

## **Figuring Out How Much You Can Afford Each Month**

Figuring out how much you can realistically afford and considering how much it will cost to make a change in your current living situation is, without question, the most important consideration that you can make.

To begin, start by drawing up a budget specific to your needs and assets. No two families live the same way so no two families budget the same way. Even two families with identical incomes do not spend the same amount of money or choose the same accommodations. Individual needs and priorities differ and you need to determine your specific individual needs as well as examining how much more you would be willing to spend and be able to pay for something new.

It is important that you be honest with yourself. As a rule an average family should not spend more than 25% to 30% of its gross income. Otherwise it may put a strain on the budget and cause you to have to change your lifestyle to adapt.

For a home that carries a mortgage you have to consider payments of principal, interest and property taxes. If renting then you need to make sure that the figure will fully cover your rent. As well there are other expenses to consider: water, heating, electricity and insurance costs. Utilities and insurance generally cost 5% to 10% of a gross income.

The following form will help you to calculate the maximum amount that you should be spending on a monthly basis for accommodations. Once you have calculated how much you can afford to pay each month, you can start looking for the home that both suits your needs and will also be affordable.

