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How to calculate the financial leverage

In the world of finance, leverage is synonymous with debt. The more leverage a company has, the more debt it has. Also synonymous with debt and leverage is risk. Many analysts equate higher financial leverage with increased financial risk, as the company has committed a certain portion of future earnings to paying off debt. Analysts like to measure financial leverage with the ratio of debt to assets. When compared against the debt-to-assets ratios of peer companies, this ratio helps analysts gauge the degree of a company's financial leverage. Obtain the annual report. You can download the report from the company's website or request one by contacting its investor relations department. Turn to the balance sheet. This has a listing of all the assets and liabilities for the company. Look up the values for total liabilities and total assets. Assume total liabilities are \$10,000 and total assets are \$50,000. Calculate the debt-to-assets ratio. Divide total liabilities by assets and multiply the result to get a percentage. The calculation is \$10,000 divided by \$50,000, times 100: 20 percent. Compare this percentage against the debt-to-assets ratios of other companies in the same industry. In general, a high debt-to-assets ratio, in comparison with industry peers, is considered a high degree of leverage and vice versa. Broadly speaking, the financial services sector is disappointing this year. Year-to-date, the Financial Select Sector Index, one of the most widely followed gauges of large-cap financial stocks, is down about 1 percent. Amid the Trump Administration's efforts to relax industry regulations, the Federal Reserve's plans to boost interest rates multiple and solid first-quarter earnings, the second-largest sector weight in the S&P 500 has been a dud this year. What Happened "The street's reticence isn't entirely ill-founded," said Direxion in a recent blog post. "This earnings season did come in the wake of a couple major market corrections and also began in the midst of escalating tariff negotiations between the U.S. and China, which could spell trouble for borrowers in the agricultural industry. Domestically, there is also the question of whether consumers will be able to afford to borrow as housing prices continue to rise to new heights in the midst of huge demand and credit card charge-offs rise to a six-year high. Still, there have been some pockets of strength in the financial sector this year. For example, the S&P Regional Banks Select Industry Index is up 9 percent year-to-date. Why It's Important Regional banks are among the assets most positively correlated to rising interest rates because higher rates boost net interest margins for these lenders. The responsiveness of regional banks to Fed tightening could bode well for the Direxion Daily Regional Banks Bull 3X Shares (NYSE:DPST). DPST, the dominant name among leveraged regional bank ETFs, attempts to deliver triple the daily returns of the S&P Regional Banks Select Industry Index. "However, 2018 has produced signals of greater corporate lending while interest rates are still relatively low. Whether this is the beginning of a longer trend of borrowing or the last rush to capture sub-two percent, is yet to be determined," said Direxion. "While the fundamental outlook on these banks may be mired in political and economic experimentation, another part of the financial sector could see an uptick in investor interest: their regional cousins." What's Next Increased industry consolidation, as well as solid earnings from some of the well-known names in the index DPST tracks, could be events to lure short-term traders to DPST. Conversely, signs that the Fed could reverse course, should those signs emerge, could make DPST's bearish cousin, the Direxion Daily Regional Banks Bear 3X Shares (NYSE:WDRW), a compelling short-term idea. Related Links: A Big Change For This Dividend ETF. International Opportunity With These Funds. Home to the best financial, debt, mortgage, and loan calculators! I've been collecting some of these bad boys for a while and my hope is to keep adding to them as time goes on. If there are any you'd like to add, or believe I've forgotten, be sure to let me know :) It will be nice to have one main "financial calculator" page to refer people to going forward - Hope you find them useful (the millionaire one is my favorite, and the one used on my to-do list): The Best Financial Calculators: Other great sites for more calculators; Jay loves talking about money, collecting coins, blasting hip-hop, and hanging out with his three beautiful boys. You can check out all of his online projects at money.biz. Thanks for reading the blog! Mortgage CalculatorWhen shopping for a mortgage, it is important to evaluate the total cost of the loan. The annual percentage rate (APR) reflects the total