

## Affordable debt

Current economic crises make many people have to think twice in their debt. Sometimes it is not easy to apply a loan, since we have to recalculate the amount, instalment, and rate. People have to consider them not only for homebuyers but also auto loan and leasing. Generally, the higher your income, the higher instalment you can afford. So look at the principal. It is the selling price of your auto minus your down payment. Then, interest, taxes, and insurance. A ratio of 28% is conservative, while a ratio greater than 32% could be difficult to maintain. Lower payment-to-income ratios are presumably easier to manage, but it depends on your total financial picture. What you spend on other debt also has an impact on how much you can afford to spend on monthly payments.

You probably have other financial goals like saving for retirement or for your children's college. Think also the other things you need to spend money on during the month. If you're spending as much as 64% of your income on auto loan and debt payments, you would have little left to cover your other living expenses. Saving for the future would be an afterthought. As you think about how much you're paying on your auto instalment, make sure you think about the other things you'd like to do with your money. There are a number of online calculators out there that can help you evaluate whether your home is affordable. This calculator allows you to input your income and expenses, then tells you the monthly payment you can afford based on the information you've entered. In short, before you start to apply a loan, look at your income, expenses, debt, and savings goals. Then, decide what you can comfortably afford to spend on a monthly payment. Lenders tend try to convince you to accept a loan because your income and credit score qualifies you for it. But remember, only you truly understand your finances, so don't be fooled into taking on more home debt than you can afford.