

College, Career & Life Planning



How Much Income Do I Need For The House (Lifestyle) I Want?

Family Income Required Based on Mortgage Interest Rate

<u>House Price</u>	<u>4.0%</u>	<u>4.5%</u>	<u>5.0%</u>	<u>5.5%</u>	<u>6.0%</u>	<u>6.5%</u>	<u>7.0%</u>
\$100,000	\$27,586	\$28,829	\$30,114	\$31,486	\$32,857	\$34,229	\$35,643
\$150,000	\$41,379	\$43,243	\$45,171	\$47,229	\$49,286	\$51,343	\$53,464
\$200,000	\$55,171	\$57,657	\$60,229	\$62,971	\$65,714	\$68,457	\$71,286
\$250,000	\$68,964	\$72,071	\$75,286	\$78,714	\$82,143	\$85,571	\$89,107
\$300,000	\$82,757	\$86,486	\$90,343	\$94,457	\$98,571	\$102,686	\$106,929
\$400,000	\$110,343	\$115,314	\$120,457	\$125,943	\$131,429	\$136,914	\$142,571
\$500,000	\$137,929	\$144,143	\$150,571	\$157,429	\$164,286	\$171,143	\$178,214
\$1,000,000	\$275,857	\$288,286	\$301,143	\$314,857	\$328,571	\$342,286	\$356,429

Example illustrating how to read this chart: You need about \$65,714 in gross (before tax) family income to afford a \$200,000 house if mortgage rates are 6%.

Assumptions (Very simplified model for illustration only)

- o 30 yr. fixed rate mortgage. Property tax & Insurance is 2% of market value.
- o No downpayment. 100% of house price is financed to simplify analysis.
- o Principal, Interest, Prop Tax & Insurance will be 28% of Gross Income
- o House is a family's biggest expense and a reasonable indication of lifestyle.