

# Know Your Numbers: The Most Important Financial Ratios/Formulas to Know

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## DEBT-TO-INCOME RATIO

$$= \frac{\textit{Total monthly debt payments}}{\textit{Gross monthly Income}}$$

$$1:2 \text{ or } 50\% = \frac{2,500}{5,000}$$

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## EMERGENCY FUND RATIO

$$3 - 6 \text{ months} = \frac{\text{Cash \& Cash Equivalents}}{\text{Monthly Living Expenses}}$$

$$5x \text{ or } 5 \text{ months} = \frac{25,000}{5,000}$$

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## HOME PURCHASE FORMULA

1. 20% down payment of home purchase price
2. PITI s/b  $\leq$  28% of gross pay

$$= \frac{\textit{Total House Payment}}{\textit{Gross Monthly Income}}$$

$$20\% = \frac{2,000}{10,000}$$



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## PERSONAL SAVINGS RATE

$$= \frac{\textit{Personal Savings} + \textit{Employer Match}}{\textit{Gross Pay}}$$

$$30\% = \frac{20,000 + 10,000}{100,000}$$



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