

Module 8 - Debt

ACTIVITY SHEET 8-1

How much is TOO much?

The 20 / 10 rule

20 Rule : Maximum Balance Owing	
Yearly net income (after taxes):	
20% of yearly net income: (multiply yearly net income by 0.2)	= Maximum balance
10 Rule : Maximum Monthly Payment	
Monthly net income: (divide yearly net income by 12)	
10% of monthly net income: (multiply monthly net income by 0.1)	= Maximum monthly payment

Does this seem like a realistic amount of debt to carry? Why or why not?