

## Financial Capability

Personal interests are important, but your interests must match your financial capability. An investment in a franchise business can run from as little as \$10,000 for maintenance franchises to as high as several million dollars for a hotel. To assess a business opportunity, you must determine:

- a. Your net worth (total assets minus total liabilities)
- b. How much liquid, unencumbered capital you have to invest in the business; and
- c. Your ability to pay your personal financial obligations regardless of the performance of the business you select.

## Monthly Personal Expense Budget

Regular Monthly Expenses	Monthly Expenses	Annual Expenses
Rent or Mortgage Payments		
Car Payments		
Installment Debt (credit cards)		
Life Insurance Premiums		
Other Insurance Premiums		
Miscellaneous Expenses		

Personal Living Expenses (for entire family)	Monthly Expenses	Annual Expenses
Clothing		
Doctor and Dentist Bills		
Education		
Membership Dues		
Gifts and Contributions		
Auto Maintenance, Gas Parking Fees		
Travel		
Food (home, away)		
Books, Newspaper, Magazine		
Spending Allowance		

Entertainment		
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Household Operating Expenses	Monthly Expenses	Annual Expenses
Telephone		
Gas and Electricity		
Water		
Sewer Fees		
Fixture, Furniture		
Repairs, Maintenance		
Other Household Expenses		

### Taxes:

Federal, State, and Local Income Taxes	Monthly Expenses	Annual Expenses
Property Taxes		

<b>Total Personal Expenses</b>		
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### Personal Financial Statement

**Instructions:** Complete the personal financial statement.

Assets	Amount
Cash on Hand	
Checking	
Savings	
Other	
CD's or Treasury Bills	

Total Liquid Assets*	Amount
U.S. Treasury Bonds, Notes	

Loans Receivable	
Life Insurance (cash value)	
Stocks, Bonds, Other Securities	
Real Estate	
Autos/Other Vehicles	
Vested Pension Plan/Retirement Accounts	
Other Assets (household effects)	

<b>Total Liabilities</b>	
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### **Net Worth\*\***

<b>Total Assets-Total Liabilities</b>	
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\*Liquid Assets are assets that can be easily converted into cash.

\*\*Net worth generally provides an indication of your ability to raise additional capital.

Once you have determined your net worth, you can determine the amount of money which you are prepared to invest in a franchise. Determining this information also will be useful in developing a business plan. In addition, this analysis will be useful in narrowing your search of franchisors, as many franchisors have minimum net worth requirements for prospective franchisees.