

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# PERSONAL FINANCIAL STATEMENT

It comes to my mind every time I read self improvement and personal finance books that I should write something about the real of the personal financial statement. In the consumerism decade, many authors wrote about how to getting rich instantly. Actually, they were trying to sell more books to the readers and becoming the best seller book writers. And also they got more money and they became richer. Why did readers buy their books? Because most of the readers want to read what they like to read, and everybody wants to become rich instantly. It created the paradigm and what I called "instant paradigm". Based on that, I did not suggest you to stop buy and read books, but the important thing is you must select which books you should read.

With this e-book, I just want to open your mind so that you have other opinion about rich and wealth. I try to make a table by combining my financial and self improvement knowledge. I come with what I called "Personal Financial Statement". I put in Intangible Asset which is almost forgotten by people now. Let we see on the Exhibit 1 below.

Exhibit 1 Personal Financial Statement

<b>PERSONAL BALANCE SHEET</b>		
<b><u>TANGIBLE ASSET</u></b> CASH, CAR, HOUSE, FURNITURE, HOME APPLIANCES, JEWELLERIES, INVESTMENTS	<b><u>LIABILITY</u></b> CREDIT CARD, CREDIT FROM BANK, MORTGAGE	<b>PERSONAL SAVING STATEMENT</b>
<b><u>INTANGIBLE ASSET</u></b> SKILLS, KNOWLEDGE, ATTITUDE, SOFT SKILLS, HEALTH, NETWORKS	<b><u>EQUITY</u></b> TIME, TALENT, MONEY SAVING ←	<b>INCOME</b>
		<b>EXPENSE</b> —
		<b>SAVING</b>

If you do not know finance/accounting, you do not have to worry. I will explain the meaning of the Personal Financial Statement and the terms that are used.

Personal Financial statement is adopted and simplified from the Financial Statement that is usually used in the company. We will use it for evaluating person in term of their financial position.

**Assets** are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent ownership of value that can be converted into cash (although cash itself is also considered an asset)<sup>[1]</sup>.

The balance sheet of a person records the monetary<sup>[2]</sup> value of the assets owned by the person. It is money and other valuables belonging to an individual<sup>[1]</sup>. Two major asset classes are tangible assets and intangible assets<sup>[3]</sup>. **Tangible assets** are assets that can be seen, touched or physically measured. Tangible assets contain cash, car, house, furniture, home appliances, jewellery, investments. **Intangible assets** are non-monetary assets that cannot be seen, touched or physically measured. Intangible assets contain skills, knowledge, attitude, soft skills, health, and networks.

**Liability** is an obligation that you have to person or party in order to get assets or pay expense. If you are bankrupt, you must pay the liability by selling your tangible assets. I classified credit card, credit or loan from bank and mortgage as liabilities in this personal financial statement.

In personal financial statement, **equity** is what we have to produce the assets. There are four equities: time and talent from God, money from your parents and saving from your personal income statement.

For households and individuals, "**income** is the sum of all the wages, salaries, profits, interests payments, rents and other forms of earnings received... in a given period of time"<sup>[4]</sup>.

An **expense** is money that we use to pay to person or party for goods and services. Examples of the expenses are rental expense, school tuition, buying food/furniture, automobile maintenance expense, medical expense, etc.

**Saving** is what we get after we deduct expense from income. In this personal financial statement, saving will be used either to produce Tangible assets or Intangible assets. After we get the saving from personal income statement then it goes to equity after that we decide where the money should go on the assets part.

