YOUR NET WORTH

Everything You Ever Wanted to Know About Your Net Worth but Didn't Know Who to Ask

FISHER INVESTMENTS®

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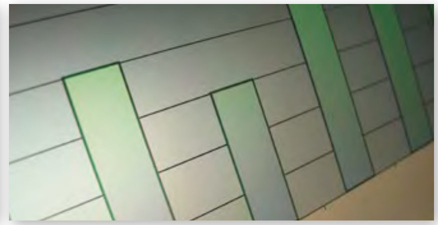
You'll get answers to these and many more questions in the next few pages:

- Do you know how to calculate your net worth?
- Have you ever tried?
- Wonder how you stack up against everyone else?
- What does your net worth say about how you'll retire?
- What tax and estate strategies come into play at your net worth level?

Why You Should Worry About Net Worth

Typically net worth is the yardstick of choice for measuring financial success. You wouldn't be human if you didn't wonder how yours stacked up against your peers. Maybe you've self-consciously poked around on the internet or eyed your neighbor's new sports car and tried to guess if you were ahead or behind the curve. It doesn't have to be a mystery. It's OK to want to know! In fact, it's smart to know exactly what you're dealing with so you can put a successful strategy in place.

Once you know your net worth, the next questions should be obvious. Is it enough to ensure a comfortable lifestyle for the rest of you and your loved ones' lives? And what is your strategy to achieve this or if you're on track, to stay that way? Now let's dig in, it's time to determine your net worth.



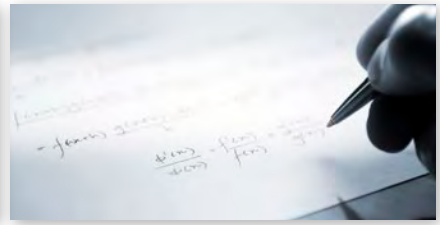
Where Do You Stand?

The following worksheet will walk you through how to calculate your current net worth and see how you stack up. As a general rule, try not to guess at future values—not yet! While it's possible to calculate your future net worth using an expected annualized return, it's important to get an accurate picture of your current net worth at this moment. This allows you to see exactly where you stand in relation to your peers.

To that end, we're basing our calculation on a personalized version of mark-to-market accounting (valuing your assets at their current price, despite the fact they may have been worth more or less in the past or may be worth more or less in the future). For example, if you bought your house for $1.2 million and it's now worth $900,000, then you value it as the latter—despite the fact you may expect the market to continue to rebound. Your net worth isn't static, so it's normal for the total value to fluctuate along with the various markets to which you're exposed. It's imperative to take a long-term focus, so a dip (assuming you have a sound long-term strategy) isn't necessarily something to stress about on a week-to-week, month-to-month or even year-to-year basis.

A lot of folks debate whether you should calculate your net worth "as is" or include the taxes you have to pay in the future. Because tax rates vary among individuals, account types and investment vehicles, we will assume an "as is" calculation without including taxes.

However, no one knows your tax situation better than you (except maybe your accountant!) so when you think about your net worth consider the taxes you'd have to pay were you to realize taxable gains today. It's key to consider taxes when thinking about where your net worth stands. You don't want to find yourself in a situation where you have to liquidate assets and suddenly realize the money you're walking away with is dramatically less than you anticipated. You also want to be aware of what assets make up your net worth and how they are taxed. Someone in the highest tax bracket with most of their assets in an investment portfolio may pay a lot less in taxes than someone in the same bracket with the equivalent value in an income-producing annuity.



How to Calculate Your Net Worth

Net worth is essentially your assets minus your liabilities (or debts). Some net worth calculators only consider liquid investible assets (like stocks or cash), but the best strategy incorporates real estate and other illiquid holdings, giving you what we believe to be the most accurate number possible. Wealth is comprehensive and we want to capture the full picture of all your hard work. Using the worksheet on the next page, tally up your assets and liabilities (counting the liabilities as a negative value) to calculate your net worth.

You'll probably want to gather all your major financial documents before you start—or have a good idea of the details of your accounts. Don't forget your other non-financial assets, which might include cars, boats, clothing, furniture and other personal property. The idea is to allow you to capture a snapshot of your total wealth at this moment in time.

