

Worksheet and Example

How Much House Can I Afford?

Instructions:

Just follow along with each line of the worksheet and the associated instructions, filling in and calculating the values as instructed.

We've provided a completed example (without the instructions) for your reference at the end.

You will need your monthly take home pay (MTHP), combined with the MTHP of your spouse or any other person who will be sharing in the home purchase and ongoing monthly expenses.

STEP 1 – Calculate Monthly Take Home Pay (MTHP)

Figure out your current take home pay. This is how much money you actually take home, after taxes and other withdrawals on your paycheck – the actual amount that is deposited in your bank account or issued to you as a check.

We're finding your MTHP, or Monthly Take Home Pay.

Pick the right choice below for your situation, and when complete, write the resulting MTHP in BOX 1 to the right.

- a. If you're paid weekly, multiply this amount by 4.33.
- b. If you're paid bi-weekly, multiply this amount by 2.16.
- c. If you're paid twice a month, multiply this amount by 2.00.
- d. If you're paid once a month, this amount is your MTHP as-is.

If you are single, and/or no one else will be responsible for the mortgage or monthly home expenses, skip to STEP 3. Otherwise, proceed to STEP 2.

STEP 2 – Repeat STEP 1 for Spouse, Other Payers

Complete the same calculations from STEP 1 for each other person who will be on the mortgage, and paying the monthly household expenses, such as a spouse, roommate, etc. Fill in these values in BOX 2 to the right (if more than 3, just write underneath as needed).

STEP 3 – Sum the Total MTHP

Now, sum all entries in BOX 1 and BOX 2, and put the total in BOX 3 to the right. This is the total MTHP we will use for our calculations in the rest of the worksheet.



Box 1 – Individual MTHP

Box 2a – Other MTHP

Box 2b – Other MTHP

Box 2c – Other MTHP

Box 3 – Total MTHP

STEP 4 – Complete EXPENSES Worksheet

Fill in the EXPENSES worksheet below for each category or instruction line. After each line, subtract the “Monthly Total” from the previous line’s “Remaining Funds” to get a running total of your remaining monthly funds. Estimate based on what you think the expenses would be for your new home (where appropriate). When something does not apply, just write \$0 for the “Monthly Total”, copy the “Remaining Funds” from the previous line, and move to the next line.

For expenses where you do not pay monthly, try to estimate your total yearly expenses, and then divide by 12, to estimate a monthly expense budget.

Line	Expense Category	Monthly Total	Remaining Funds
1	Copy BOX 3 into Remaining Funds	N/A	\$
	Automotive		
2	Car Loan or Lease Payments	\$	\$
3	Car Insurance Payments	\$	\$
4	Gasoline	\$	\$
	Medical/Dental/Vision/Life Insurance		
5	Medical Insurance (If Not Through Work)	\$	\$
6	Medications	\$	\$
7	Medical Copays/Unreimbursed Exp.	\$	\$
8	Dental Insurance (If Not Through Work)	\$	\$
9	Dental Copays/Unreimbursed Exp.	\$	\$
10	Vision Insurance (If Not Through Work)	\$	\$
11	Vision Copays/Unreimbursed Exp.	\$	\$
12	Life Insurance (If Not Through Work)	\$	\$
	Utilities		
13	Electric	\$	\$
14	Water	\$	\$
15	Gas	\$	\$
16	Sewer	\$	\$
17	Internet	\$	\$
18	Cellular Phone	\$	\$
19	Home Phone	\$	\$
20	Other	\$	\$
	Interest and Debt Service		
21	Credit Card Monthly Payments	\$	\$
22	Other Card-Based Payments	\$	\$
23	Student Loan Payments	\$	\$
23	Other Debt Payments	\$	\$
	Food and Household Goods		
24	Groceries	\$	\$
25	Household Goods (Paper, Cleaning, Etc.)	\$	\$
26	Dining Out/Bars/Etc.	\$	\$

Other Fees and Payments			
27	Subscriptions/Recurring	\$	\$
28	Online Services	\$	\$
29	Memberships	\$	\$
30	Other	\$	\$
Clothes/Makeup/Health & Beauty			
31	Clothing, Shoes, Etc.	\$	\$
32	Makeup/Accessories	\$	\$
33	Health and Beauty Needs	\$	\$
Other Entertainment			
34	Movie/Event Tickets	\$	\$
35	Other Entertainment Expenses	\$	\$
Non-Recurring Expenses Amortization			
36	Multiply BOX 3 x 0.1 as Monthly Total	\$	\$
This is your remaining monthly funds towards Home Costs subtotal			

STEP 5 – Complete HOME COSTS Worksheet

Next, complete the below HOME COSTS worksheet. Start by populating the subtotal from the final box in the worksheet above.

