

## Analysis of Personal Financial Statements: Key Ratios to Calculate

1. Cash as % of Disposable Income =  $\frac{\text{Near Cash}}{\text{Disposable Income}}$  (Availability of Emergency funds)
2. Debt on Personal Assets =  $\frac{\text{Debt on Personal Assets}}{\text{Value of Personal Assets (Excluding home)}}$
3. Home Equity Ratio =  $\frac{\text{Equity in Home}}{\text{Mkt Value of Home}}$  (Borrowing Capacity)
4. Debt/Net Worth =  $\frac{\text{Total Liabilities}}{\text{Net Worth}}$
5. GDSR =  $\frac{\text{Mortgage/Rent Payments} + \text{Property Taxes}}{\text{Gross Household Income}}$  ( $\leq 30\%$ )
6. TDSR =  $\frac{\text{Mortgage/Rent Payments} + \text{Property Taxes} + \text{Other debt Payments}}{\text{Gross Household Income}}$  ( $\leq 40\%$ )
7. Analysis of Yrly Mortgage Payments = Interest Expense + Principal Repayments
8. Analysis of Yrly Auto Payments = Interest Expense + Principal Repayments
9. Analysis of Yrly Other Debt Payments = Interest Expense + Principal Repayments
10. Fixed Expense Ratio =  $\frac{\text{Fixed Expenses}}{\text{Total Income}}$
11. Variable Expense Ratio =  $\frac{\text{Variable Expenses}}{\text{Total Income}}$
12. Savings Percentage =  $\frac{\text{Savings}^*}{\text{Total Income}}$

\* Savings = CPP contributions + RPP contributions + RRSP contributions + RESP contributions + Other Investments made + Unallocated net cash flow

Note that the combination of (10 + 11 + 12) **must equal 100%**.

*{The rule-of-thumb is that you should save a minimum of 10% of your total income each year.}*