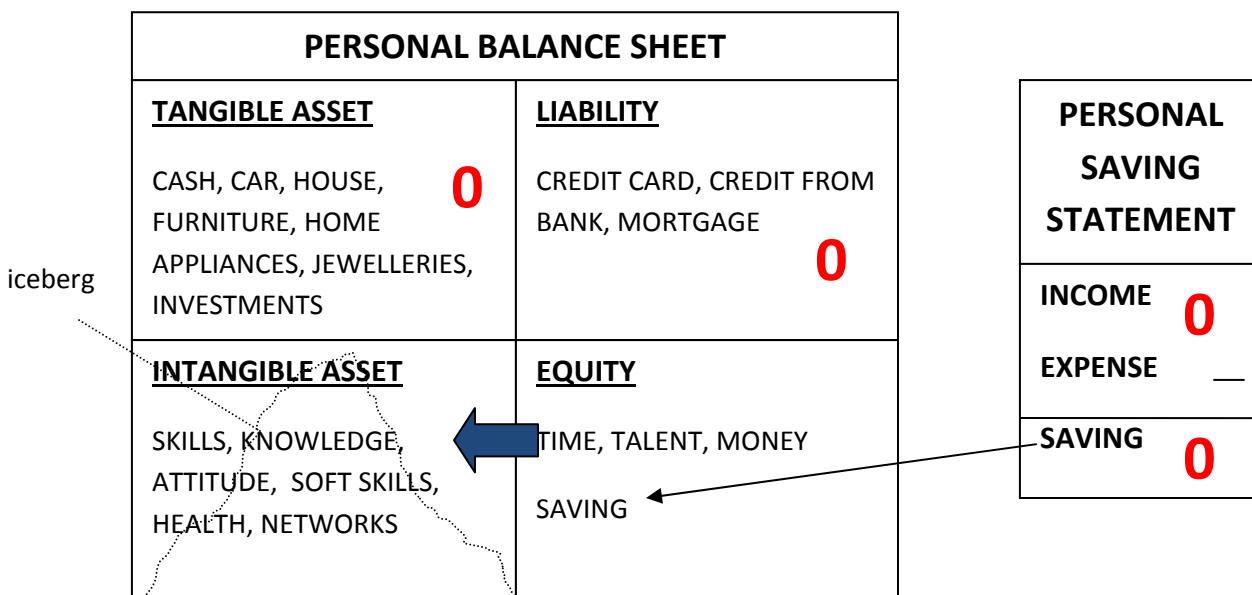
I will elaborate more about this Personal Financial Statement by doing some practical examples starting from the children-youth age to retirement age. So you can see and compare what it would be on the certain time frame.

**CHILDREN – YOUTH AGE (1-21 years old before he/she has a job)**

In this time frame, Children or Teenagers are still on the study mode. They get time and talent from God and money from their parents. They use this time, talent and money to create their intangible assets such as skills, knowledge, attitude, soft skills.

This period of time is the important time frame because it creates the “roots” or “base” for the next time frame. I draw the iceberg pattern on the Tangible Asset and Intangible Asset. This will help us to imagine the important of the Intangible Asset. It is like the tree, if it has strong root, it will stronger and last longer. And it is still intangible; you cannot see and touch the result of your study.

Exhibit 2 Personal Financial Statement Children – Youth age

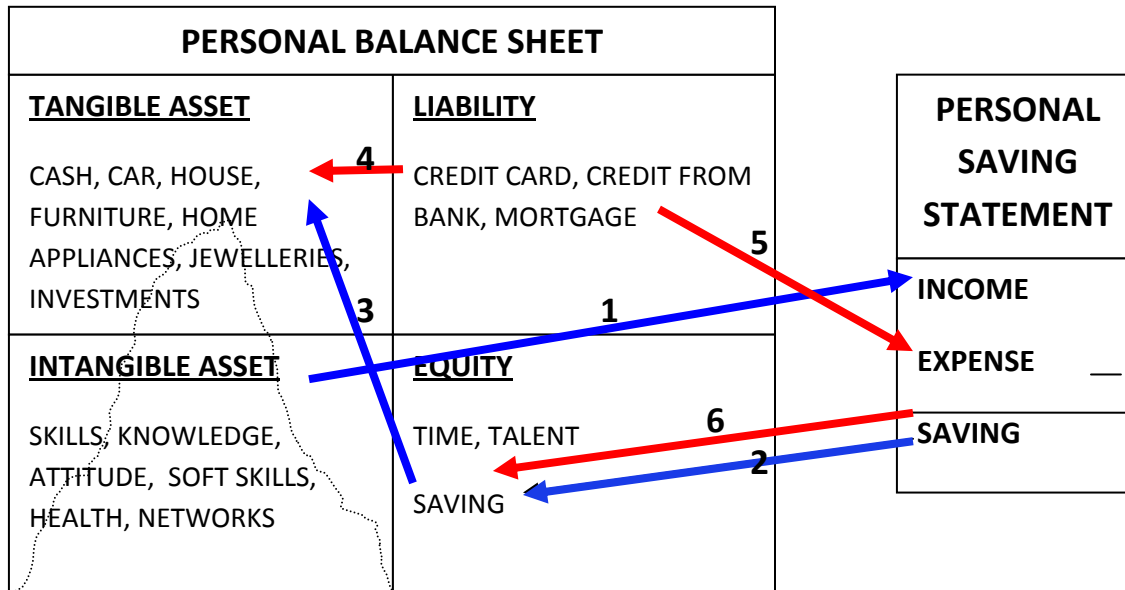


Since this is base for the next time frame, you should get it right in the first time. Based on my experience, the two important things in the intangible asset are attitude and soft skills. From most of the schools, you only can get knowledge. There are lack of the attitude and soft skills teaching sessions in the schools. So you must get it from your family or religious community. If you have positive attitude and soft skills, it is high probability you will get the positive result on Tangible Asset in the next time frame.

