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Know When to Say 'When'

Even when you 'borrow to grow,' it is still possible to borrow too much. Here are figures you can use as a guide for keeping your borrowing to reasonable levels.

Debt-to-Income Ratio
This is also called your monthly 'debt service.' In other words, it says how much of your income is used to pay debts every month. It is calculated by dividing your minimum monthly debt payments by your gross monthly income. Use your numbers to see where you stand.

Monthly Debt Payments →

divided by ÷ = 0%

Monthly Gross Income →

Debt-to-Income

A general rule is to keep your debt-to-income ratio **less than 10%. If you include your housing related expenses** such as **rent** or **mortgage,** your ratio should be **less than 40%.**

Debt Utilization Ratio
This number represents how much of your available credit (or credit limit) you are using. It is calculated by dividing your total amount of debt by total credit limit. Use your numbers to see where you stand.

Total Debt →

divided by ÷ = 0%

Total Credit Limit →

Debt Utilization

A general rule is to keep your debt utilization ratio **below 30%.** The next time you hear someone say they have "maxed out" their credit cards, you can let them know that their debt utilization ratio is 100%! (And that's NOT a good grade!)