

Assessing couple's financial health

STATEMENT OF NET WORTH

Assets (cash) (\$)		Liabilities (\$)	
Adrian	220,000	Mortgage	144,000
Maggie	150,000	Total liabilities	144,000
Total cash	370,000		
Invested assets (\$)			
CPFOA (Adrian)	87,000		
CPFSA (Adrian)	125,000		
Medisave (Adrian)	54,500		
CPFOA (Maggie)	96,000		
CPFSA (Maggie)	165,000		
Medisave (Maggie)	54,500		
Surrender value (Endowment)	45,000		
Total invested assets	627,000		
Used assets (\$)			
Residence	750,000		
Total used assets	750,000		
Total assets	1,747,000	Current net worth	1,603,000



STATEMENT OF CASHFLOW

Inflows	Monthly (\$)	Yearly (\$)	Outflows	Monthly (\$)	Yearly (\$)
Adrian's take-home salary	11,000	132,000	Variable outflow		
Employee's CPF contribution	1,200	14,400	Adrian's personal expenses	1,800	21,600
Employer's CPF contribution	1,020	12,240	Household expenses	760	9,120
Take-home bonus	2,550	30,600	Fixed outflow		
Employee's CPF contribution on bonus	500	6,000	Mortgage (using CPF)	742	8,904
Employer's CPF contribution on bonus	425	5,100	Children's expenses	1,200	14,400
Maggie's tuition income	1,500	18,000	Wyatt's expenses	800	9,600
Total inflows	18,195	218,340	Parents' maintenance	1,000	12,000
Total cash inflows*	15,050	180,600	Insurance premiums	715	8,580
Total regular cash inflows**	12,500	150,000	Maggie's pocket money	1,500	18,000
			Total outflows	8,517	102,204
			Total cash outflows*	7,775	93,300
			Surplus/(Deficit)	9,678	116,136
			Cash surplus/(Deficit)*	7,275	87,300
			Regular cash surplus/(Deficit)**	4,725	56,700

*Does not include CPF transactions.

**Does not include CPF transactions and discretionary cash flow like bonus.

USING FINANCIAL RATIOS TO ASSESS FINANCIAL HEALTH

Liquidity ratio	$\frac{\text{Cash holdings}}{\text{Monthly cash expenses}}$	$\frac{370,000}{7,775}$	47.6 months	The ratio captures the number of months you can sustain yourself if all sources of income are lost temporarily. A good guide is three to six months.
Savings ratio	$\frac{\text{Total cash surplus}}{\text{Total cash inflows}}$	$\frac{7,275}{15,050}$	48.3%	This measures your ability to save. It is recommended that you save at least 10 per cent of your gross salary.
Debt-to-asset ratio	$\frac{\text{Total debt}}{\text{Total assets}}$	$\frac{144,000}{1,747,000}$	8.2%	This is used to measure a person's solvency or ability to pay debts. Generally, 50 per cent or less is considered safe.
Debt service ratio	$\frac{\text{Debt payments}}{\text{Regular gross income}}$	$\frac{742}{11,000}$	6.7%	This should be managed to below 35 per cent for prudent financial planning.
Invested assets to net worth ratio	$\frac{\text{Invested assets}}{\text{Net worth}}$	$\frac{518,000}{1,603,000}$	32.3%	One should hold at least 20 per cent of total assets as liquid assets.