cost of a loan by taking into consideration the interest rate plus any points and fees paid.Mortgage Payoff CalculatorSee how you can pay your mortgage off faster, and save thousands of dollars in interest, by adding a little to your monthly mortgage payment.Mortgage Qualification CalculatorWill you qualify for a loan to buy the home of your dreams? Finding out the income necessary to qualify for a specific mortgage amount will answer your question.Interest Only Mortgage CalculatorInterest-only mortgages promise low initial payments because borrowers repay none of their debt for the first several years. But payments can soar when the introductory period ends and they must start paying off the principal. Most interest-only loans also come with adjustable interest rates, which usually begin resetting at the same time.15 Year vs. 30 Year MortgageCalculatorIt can be a challenge to determine what is the best mortgage for you. With a 15 year mortgage loan you will pay much less in interest but have to make much larger monthly payments. A 30 year mortgage loan provides lower monthly payments, but doubles the repayment period and increases the total interest paid significantly.Adjustable Rate Mortgage (ARM) CalculatorAdjustable rate mortgages involve a trade-off. Initially, the borrower gets a lower interest rate, but must accept the risk that interest rates might rise in the future.Adjustable Rate vs. Fixed Rate Mortgage CalculatorA fixed rate mortgage offers predictable monthly payments for the life of the loan. Adjustable rate and interest-only loans provide lower rates and payments now, but can result in sharply higher payments in future years.Balloon Mortgage CalculatorThese loans are usually 5 to 10 years long and require borrowers to repay only a fraction of the loan during that time. Although balloon loans are often easier to qualify for than a traditional 30 year mortgage loan, and charge lower interest rates, there is a catch. When a balloon mortgage ends, borrowers must payoff the remaining balance, usually by refinancing or selling the home.Fixed Rate vs. Interest Only Mortgage CalculatorFixed rate mortgages offer a set interest rate and predictable monthly payment for the life of the loan. Interest only loans are very different, often featuring an interest rate that will change in the future, as well as requiring the eventual repayment of the principal. This can result in very high payments in the future.How Much House Can I Afford CalculatorKnowing how much you can afford to borrow is an important piece of information during the home shopping process. The size of mortgage you can afford depends on factors such as interest rates, your current income and monthly debt payments.Mortgage Refinancing CalculatorRefinancing your mortgage can generate significant interest savings, but it costs money up front. Finding out whether a mortgage refinancing makes sense for you is your first step.Home Equity Line of Credit CalculatorA home equity line of credit lets you decide how much, or how little, of your debt to repay each month. This calculator lets you create a repayment plan that fits your needs and budget.Rent vs. Buy CalculatorBuying a home entails more costs than what is reflected in your monthly mortgage payment. For some, buying is the right answer, but for others, renting is the way to go. Considering all of the costs and tax implications will lead to a better decision.Savings CalculatorThe power of compounding is the magic that can turn small, regular investments into a substantial pile of money over time. Investing early and often are the keys to building wealth.Savings Goal CalculatorHow much do you need for the down payment on a house, your kid's college education or retirement? Set a goal and this calculator will show how much you must set aside each month to achieve it. Click "View Report" for detailed information about your plan, and how to tell if you're on track.CD CalculatorComparing interest rates and compounding methods on different CDs can be confusing. The annualized percentage yield (APY) takes both into consideration and makes comparison much easier. Determining the interest earnings from a particular CD is helpful in evaluating potential investments.CD Ladder CalculatorCD investors may be reluctant to invest too much money at one time, especially if better interest rates may be available later. Fortunately, a CD ladder is a great solution because it involves diversifying among a range of different maturity dates. The investor benefits by maintaining regular access to money, while obtaining the higher yields available on longer maturities.Millionaire CalculatorHere's what it takes to build a seven-figure nest egg by the time you're 65. You'll find that the first \$100,000 is the toughest. But your balance will soar as you near retirement. If you're a little short of the million mark, hit the "View Report" button for suggestions on