Line	Home Cost Category	Monthly Total	Remaining Funds
37	Copy Line 36 subtotal to Remaining Funds	N/A	\$
38	Property Taxes	\$	\$
39	HOA Fees	\$	\$
40	Homeowners Insurance	\$	\$
41	Other Home Insurance	\$	\$
42	Home Warranty	\$	\$
43	Mortgage Insurance (If Required)	\$	\$
44	Multiply BOX 3 x 0.02 as Monthly Total	\$	\$
This is your remaining monthly funds towards a mortgage payment			

STEP 6 – Mortgage Calculator

You can now take the total from Line 44 above and go use a mortgage calculator online, playing around with options and current interest rates until you find a suitable total home purchase price based on your down payment capabilities that is equal to or less than the total from Line 44.

Or, you can continue a few more steps and we'll give you a more precise total (based on a traditional 30 year mortgage) that accounts for closing costs and other expenses, as well as future life changes planning and anticipation. This is what we'd recommend, so please continue on to STEP 7.

STEP 7 – Down Payment IAF

Now, calculate interest adjustments based on down payment.

If you intend to make a down payment...

- a. At 20%, record a “0” in BOX 4
- b. > 15% but < 20%, record a “1” in BOX 4
- c. At 15%, record a “2” in BOX 4
- d. > 10% but < 15%, record a “3” in BOX 4
- e. At 10%, record a “4” in BOX 4
- f. > 5% but < 10%, record a “5” in BOX 4
- g. At 5%, record a “6” in BOX 4
- h. < 5%, record an “8” in BOX 4

STEP 8 – Other Adjustments

We’ll now calculate a few other adjustments that we’ll need to calculate your final answer in STEP 10.

1. Take your value from Line 44, multiply it by 0.6, then by 360. Multiply the result by 0.05. Record in BOX 5.
2. Enter a number in BOX 6 as follows:
 - a. If you will be looking at homes far enough away to require airline flights and hotel stays, enter a “5”.
 - b. If you will be looking at homes far enough away for hotel stays only, enter a “2”.
 - c. If you will be looking at homes in driving distance/nearby, and do not need hotel or airline services, enter a “0”.
3. If you will be using a moving service, multiply Line 44 by 2, and enter the total in BOX 7. Otherwise, enter a “0”.
4. If you have a child or children, or are planning on having a child or children in the next 5 years in your new home, enter the total number of children in BOX 8, otherwise, “0”.

STEP 9 – Subtotal

Now we need to account for children. Start with the number 1. For every number you have in BOX 8, reduce 1 by 0.1. If you have 0, of course, your multiplier remains 1. Multiply the result by Line 44, and enter that number in BOX 9.

Box 4 – IAF

Box 5 – Closing Costs

Box 6 – Travel Multiplier

Box 7 – Moving Expense

Box 8 – Child Total

Box 9 – Subtotal

STEP 10 – Complete the FINAL CALCULATIONS Worksheet

This is it, finally! Complete the below worksheet, and the final value will be your answer to “how much house can I afford?”

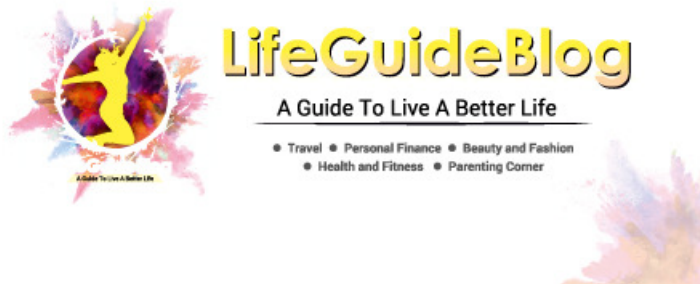
Line	Action	Value
45	Subtract BOX 4 from 60	
46	Divide Line 45 by 100	
47	Multiply Line 46 by BOX 9	
48	Multiply Line 47 by 360	
49	Subtract BOX 5 from Line 48	
50	Multiply BOX 6 by 1,000	
51	Subtract Line 50 from Line 49	
52	Subtract BOX 7 from Line 51	
53	Multiply Line 52 by 0.98	

Now, copy Line 53 into the box below, and you have your answer – you can afford up to that much house comfortably, now AND if you have the number of children you estimated, too.