Net Worth Worksheet *(Expanded Definitions Available on Page 6)*

Liquid Assets

Cash & Cash Equivalents (checking, savings, CDs, etc.)	$____________
Taxable Investment Accounts (individual, joint, trusts)	$____________
Individual Retirement Accounts (IRA, SEP, Roth, etc.)	$____________
Retirement Plan Accounts (401(k), 403(b), 457, etc.)	$____________
Annuities (not included above)	$____________
Employee Stock Options	$____________
Other (specify ____________________)	$____________
Total Liquid Assets	$____________

Non-Liquid Assets

Primary Residence	$____________
Secondary Residence	$____________
Other Real Estate	$____________
Business Investments	$____________
Other (specify ____________________)	$____________
Total Non-Liquid Assets	$____________

Liabilities

Primary Residence Mortgage	$____________
Other Property Mortgages	$____________
Securities Margin Loan Balance	$____________
Line of Credit (credit cards, home equity line, etc.)	$____________
Other (specify ____________________)	$____________
Total Liabilities	$____________

Net Worth (Total Assets Less Total Liabilities) $____________

What Do All These Mean?

Liquid Assets

Cash & Cash Equivalents *(checking, savings, CDs, etc.)*
This category can include the obvious accounts, but also cash-like and liquid assets such as US Treasury Bills or assets in a money market account.

Taxable accounts *(individual, joint, trusts)*
You'll continue to be taxed in these accounts as you realize taxable gains (think selling a stock that has gone up since you bought it).

Trusts
There are a variety of types of trusts. Depending on your personal situation, a well-written one may be worth pursuing with an estate lawyer. One example of a type of trust often considered by higher-net-worth individuals is a generation-skipping trust (GST). A GST is a legal setup where assets are passed directly to your grandchildren, skipping over your children. Your children give up the opportunity to receive your assets in order to avoid the associated estate taxes. A GST can still benefit your children because any income generated by the assets can be made available directly to them while the assets remain in the trust in the name of your grandchildren. Keep in mind if you have this type of trust, you should still count these assets in your net worth because, while alive, you have control of them. But if you're thinking about the terminal net worth you'll pass along to your children, you should exclude funds from a GST as they won't have access to the assets themselves.

Individual Retirement Assets *(IRA, SEP, Roth, etc.)*
These have a unique tax structure, which you don't need to worry about for our calculation today. However, it may still be useful to have a basic idea of the differences. For most non-Roth accounts you're able to defer taxes until you take funds out. But with a Roth, you paid taxes when you put the money in—meaning your gains are tax free. If you're not sure what your tax liabilities or advantages are, it's worth consulting a tax professional.

Retirement Plan Assets *(401(k), 403(b), 457, etc.)*
Note that for the majority of these plans, the funds are not accessible until you roll them over into an IRA (which you can do when retiring or leaving an employer). These accounts are commonly invested largely in funds from a preselected list provided by your employer. One of the first things a high-net-worth investor should do upon retiring is explore options more consistent with long-term goals for these assets—likely starting with rolling your account into an IRA. We believe mutual funds are largely inefficient for investors with large portfolios.

This is because you're delegating management of your assets but getting none of the benefits of personalized, active management! Each fund may hold hundreds or even thousands of securities, making overlap likely and your strategy murky. Overlap means multiple funds could be holding the same stock at the same time. Maybe one is even selling said stock on the same day the other is buying it. The pitfalls of mutual funds are extensive and warrant a more thorough explanation, but for the purposes of understanding your net worth just assume there are more suitable methods for managing portfolios over $1,000,000.

Retirement Plan Assets *(continued)*
High-net-worth investors may have assets in a defined-benefit plan. Here an employer offers set payouts to a retired employee over time—based on salary history, length of employment and other factors. The investment decisions are undertaken by your employer and returns to you will not fluctuate based on market conditions. Some of these plans also have tax benefits. You should value these payouts as income and include them in your net worth as they arrive. If you're trying to calculate your terminal net worth you can value the package as a whole (minus taxes for the most accurate picture) but as with other assets, for your current net worth, know you likely don't have access to the entire sum yet. If you don't fully understand the structure of your plan, a quick call to your employer's Human Resources department should turn up answers quickly.