how to build your wealth a little more quickly.Home Budget CalculatorYou'll manage your money more wisely if you know what you're spending it on. Enter your monthly income and expenditures into this calculator to see exactly how much you have and where it's going.Net Worth CalculatorYour net worth is the value of all your assets, minus the total of all your liabilities. Think of it as your financial score in the game of life and a great way to track your financial progress. Don't despair if you have a negative net worth right now because of student loans or credit card debt. As long as that deficit is shrinking, you're on the right track.Credit Card Debt RepaymentCalculatorPaying off credit card debt requires a lot of discipline and a good strategy. Pull together any funds you can to accelerate your debt repayment. Pay off your highest interest rate debt first, and when that balance is paid in full, apply the extra payment amount to the card with the next highest interest rate. By making the same monthly payment even as your debt diminishes, you will drastically reduce the total interest costs and the amount of time to repay the debt.Credit Card MinimumPayment CalculatorIf you're only making the minimum monthly payment on your credit cards it will take a long time to eliminate those debts and you'll pay a fortune in interest along the way. This calculator will show you how long and how much you would pay in total.Credit Card Balance CalculatorMoving your debt from high-interest to low-interest accounts can save a lot of money. This calculator will figure out the best way to distribute your debt among your credit cards.Credit Card Payoff CalculatorUse this calculator to see how long it would take to eliminate the balance on a single credit card depending on how much you increased, or decreased, the monthly payments.Loan ConsolidationCalculatorStart by calculating how much you can save each month by consolidating your high-cost debt into a single less expensive loan. Then see how quickly you can pay it all off by adding some of that savings to your monthly payment.Student LoanConsolidation CalculatorThis calculator applies two simple principles for getting out of debt more quickly. Start by seeing how much you can save by consolidating your student loans. Then apply that savings to credit cards, auto loans and other high-cost debt to pay them off more quickly.Monthly Payment CalculatorMonthly payment requirements can vary, depending on whether you have a fixed term loan or a line of credit that permits much smaller payments.Loan Amortization CalculatorIf you need to determine how much you can borrow for a specific monthly payment, or what the monthly payments will be on a specific loan amount. This amortizing loan calculator can help you answer these questions. These are important factors to understand so you take out a loan you can truly afford.Auto Loan CalculatorBuying a new car without busting the household budget is a real struggle. A good first step is to determine how much you can afford, both in terms of a monthly payment and the price of car you can afford.Car Buy vs LeaseCalculatorThe decision to lease or buy a car boils down to more than monthly payments. Determining the total net cost of either alternative will help you determine which is the better value.APR CalculatorThe low, promotional interest rates offered by many dealer finance companies and other lenders can lead to tremendous savings on your next vehicle purchase.Car Payment ComparisonCalculatorAutomakers often offer buyers the choice between a cash rebate or cut-rate loan. This calculator lets you compare the savings and find the best deal.Debt CalculatorBefore you start paying down your debts, you first need to start by figuring out how much you owe on auto loans, credit cards, and other obligations and create a debt repayment plan. Use the calculator below to get started, it will help you understand your debts and make better payment decisions.Auto Loan PayoffCalculatorYou can save hundreds, if not thousands, of dollars on interest by adding a little extra to your monthly car payment. The longer your loan, the greater the benefit. Our report will give you a complete amortization schedule.Debt Consolidation CalculatorMaybe you are struggling to juggle your many different debt obligations. Perhaps a debt consolidation is in order. Consolidating your debt can reduce your payments and your total interest costs.Car Finance CalculatorThe low, promotional interest rates offered by many dealer finance companies and other lenders can lead to tremendous savings on your next vehicle purchase. Lower interest rates mean lower monthly payments and lower total interest costs. how to calculate the degree of financial leverage. what is the formula for financial leverage. how to measure financial leverage. how to determine financial leverage

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