

Financial standing

Total debt servicing ratio (TDSR)

\$50,400
\$144,000

35%

According to the TDSR framework, all debt servicing should not be more than 60 per cent of income. It should be managed to below 35 per cent for prudent financial planning.

Liquidity ratio

\$60,000
\$9,350

6.4

The ratio captures the number of months you can sustain yourself if all sources of income are lost temporarily. A good guide is three to six months.

Liquid asset to net worth ratio

\$60,000
\$505,000

12%

This ratio provides an indication of a person's net worth in cash or cash equivalents. A minimum of 15 per cent is considered prudent to meet short-term emergencies.

Savings ratio

\$31,800
\$144,000

22%

"Savings" in this instance is the cash surplus resulting from your cash flow. It measures your ability to save. It is recommended that you save at least 10 per cent of your gross salary.

Debt to asset ratio

\$1,025,000
\$1,530,000

67%

This is used to measure a person's solvency or ability to pay debts. Generally, 50 per cent or less is considered safe.

NOTE: Financial ratios provide a concise picture of your financial situation, helping you understand your levels of liquidity, debt and savings. It enables you to assess strengths and weaknesses in your finances.