Financial Planning for
Generation X & Y Women
http://wiseupwomen.org

TEXAS A&M AGRILIFE EXTENSION

Steps to Wi$ing Up - Step 4 -1

Calculate Your Debt-to-Income Ratio

How do you know if you are carrying "too much" debt? A good place to start is to calculate your debt-to-income ratio. This is basically the percentage of your take home pay that goes to pay non-mortgage debt. Complete the following steps to determine your ratio.

Step 1- List all of your loans (auto, student, furniture, personal, etc., except mortgage loans) and credit cards and the amount of the monthly payment. For credit cards, use the amount you usually pay each month. (If you pay your credit card balances in full each month, do not list them.)

Example:	Car loan	$300
	Student loan	$150
	Credit card	$ 75
	Total	$525

Step 2- Divide the total amount of your monthly payments by your total net pay (take home pay after taxes and deductions). For example: $525 ÷ $2500 = .21 debt-to-income ratio.

In this example, 21 percent of net income goes to pay off non-mortgage debt. Following the example above, compute your own debt-to-income ratio.

Ideally, you should strive for a debt-to-income ratio of less than 15 percent. People with ratios between 15 and 20 percent may be experiencing problems making their payments and still paying other bills on time.

Once debt-to-income ratios exceed 20 percent, problems with repayment increase dramatically. At this point, professional help from a trained consumer credit counselor may be needed.

To locate the nearest Consumer Credit Counseling Service office, call the National Foundation for Consumer Credit (NFCC) at 1-800-388-2227, or visit their website at *www.nfcc.org*.

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