## ADULT WORKING AGE (22-65 years old before retirement)

In this time frame, I will explain the details based on the Exhibit 3. There are blue and red lines with the number. The number is for the step of explaining, the red color means that it is start from liability side.

Exhibit 3 Personal Financial Statement Adult Working Age



The details are :

1. After graduate from school or university we get the job based on the intangible asset that we got from the Children – Youth time frame. From the job we get the income.
2. If Expense is lower than Income, we will get the Saving.
3. From the saving, we can buy Assets (Tangible or Intangible).
4. We can finance the Assets from Liability such as Credit Card, Credit from bank or Mortgage.
5. If we finance the assets from Liability, we create Expense because we need to pay monthly the credit from our Income. Be careful to control the Expense come from Liability. This can make us bankrupt, if the Expense is higher than Income.
6. If Expense is lower than Income, we will get the Saving.

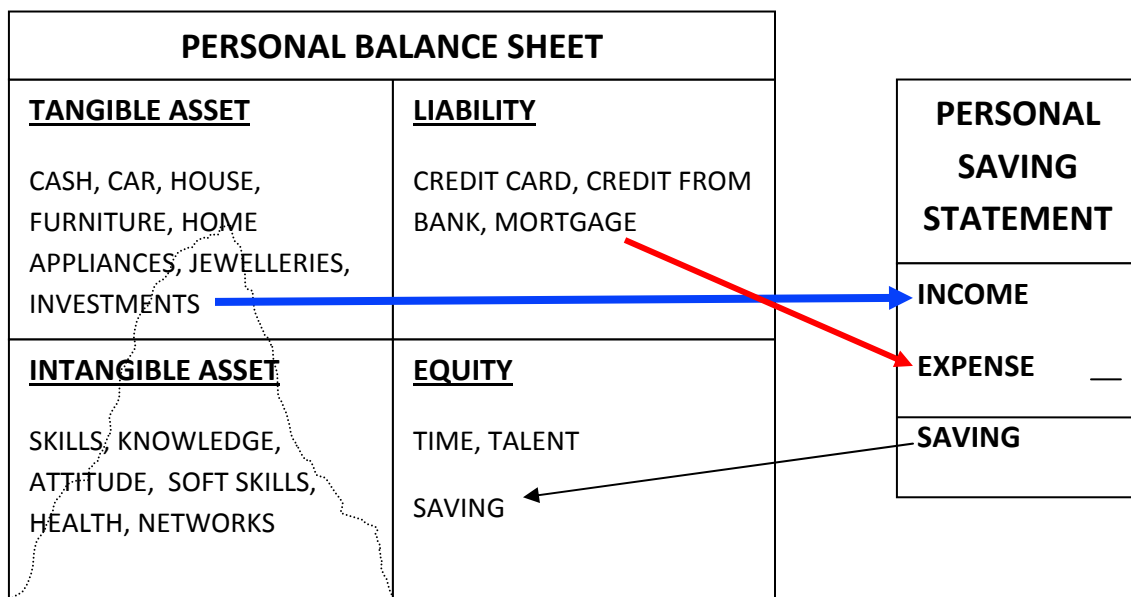
**RETIREMENT AGE (more than 65 years old or when he/she is retired)**

In the Retirement Age, we already retired so we don't have a job and it means we don't have income from the job. The only income that we can get is come from our investments such as Pension Funds, Mutual Funds, and Dividend.

The biggest expense in this time frame is coming from the health or medical expense.

So what should be prepared from the Adult working age are Investments and Health. If you have positive Investments and Health, you will retire positively and maybe your expense is lower than income. You still get your saving in the retirement age. What a wonderful world?

Exhibit 4 Personal Financial Statement Retirement Age



## **SUMMARY**

- Be aware of “instant paradigm”, be selective on buying and reading books.
- Personal Financial Statement include Intangible asset which is almost forgotten by people now.
- Personal Financial Statement consists of Personal Balance Sheet and Personal Income Statement. Personal Balance Sheet consists of Tangible Asset, Intangible Asset, Liability and Equity. Personal Income Statement consists of Income, Expense and Saving.
- There are three time frames: Children-Youth age as the roots or base of other time frames, Adult Working age and Retirement age.

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