



Assessment 1

What Does It Mean to be Wealthy?

Match the following terms to the correct definition:

1. _____ Assets	A. The difference between the total assets and total liabilities of an individual
2. _____ Balance sheet	B. Assets that add to net wealth
3. _____ Depreciation	C. The loss of value of an asset over time
4. _____ Liabilities	D. Anything an individual or business owns that has commercial or exchange value
5. _____ Net worth	E. A financial statement showing a snapshot of the assets, liabilities and net worth of an individual
6. _____ Wealth-building assets	F. Money an individual or organization owes

Write a short response to the following:

- Name two assets that are likely to depreciate in value over time.
- What happens to wealth if money is borrowed to purchase a depreciating asset?
- Give one reason why houses are generally considered a wealth-building asset.
- If your total liabilities increase without a change in assets, how will it impact net worth?

What generally happens to net worth if you do the following actions?

Circle **I** for increase and **D** for decrease.

- I or D Invest in a retirement plan
- I or D Buy a car and make a small down payment
- I or D Buy concert tickets with your credit card
- I or D Spend money on your fall wardrobe
- I or D Buy a bond