Annuities *(not included in other assets)*
You should value your annuities as whatever the principal is—provided you're getting it back at the end of the contract. Any income already paid out will show up in the cash accounts section and future payments should not be counted in your current total. Some annuities allow for the principal to be surrendered in exchange for a "lifetime" income stream. In this case, don't count the principal as it will not be recovered. Show the income in the cash accounts sections (don't count any not paid out yet).

Employee Stock Options
This one is a bit tricky as your stock may be locked up. Calculate it using the current price of traded stock in your company, just as you would any other security (times the number of shares). If you own a portion of a business that's not publicly traded, count it under business investments in the **Non-Liquid Assets** section.

Other
This can include a variety of investments, such as rare art, antiques and wine. It's easier to establish a market value for some of these items than others. For example, if similar items are being sold at auctions or other publicly listed prices you can assume a relatively similar value. If the investment is recent you can assume a similar value to what you paid, but know this will not be exact as no market is static. Otherwise you may have to have your collection appraised or make your most educated guess.

Non-Liquid Assets

Primary Residence

In the age of the Internet, it's no longer necessary to call an appraiser or real estate agent to get a rough estimate of the value of your home. Three commonly used websites are Zillow.com, Redfin.com and Trulia.com, which can all estimate your home's value. These sites are free and you'll be able to tell with a quick glance whether their estimate is on point or not. Save yourself the hassle and fee of doing it the old-fashioned way.

Secondary Residence

Apply the same methodology to calculate value as you did for your primary residence, but note if your vacation home is out in the country in a sparsely-populated area the data may be inaccurate and you may want to enlist a local broker after all.

Other Real Estate

Same as above.

Business Investments

You may own part of the business you currently work in or have retired from—or maybe you've invested in a venture. Valuing these investments can lean towards the subjective because unless the business has recently been sold or had an offer placed on it, it's quite difficult to ascertain the true market value. This value is going to be largely determined by you.

If you invested $100,000 in a restaurant and the place is bustling and looking to expand, you may want to value your investment more (if you can determine an approximate value). Conversely, if you're about to put boards on the windows of your business, it's likely worth less than you initially put in. A helpful starting point may be to float the idea of selling your stake to a partner or competitor in the same business and see what ballpark they'd be willing to pay.

Other

Life insurance is a common one that pops up in this category. If you'd like to include it for the sake of knowing what net worth you're leaving your spouse or dependents, then you should value it as whatever number you would collect should you pass on at this moment. As that value changes, you should update this in your calculations. Note that if you only want to know your current net worth you should not include life insurance because it's not money you will ever access.

Liabilities

Primary Residence Mortgage

Calculate this number as is, without assuming any future refinancing decisions. You should use the remaining balance, not your monthly payment. Additionally, if you're on an adjustable rate mortgage you should use your current interest rate to estimate future payments. The current interest rate environment is near historical lows, but if you're using mark-to-market (current value) accounting elsewhere, then apply it here as well for the sake of consistency.

Other Property Mortgages

Same as above.

Securities Margin Loan Balance

In this context, margin refers to borrowed money used to purchase securities. This is commonly referred to as "buying on margin." Buying on margin can be risky as your losses can be greatly amplified. You're also subject to the interest rate on the loan. Include the value of the loan balance, but be aware of updating your net worth with the losses of the borrowed money and value of securities bought if the investment depreciates.

Line of Credit

This broadly applicable term can apply to anything from run-of-the-mill credit card debt to your old student loans.

Other

Include any additional debts in this section. For example, a donation you've pledged to an institution or charity. Include what you owe and the principal and incorporate future interest cost.

How Do You Stack Up?

Now that you've calculated your net worth, it's time to see how you compare to your peers. These are the numbers folks want to know. It might even be the ones that had you looking into this report in the first place. The following data are provided by the Federal Reserve's Survey of Consumer Finances.

The table shows total net worth by household. You can see where you fall on the spectrum by finding your net worth range and the corresponding top percentage in the middle column.

