



Article published on April 23rd 2012 | [Loans](#)

Based on the latest report from Statistics Canada the number of personal debt to household income in Canada reaches the highest level it's been since they started measuring the ratio 1990. The latest consumer debt-to-income ratio in Canada is 151 percent, which means many Canadians are carrying more debt than their household income is equipped for. With a ratio so high it's no wonder a lot of Canadians are struggling now to make ends meet!

Debt-to-income ratio is an essential measure of your financial well-being. It shows the amount of your income is being utilized to pay the minimum payments on your own debts, which determines how much money you'll have to put towards monthly expenses, savings, and enhancing your finances. If your debt-to-income ratio is more than 100 percent, this means you don't have enough money coming in to cover all your obligations.

So how do you determine your debt-to-income ratio? First add together all the debt payments you are making every month. Including the minimum amounts due every month on your house payment, car payment, student loan payments, any personal loans, and all charge card payments. Once you add these up simply divide the total by your total take-home (net) income and multiply by 100 to determine your debt-to-income ratio.

This number will likely then assist you to gauge your financial standing. Every situation differs, however in general the following shows what your ratio means:

• Debt-to-income ratio less than 36 per cent: Your financial plans are in good standing. Turn to building your savings or contributing to your RRSP with all the extra cash you have to arrive every month. Generally you want to put 10 % to 15 per cent or more of one's income towards savings.

• Debt-to-income ratio between 37 per cent and 42 percent: Your financial standing is fair, but it has room for improvement. Consider putting most of your extra money every month towards savings, but use at least a portion every month to work on paying a few of your credit card debts off to enhance your finances.

• Debt-to-income ratio between 43 percent and 49 per cent: You are verging on a point of financial distress and really should work toward lowering your debt before your finances become a problem. Tighten your budget and put any extra money you have each month towards paying down your credit card debts. Pay all of your minimum payments, but put any other money towards paying down one debt at a time. You can start with the highest interest rate debt as it builds your debt the quickest or repay your smallest debt first and work your way up to be able to build momentum.

• Debt-to-income ratio is much more than 50 per cent: You need debt relief! Explore choices for debt consolidation, such as a debt management plan. Seek the help of a trained credit counsellor or your trusted financial advisor, who will assess your budget and debts to determine the best debt relief solution for your situation. Don't wait to seek help either, as you're just giving the debt additional time to build and even potentially limiting the options you have available for relief.

As you can tell from all of these numbers, an average 151 per cent debt-to-income ratio is simply too high for Canadians to sustain. It means more and more Canadians are falling further behind every month and facing harsh realities like bankruptcy. If you're one of the millions of Canadians facing too much debt, explore your choices and discover the debt help you need as quickly as possible. It may be tough to face, but the means to fix your debt problems may be easier than you

think.

Article Source:

<http://www.articleside.com/loans-articles/ways-to-deal-with-debt-to-income-ratio-in-canada.htm> - [Article Side](#)

[DJ Willis](#) - About Author:

If you want to learn more about finance, debt, and credit, check out ConsolidatedCredit.ca. We offer a [credit counselling services](#) to get your finances in order. If a [debt help is wanted](#) contact ConsolidatedCredit.ca.

Article Keywords:

debt help wanted, credit counselling services

You can find more [free articles](#) on [Article Side](#). Sign up today and share your knowledge to the community! It is completely FREE!