Congratulations!

LifeGuideBlog says I can afford THIS MUCH HOUSE:





Completed Example

Box	Value	Box	Value
1	\$4,958	6	0
2	\$0	7	\$3,716
3	\$4,958	8	0
4	0	9	\$1,858
5	\$20,066		

Line	Expense Category	Monthly Total	Remaining Funds
1	Copy BOX 3 into Remaining Funds	N/A	\$4,958
	Automotive		
2	Car Loan or Lease Payments	\$338	\$4,620
3	Car Insurance Payments	\$105	\$4,515
4	Gasoline	\$40	\$4,475
	Medical/Dental/Vision/Life Insurance		
5	Medical Insurance (If Not Through Work)	\$0	\$4,475
6	Medications	\$72	\$4,403
7	Medical Copays/Unreimbursed Exp.	\$50	\$4,353
8	Dental Insurance (If Not Through Work)	\$0	\$4,353
9	Dental Copays/Unreimbursed Exp.	\$30	\$4,323
10	Vision Insurance (If Not Through Work)	\$0	\$0
11	Vision Copays/Unreimbursed Exp.	\$65	\$4,258
12	Life Insurance (If Not Through Work)	\$0	\$4,258
	Utilities		
13	Electric	\$117	\$4,141
14	Water	\$23	\$4,118
15	Gas	\$34	\$4,084
16	Sewer	\$0	\$4,084
17	Internet	\$78	\$4,006
18	Cellular Phone	\$95	\$3,911
19	Home Phone	\$0	\$3,911
20	Other	\$0	\$0
	Interest and Debt Service		
21	Credit Card Monthly Payments	\$350	\$3,561
22	Other Card-Based Payments	\$0	\$0
23	Student Loan Payments	\$0	\$0
23	Other Debt Payments	\$0	\$0
	Food and Household Goods		
24	Groceries	\$300	\$3,261
25	Household Goods (Paper, Cleaning, Etc.)	\$100	\$3,161
26	Dining Out/Bars/Etc.	\$50	\$3,111

Other Fees and Payments			
27	Subscriptions/Recurring	\$30	\$3,081
28	Online Services	\$10	\$3,071
29	Memberships	\$25	\$3,046
30	Other	\$0	\$0
Clothes/Makeup/Health & Beauty			
31	Clothing, Shoes, Etc.	\$100	\$2,946
32	Makeup/Accessories	\$25	\$2,921
33	Health and Beauty Needs	\$30	\$2,891
Other Entertainment			
34	Movie/Event Tickets	\$20	\$2,881
35	Other Entertainment Expenses	\$20	\$2,861
Non-Recurring Expenses Amortization			
36	Multiply BOX 3 x 0.1 as Monthly Total	\$496	\$2,365
This is your remaining monthly funds towards Home Costs subtotal			

Line	Home Cost Category	Monthly Total	Remaining Funds
37	Copy Line 36 subtotal to Remaining Funds	N/A	\$2,365
38	Property Taxes	\$272	\$2,093
39	HOA Fees	\$55	\$2,038
40	Homeowners Insurance	\$54	\$1,984
41	Other Home Insurance	\$0	\$0
42	Home Warranty	\$27	\$1,957
43	Mortgage Insurance (If Required)	\$0	\$1,957
44	Multiply BOX 3 x 0.02 as Monthly Total	\$99	\$1,858
This is your remaining monthly funds towards a mortgage payment			

Line	Action	Value
45	Subtract BOX 4 from 60	60
46	Divide Line 45 by 100	0.6
47	Multiply Line 46 by BOX 9	\$1,115
48	Multiply Line 47 by 360	\$401,400
49	Subtract BOX 5 from Line 48	\$381,334
50	Multiply BOX 6 by 1,000	\$0
51	Subtract Line 50 from Line 49	\$381,334
52	Subtract BOX 7 from Line 51	\$377,618
53	Multiply Line 52 by 0.98	\$370,066

\$370,066