2016 Estimated Household Net Worth in the United States*

If Your Net Worth Is...	Of 126 Million US Households, You Are in the Top...
$10,000,000 or more	1.1%
$5,000,000 to $9,999,999	2.3%
$3,000,000 to $4,999,999	3.7%
$2,500,000 to $2,999,999	4.6%
$2,000,000 to $2,499,999	6.1%
$1,500,000 to $1,999,999	7.8%
$1,000,000 to $1,499,999	11.8%
$750,000 to $999,999	14.8%
$500,000 to $749,999	20.0%
$250,000 to $499,999	32.2%
$150,000 to $249,999	42.3%
$100,000 to $149,999	49.5%
$50,000 to $99,999	59.7%
$25,000 to $49,999	67.2%
Less than $25,000	100.0%

If you find yourself with $1,000,000 in net worth or more, you've done well for yourself already. This puts you in about the top 12% of American households. This is when the investing strategies available to you really open up, because you have enough wealth to achieve proper diversification without inefficient structured products.

Structured products can include mutual funds, annuities, REITs and other instruments. These products are designed to offer diversification opportunities among other things, but are not personalized and often carry higher fees than we believe are warranted. High-net-worth investors can achieve an appropriate level of diversification and personalization without using products.

**Source: Federal Reserve 2016 Survey of Consumer Finances, as of 12/12/2017.*

Let's Game Plan: Strategies to Increase Your Net Worth

Before you achieve your goal net worth, you need to understand the factors that go into a successful investing strategy. Most people aren't fortunate enough to wake up one day with a high net worth, instead they maintain a disciplined, long-term approach starting with the following three considerations: cash flow needs, timeline and primary investment objective.

Most high-net-worth investors have exposure to stocks and bonds—Fisher Investments' primary focus. Real estate, fine art, alternative investments or other non-equity vehicles may have a place in a well-rounded portfolio—for sentimental or economic reasons—but the following considerations are meant to be specific to equities. Any investment requires careful due diligence and you should consistently start with our three objectives.

1. Cash Flow Needs

It's critical to understand how withdrawals will impact your portfolio. Like many investors, you may have unrealistic expectations of how much money you'll be able to safely withdraw each year. A common—but incorrect—assumption is that since equities have historically delivered about 10% annualized average return in the long term,* it must be safe to withdraw 10% a year without drawing down the principal.

Nothing could be further from the truth. Though markets may annualize 10% over time, returns vary greatly year to year. Miscalculating withdrawals during market downturns can substantially decrease the probability of maintaining your principal. For example, if your portfolio is down 20% and you take a 10% distribution, you will need about a 39% gain just to get back to the initial value.

2. Time Horizon

The following table shows total life expectancies for Americans, based on current age. We believe these projections likely underestimate how long people will actually live given ongoing medical advancements. And don't forget these are projections of average life expectancy—planning for the average is not sufficient since about half of people in each bracket are expected to live longer. Factors such as current health and heredity can also cause individual life expectancies to vary widely.

**Source: Global Financial Data, Inc.; as of 07/12/2017. Based on annualized S&P 500 Index total returns from 12/31/1925 - 12/31/2016.*

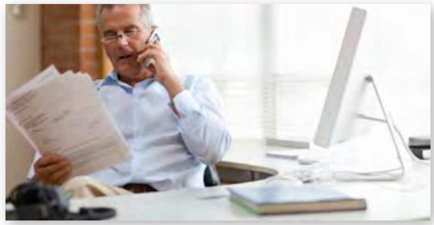
The table below shows total life expectancies for Americans, based on current age.

Average Life Expectancy*

Current Age	Life Expectancy	Current Age	Life Expectancy	Current Age	Life Expectancy	Current Age	Life Expectancy
51	82	61	83	71	86	81	90
52	82	62	84	72	86	82	90
53	82	63	84	73	87	83	91
54	82	64	84	74	87	84	91
55	82	65	84	75	87	85	92
56	83	66	85	76	88	86	92
57	83	67	85	77	88	87	93
58	83	68	85	78	88	88	93
59	83	69	85	79	89	89	94
60	83	70	86	80	89	90	95

The bottom line? Your time horizon may be much longer than you realize—especially if you have a younger spouse or dependents. Prepare to live a long time and make sure you have enough money to maintain your lifestyle.

**Source: 2013 US Total Population Life Table (revised as of 04/11/2017), National Vital Statistics Reports, Volume 66, Number 3. Life expectancy rounded to nearest year.*



3. Primary Investment Objective

Note: Your primary investment objective may change as your net worth grows. For example, you may switch to a more conservative strategy designed to preserve your wealth when you hit a level you're comfortable with—if it allows for the other factors in your investing profile such as you and your spouse's ages.

