

# Should Your Primary Home Count Towards Your Net Worth?



*[Editor's Note: This is a republished post from Passive Income MD (PIMD), the newest member of The White Coat Investor Network. Your home as an investment? Qualifies in my book with expenses, capital gains, dividends and, if bought right, positive return. The original post ran here, but if you missed it the first time, it's new to you! Enjoy!]*

Buying a home is a big deal – it's one of the biggest and most emotional financial decisions you'll make in your entire lifetime. Haven't we all dreamt of the home we'd buy when we grow up?

When my wife and I neared the end of our medical training, discussions of where to live (and how many kids to have) began to arise. Like most people, our first home felt like the payoff for years of study and hard work; time for the good life to begin.



On the financial side of things, you've also likely heard that owning a home is the best investment you'll ever make. But is that really the case?

## **Is a Home a Good Investment?**

Robert Kiyosaki, author of [Rich Dad, Poor Dad](#) states that you're better off considering your primary home as more of a liability – more of a consumption item than an investment. Why?

Yes, your monthly housing payment is going toward the equity of the home rather than rent. That's a good thing. However, your primary home can be considered an illiquid asset. As some have said, *"You have to live somewhere."* It's also a liability in the fact that if you miss payments, the bank will take what's theirs. And let's face it – you're not really treating that home like an investment property.

When you own an investment property, everything is about the numbers. What kind of cabinets would allow you to maximize the rent? Would re-doing the countertops increase returns or just be a waste of money? What's the cap rate, the gross rent multiplier, etc?

These aren't the same kind of questions that occur to you when you're picking out paint samples for your child's nursery or renovating your dream bathroom.

## **Given All That, Should Your Home Actually Be Included in Your Personal Net Worth?**

Well, to answer that question, let's back up a bit. Why does it *matter*? Who cares? Really, are you even tracking your net worth? I, for one, absolutely am, and I use a site called [Personal Capital](#) to help me [track it](#). I used to use Excel spreadsheets and update them every month or two. I had to login to each account and look up all my numbers individually. Now I just login to one place and see real-time graphs, charts, allocations etc., all at once. Anything that saves me time is tremendously helpful.



Net worth is important because it's like a scorecard. It's kind of like some of the markers we follow in medicine. The absolute numbers are important, but what they mean in terms of clinical or real life significance is what makes those numbers powerful. Having an increasing net worth means that you're increasing [your assets versus your liabilities](#). That leads to ultimate long-term stability.

## Okay Now, Should Your Home Be Included in Your Net Worth?

When it comes to qualifying as an [accredited investor](#), one of the criteria is that you have a \$1 million net worth excluding your primary residence. (As I've mentioned in previous posts, [qualifying as an accredited investor](#) can open up a huge world of investment opportunities, including great [real estate crowdfunded deals](#).)

The thought is that you need to live somewhere and can't easily liquidate or tap into the equity of your primary residence. However, I don't fully agree with that. You *can* liquidate by selling your home on the open market, and you can definitely sell it faster if you're willing to price

it under market. In my market, I see homes closing in 14 days all cash easily depending on the price. The same issue with liquidity can be said for any investment property, yet that is included in your net worth.

So I absolutely believe that if needed to, I could sell my primary home and use the current equity as cash if needed. I can't think of too many scenarios where I would need that money that quickly but I know I could. On a side note, I have a HELOC setup, so I could always use that to tap into the equity of my home as well in a pinch.

## My Net Worth

After all this talk, you may be wondering what my net worth actually is. Well, including my home, I'm above \$3 million. Without it, though, I'm in the upper \$1 millions. I benefited from purchasing a home at a good time in the market and it's appreciated greatly. So yes, my home is a huge part of my own net worth. That is, to an extent, a testament to the [power of leverage](#). My only regret? I wish I could have bought the house right next to me at the same time.



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My net worth goals do include my primary home. However, cash flow goals are my ultimate priority. Cash flow pays the bills and gives me the freedom to live life on my own terms. Even

though my net worth is what it is, the cash flow I receive on a monthly basis is what allows for true financial independence. However like I mentioned, net worth is still a nice indicator to follow.

## **Do I Think My Home Was a Good Investment?**

Oh absolutely yes. We bought our home in a fantastic location. I don't need or want more space, our kids love it here, and we have a great community. Those are things that aren't always easy to quantify in numbers, although some could play into the price of the home.

So, to answer the title of this post: **Yes, I like to include my home in my net worth.** I know exactly what my net worth is both with and without my home, but I base my goals on the former. I guess it also feels better and more secure to see that bigger number in my Personal Capital account.

*What do you think? Should you even care what your home is worth when it comes to net worth?*