

Is the Bank's Maximum Borrowing Limit... Your Personal Borrowing Limit?

A young couple came to me excited.

"We've been approved to borrow \$1.2 million

They were smiling

They thought they'd won.

I asked them one question

Do you actually want to borrow \$1.2 million?

The room went quiet.

Like many borrowers, they assumed the bank's maximum borrowing limit was the amount they should spend.

It's not.

After 25 years in banking, I can tell you this:

Banks calculate what you can afford today, using their lending policies, your income and expenses, and a range of assumptions.

Life doesn't follow lending policies.

What happens if...

- One of you takes parental leave
- Childcare costs more than you expected
- Interest rates rise again
- You decide one parent wants to work part-time
- The car needs replacing
- An unexpected medical expense lands on your doorstep

The bank doesn't visit your budget every six months.

You do.

The smartest borrowers I've worked with rarely borrowed the maximum.

They borrowed the amount that still allowed them to sleep well at night.

A mortgage shouldn't leave you wondering whether you can afford a ird a weekend away, replace a broken fridge or say yes when life changes.

The question isn't

How much will the bank and me?"

The better questions

How much debt lets me enjoy my life while still building wealth?

There's often a big difference.

Just because the bank says yes doesn't mean you have to borrow every dollar.