Time horizon and cash flow needs are key factors to consider in investing for the net worth you want. Another cornerstone is establishing a primary objective for your portfolio. A precise way to determine your portfolio's objective is to define your "terminal value objective"—the amount of money you would like to have at the end of your portfolio's time horizon. This will dictate what strategy you want to take—and maybe what kind of lifestyle your children and grandchildren will have.

Possible terminal value objectives include:

- **Maximizing terminal value:** You want to increase the purchasing power of your assets as much as possible across your time horizon. This means you'd like to increase the value of your portfolio as much as possible over time.
- **Maintaining the value of the portfolio in real terms:** You aim to maintain your present purchasing power at the end of your time horizon.
- **Depleting assets:** You have no desire to leave any portfolio assets behind.
- **Targeting a specific ending value:** You desire a specific ending value, perhaps for making a donation to charity.

Once you've considered how these three factors—cash flow, time horizon and primary objectives play into your situation, you'll have a better understanding of which investment approaches you should explore. Next, we look at factors that keep investors from reaching their optimum net worth.


Common Risks to Your Net Worth

Once you have established your net worth is where you'd like it to be or well on its way, there can be a tendency to attempt to "preserve" your investments instead of seeking long-term, goal-based growth. The danger in this approach is by transitioning to investments widely considered to be "conservative" you may in fact be opening yourself up to a variety of risks you aren't aware of—or even worse, running out of money. Below are some of the most common risks associated with investors who forget the considerations we discussed previously and instead aim for "wealth preservation."

Ignoring Inflation

An important portfolio factor to consider is inflation. It decreases purchasing power over time and erodes real savings and investment returns. Many investors fail to realize how much impact inflation can have.

Since 1925, inflation has averaged 3%* a year. If that average inflation rate continues in the future, a person who currently requires $50,000 to cover annual living expenses would need approximately $90,000 in 20 years and $120,000 in 30 years just to maintain the same purchasing power.

Similarly, if you placed $1,000,000 under your mattress today, in 30 years that money would only be worth around $400,000 in today's dollars. These numbers should startle you; inflation can be a silent portfolio killer.

Opportunity Cost

The risk most often associated with a chronic fear of volatility is opportunity cost—the risk of making decisions now that result in lower returns over the long term than you would have gotten otherwise. This most often manifests itself as investors taking a short-sighted approach to stocks. Because they fear the potential for heightened volatility in the near future, investors pile into bonds or some other fixed-income instrument, ignoring stocks' higher long-term growth potential and lower volatility over long time horizons, i.e. thirty-year rolling periods.

If you're investing for the rest of you, your spouse's and maybe even your grandchildren's lives then this may be a more realistic time horizon. Opportunity cost is insidious and compounds over your time horizon—decades of too-low returns are very difficult to make up down the stretch. You don't want to choke one of the most growth-oriented aspects of your net worth by forgetting about opportunity cost.

**Source: FactSet, Inc.; as of 07/12/2017. Based on BLS US Consumer Price Index (not seasonally adjusted) from 12/31/1925 - 12/31/2016.*

Reinvestment Risk

This is the risk when your bond or fixed-income investments mature, yields have dropped and you can no longer reinvest in the equivalent of your expiring investment. For example, if you need 6% growth to keep your retirement on track, and sovereign and highly-rated corporate bonds are returning considerably less, you'll be forced to invest in a lower-yielding investment or something riskier like junk bonds or bonds of countries with lower investment grades. This problem can be particularly acute for those who invest in annuities.

Interest Rate Risk

In a misguided effort to preserve their net worth, many investors can become overly fearful of volatility and shift their asset allocation heavily towards bonds or other fixed-income instruments. Since interest rates and bond prices have an inverse relationship, rising interest rates cause an investor's fixed-income holdings to lose value. If investors sell these holdings before they mature, they can realize significant losses. The higher the interest rates rise, the worse the total return. Currently interest rates sit near generational lows.

