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NAME(S) ______________________________________ DATE ____________

FINANCIAL RATIOS

BASIC LIQUIDITY RATIO	Importance: the basic liquidity ratio reveals the number of months a household could meet current expenses using liquid assets without additional income.
Liquid Assets (from Net Worth Statement)	$
Monthly Expenses (from I and E Statement)	÷ $
Basic Liquidity Ratio	=
	Recommendation: 3.0 or more

ASSET-TO-DEBT RATIO	Importance: measures solvency. If a person owes more than they own, they are insolvent. They would not be able to sell all their assets to pay all their debts.
Total Assets (from Net Worth Statement)	$
Total Liabilities (from Net Worth Statement)	÷ $
Asset-to-Debt Ratio	=
	Recommendation: the higher the better. Under 1.0 is insolvent.

DEBT PAYMENT-TO-INCOME RATIO	Importance: shows ability to make current debt payments.
Annual Debt Payments (add only monthly debt payments from I and E Statement then X 12)	$
Gross Income (from I and E Statement X 12)	÷ $
Debt Payment-to-Income Ratio	=
	Recommendation: below .36 is adequate, .36 to .41 is marginal, above .41 is risky.