4 Pillars of Personal Finance Explained: Why TheyMatteraa

Money isn't everything, but it's also important to have a handle on your financesto avoid going into debt. There's no such thing as good debt, which is why youneed to operate on a budget and spend less than you earn.

The four pillars of personal finance provide individuals and couples with aframework for managing money. This framework fits any lifestyle, income level,budget, credit card debt, investments, and overall wealth.

The four pillars are assets & savings, debts & liabilities, income, and expenses.When all four pillars are working in conjunction, your financial foundation will bestrong.

Assets & Savings

An asset is something of value that you own. If necessary, it can be turned intocash. This means that it can be liquidated upon your request.

What are Personal Assets?

One of the most common assets in a person's financial portfolio is their home. Ahome isonly an asset for you if you own it.

The home's value is included in your net worth but is reduced if there is amortgage on the house.

So, if you have a mortgage, the mortgage amount is subtracted from the value ofthe home before it is included in your net worth. Having a mortgage to your namethen is considered a liability.

Examples of Assets

Aside from your home, other types of assets include the following:

- Cash in savings and checking accounts
- Equity in the property you own
- Any land you own
- 401(k)s
- Investments
- Whole life insurance policies
- Jewelry
- Antiques

Is a Car an Asset?

If you own a car, it is possible that it could be considered an asset under the fourpillars of personal finance. The issue with cars as assets is that cars depreciatein value the minute they are driven off the dealership lot and continue to depreciate for the remainder of its life.

Did you take out a loan to pay for the car? If so, you likely have negative equity in thevehicle you own.