Benchmark Risk

A benchmark is the yardstick you use to measure your returns. For example, if you're invested in all equities, you likely benchmark against an all-equity index such as the S&P 500 or MSCI World. Over the course of your investing time horizon, benchmark risk—how much you differ from your benchmark, for good or bad—can be detrimental. If fear of volatility or some other factor causes you to deviate from your benchmark and your performance lags by even just a percentage point or two, over the long run it can mean your net worth doesn't end up meeting your goals. If you need to average an 8 percent return (over a long time period) and you consistently clock in at 4-5 percent, it can cost you the lifestyle you've been working your whole life to ensure. You can take on benchmark risk by becoming too heavily weighted in any category relative to the benchmark.

Conclusion

Now you know your net worth and how it stacks up. If you're interested in increasing your net worth or preserving what you have, it's imperative to have a long-term strategy. If you're looking to outpace inflation and grow your investments, you likely need some equity exposure. If you're happy where you're at, you still need to keep pace with inflation so sitting in cash isn't an option.

Fisher Investments Investment Policy Committee

About Fisher Investments

Founded in 1979, Fisher Investments is a privately owned, independent investment adviser offering a global approach to portfolio management for high net worth and institutional clients.

We strive to make our service model superior in quality, as well as structure. Every private client is assigned a team of individuals who service their account. We *never* earn commissions on trades or by selling you products. You can be confident our interests are aligned with yours.

Our investing process is managed by the Investment Policy Committee (IPC), a group with over 150 combined years of investing experience. Supported by thousands of man-hours per week by our Research Department, the IPC sifts through the noise of the markets and guides our clients' disciplined strategies.

The IPC is co-headed by Fisher Investments' Executive Chairman and Co-Chief Investment Officer Ken Fisher, who wrote the "Portfolio Strategy" column in *Forbes* for over 30 years, in addition to four *New York Times* best-selling books. The world is a big place, and successful investors know they can't shy away from foreign stocks or languish in a static asset allocation. Fisher Investments is a global manager with a flexible strategy. One of our goals is to separate the emotion from investing for our clients. Our ability to invest in markets around the world—instead of the strict adherence to just one style or category of investing as many funds and managers do—allows us to maximize diversification and return strategies.

Whether you're starting to plan for retirement or already there, our research will cast light on financial mistakes you can't afford to make.

We Believe Fisher Investments Can Help You Build a More Secure Financial Future.

A second set of eyes on your financial future is always a good idea. If you want an experienced financial professional to review your portfolio and financial goals, we urge you to call us at (800) 568-5082 for a complimentary evaluation.*

We look forward to hearing from you.

**For qualified investors with $1,000,000 in investable assets*

Facts About Fisher Investments to Compare With Your Current Adviser

Fisher Investments	Your Wealth Management Approach
☑ Over the last 28 years, our average annual US private client retention rate is 93.0%.*	
☑ The 5-member Investment Policy Committee—the key decision-makers for your portfolio—has over 150 combined years of industry experience.	
☑ Offers a flexible investment style and can shift our strategy based on our forward-looking view of market conditions.	
☑ Access to a client service team who knows you by name, understands your financial goals and helps educate you as to how your portfolio is being managed and why. Your client service team communicates regularly and proactively to keep you informed. Most importantly, they're service people—there to serve you, not sell you anything.	
☑ Provides exclusive client education events held virtually and in person. These events are designed to help keep you informed about our current market outlook and how we're managing your portfolio.	
☑ Ken Fisher popularized the Price-to-Sales Ratio (PSR), now a core component of the modern financial curriculum.	
☑ Pioneered the school of equity style management called domestic small cap value equity, now a major category for institutional and retail investors.	
☑ Ken Fisher wrote *Forbes*' "Portfolio Strategy" column for more than 30 years, making him the longest continuously running columnist in *Forbes*' over-100-year history. He has also been published in *Financial Times*, *USA Today*, the *New York Post* and numerous other periodicals globally.	
☑ Ken Fisher has written 11 books on finance and investing: *Super Stocks, The Wall Street Waltz, 100 Minds That Made the Market, The Only Three Questions That Count, The Ten Roads to Riches, How to Smell a Rat, Debunkery, Markets Never Forget (But People Do), Plan Your Prosperity, The Little Book of Market Myths* and *Beat the Crowd.*	

**Average annual US private client retention, 1997–2024 (calculated as 1-[Sum of (Total terminations for each year) / Sum of (Total number of clients for each year)]). Data for 1995–1996 were not statistically significant.*

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