

Income Allocation

Planning Worksheet

Before you buy a new home with a long-term mortgage, make sure you will still have money for the other important goals in life. Your home may be your largest single asset, but it is not the best way to save for retirement or pay for education goals. Keep in mind that you won't want to give up vacation or good health care because of your high mortgage payments.

Take some time to make an allocation plan for your income, making sure you have enough for each of your important goals.

Goal	Monthly Budget Allotment	Before Tax Income	Percentage of Income
Education			
Retirement			
Vacations			
Healthcare			
Home Mortgage			
Home Improvements			
Other			

What the Experts Say

Mortgage

According to bankrate.com, smart homeowners will keep mortgage payments (principal + interest) equal to or less than 28% of their monthly before-tax income, in order to make room for other life goals.

Retirement

The editors of *Money* magazine suggest saving "as much as you can" for retirement. Many financial planners, they say, recommend that you save 10% to 15% of your income for retirement, starting in your 20s. If you start later, you'll want to increase that percentage accordingly. Every ten years you delay you will need to save three times more.
<http://tinyurl.com/howmuchtosaveforretirement>

Vacations

The writers at budgettravel.com tell us the old rule of thumb is that a once-a-year vacation should cost about one week's salary, but there's really no amount that's right for everyone. It's a personal decision that depends on your fixed expenses and lifestyle choices. Read more: <http://tinyurl.com/how-to-pay-for-vacation>

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