

# How Much Debt is Enough?

## 1. What Is Your Goal?

The first question to ask is what is your goal? Do you want to plan for a comfortable retirement? Do you want to buy a home? Or, do you want to start your own business?

By clearly defining your goal, you can now understand the factors you must be aware of to make the right decisions. Debt is a resource you can use as long as you have a plan to follow and understand your cashflow situation. Since you are considering using debt to achieve this goal, here is what your financial plan must have...

## 2. Your Cost of Living Now

### Lifestyle Costs

Your lifestyle takes into account for the day-to-day money usage. For instance, cost of eating out, cost of attending school and tuition, cost of transportation (gas/car maintenance), cost of entertainment, vacations or other.

### Fixed Costs

These costs include rent/mortgage payments, utilities, insurance taxes, car payments, student loans, and cell phone costs. These costs you must pay every month and on time. Understanding these costs and when they will expire will allow you to plan for future years. At that point, you will be able re-allocate this money into other expenses to help you achieve other goals.

### Variable Costs

Cost of making food at home. Cost of food and supplies for pets. Subscriptions to services, such as TV shows or internet, clothing and more. Because these cost can actually be cancelled at any time, you must know what they are.

## 3. Available Resources Now

Once you know your total cost of living, and the income you generate every month, you are now in the position to figure out what amount of debt is enough to have. This number provides you with potential resources available to you to allocate into your financial goals.

Ideally, you want to use up to 50% of this amount to take out as new debt to fund a new project and learn more. Because this amount includes all of your expenses, you can now afford to explore other areas in your life that can potentially help you increase your wealth even further. Allocating your resources in a way that improves your quality of life daily can give you a more meaningful life.

Why 50%? The reason is that you must continue to learn about yourself, your career, and your loved ones. Having a set budget for this, which can be a significant amount, once again, gives you the motivation, peace of mind, and confidence to fully commit to your financial goal.

This approach will allow you to maximize all your resources: energy, time and money. You will also be able to have a strong financial situation by making good and informed decisions.

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	Income	Expense	Total Net
<b>Income</b>			
Job	\$ 5,000		
Business			
<b>Expenses</b>			
Lifestyle		\$ (1,200)	
Fixed expenses		\$ (1,500)	
Variable		\$ (1,000)	
<b>Disposable/Surplus Income</b>			<b>\$ 1,300</b>
<b>Goals</b>			
New debts			
Cars			
Home			
Other			
Retirement	50%		\$ 650
College Education(Kids)			
Investments			
<b>Total Surplus/Deficit</b>			<b>\$ 650</b>

## 4. Improve Your Quality of Life Today

There are many things you can do with your disposable/surplus income, depending on your personal goals and priorities. Here are some options:

**Save for the future:** Consider setting aside a portion of your disposable income into a savings account or other investment vehicles, such as stocks or bonds. This can help you build up a nest egg for the future.

**Invest in your education:** If you're interested in learning new skills or advancing your career, consider using your disposable income to pay for courses, certifications, or degree programs.

**Travel:** If you enjoy exploring new places, use your disposable income to plan a trip or two each year. This can be a great way to recharge and gain new experiences.

**Donate to charity:** Consider donating a portion of your disposable income to a charitable cause that you're passionate about. This can help you make a positive impact on the world and feel good about your contributions.

**Pay off debt:** If you have outstanding debt, consider using your disposable income to pay it off more quickly. This can help you save money on interest and improve your financial standing in the long run.

**Treat yourself:** Finally, consider using some of your disposable income to treat yourself to something you've been wanting, whether it's new clothing, a fancy dinner, or a fun hobby. It's important to enjoy the fruits of your labor.

Debt, as I said, can be used strategically to learn how to take advantage of it to improve your quality of life. Every day, you should communicate with spouse or other loved ones on how money is being allocated. Applying some financial discipline daily can assure you to have a successful financial life.