

Indian household debt has hit 45.5% of GDP.

Six ratios show where you stand

Published by OneRightAI · 5 min read

Maxim: *Six money ratios to keep at your fingertips.* — Monika Halan

Most people know their salary to the rupee and their financial health only as a vague feeling. A handful of simple ratios turns that feeling into a checklist you can fix.

You cannot manage a household's money by feel, any more than a company can be run without a balance sheet.

The national numbers suggest many families are trying. The Reserve Bank's latest Financial Stability Report put household debt at 45.5% of GDP and noted it has stayed above its five-year average of 42.9% since September 2023, [Outlook Money](#) reported in July. Non-housing retail loans, which include personal loans, credit cards, vehicle loans and gold loans, made up about 58.4% of household borrowing as of March 2026. On the other side of the ledger, the RBI's annual report found net household financial savings at just 5.1% of national disposable income in 2023-24, barely up from 4.9% the year before, according to [Business Standard](#).

National averages hide every individual story, and rising borrowing is not automatically a crisis. Much of it is home loans, and the same report found the share of borrowers with high repayment capacity rising to 72% in 2025-26, [Business Standard](#) reported. But the direction is clear enough to prompt a personal question. Is my own household borrowing faster than it saves?

Monika Halan, a long-time personal finance columnist and the author of *Let's Talk Money*, has a practical way to answer it. In a 2020 episode of her [Money with Monika](#) series for Mint, she offered six money ratios as rough guides to the direction a family should move in, with the caution that they are not a substitute for a tailored plan.

The six numbers

The six below are the rules of thumb Halan has set out in print. A 2018 [Swarajya review](#) of *Let's Talk Money* summarised most of them, and her own [2018 checklist](#) adds the insurance figure. The first three are measured against take-home pay, the money that actually reaches your account.

1. **Living costs: no more than 40–45% of take-home income.** Rent, groceries, school fees, transport, the ordinary monthly bill. If this runs higher, every other ratio is squeezed.
2. **EMIs: no more than 25–30%.** All loan instalments together. Above that, a job loss or a rate rise can turn a manageable budget into a crisis.
3. **Savings: at least 15–20%.** Invested, not merely left sitting in the salary account.
4. **Emergency fund: six months of living expenses.** Including rent or EMI, kept somewhere safe and quick to reach, so a bad month does not become a new loan.
5. **Life cover: at least 7–10 times annual income, through a pure term plan,** if anyone depends on your income. Halan also asks for a health policy of your own, separate from your office cover.

6. Retirement corpus: about three times annual income by 40, six times by 50 and eight times by 60. A rough checkpoint that tells you, a decade at a time, whether you are on track.

What the ratios reveal that a salary does not

Picture a 34-year-old in Pune with a good job and a comfortable life. On a feeling basis, she is doing well. On the ratios, the picture changes. A car loan, a phone on instalments and a personal loan taken for a wedding push her EMIs past a third of take-home pay. Her savings happen only when something is left at the end of the month, which is not often. Her emergency fund is a credit card limit. Her only life cover is the group policy that ends the day she leaves her employer.

None of those choices looked reckless on its own. Each loan was affordable on the day it was taken. That is the value of ratios: they add up decisions that were each made in isolation, the way the national figures add up millions of household budgets.

The ratios also have limits, and Halan says so herself; they are rough guides, not a financial plan. A couple living in a parent's house can save far more than 20%. A family in an expensive city may struggle to keep living costs under 45% in the early years. A single person with no dependents may need little or no life cover. Read each number as a direction to move in, not a pass or fail mark.

Fix them in the right order

The numbers for all six are already in your possession: three months of bank statements give you living costs and EMIs, your loan statements give total instalments, your insurance policy documents give cover, and your consolidated account statement and provident fund passbook give the start of a retirement figure. An evening with a spreadsheet is enough.

When several ratios are off, the order matters more than the speed. Protection comes first: a term plan and a health policy of your own cost relatively little and prevent the worst outcomes. Next, build the emergency fund, because without it the next shock becomes another loan. Then bring EMIs down, starting with the most expensive debt such as credit card balances and personal loans. Only then push the savings rate up and measure the retirement corpus against its checkpoint.

The decision rule follows from that order. Do not chase investment returns while an earlier ratio is broken. A family with no emergency fund and a 40% EMI burden gains more from fixing those than from finding a better fund.

The national debt figure will move with interest rates, credit cycles and the economy. Your own six ratios move with decisions you make every month. That is what makes them worth keeping at your fingertips: they are the part of the household balance sheet you actually control.

Check them once a year, perhaps when you file your tax return. A family that knows its numbers rarely needs to be told what to do next.

Sources

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