

LIFE INSURANCE QUICK ESTIMATOR

INDIVIDUAL PLANNING

CALCULATE THE NEED FOR LIFE INSURANCE

Client Name: _____ Date of Birth: ___/___/_____

INCOME

1. **Total annual income your family would need if you died today** What your family needs, before taxes, to maintain its current standard of living (Typically between 60% - 75% of total income) \$ _____
2. **Annual income your family would receive from other sources** For example, spouse's earnings or a fixed pension.¹ (Do not include income earned on your assets, as it is addressed later in the calculation) \$ _____
3. **Income to be replaced** - Subtract line 2 from line 1 \$ _____
4. **Capital needed for income**
Multiply line 3 by appropriate factor in Table A. Factor _____ \$ _____

EXPENSES

5. **Funeral and other final expenses** (Typically, the greater of \$15,000 or 4% of your estate) \$ _____
6. **Mortgage and other outstanding debts** Include mortgage balance, credit card balance, car loans, etc. \$ _____
7. **Capital needed for college** (2016-2017: average 4-year cost: Private \$197,280; Public \$98,440 – collegedata.com)
Estimated Appropriate Factor NPV 4-Year Cost in Table B
- Child 1 _____ X _____ = _____ \$ _____
- Child 2 _____ X _____ = _____ \$ _____
- Child 3 _____ X _____ = _____ \$ _____
8. **Total capital required** Add items 4, 5, 6 and 7

SAVINGS / ASSETS

9. **Savings and investments** Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc. \$ _____
10. **Retirement savings** IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans \$ _____
11. **Present amount of life insurance** Including group insurance as well as insurance purchased on your own \$ _____
12. **Total income producing assets** Add lines 9, 10 and 11 \$ _____
13. **Life insurance needed** Subtract line 12 from line 8 \$ _____

TABLE A

| Years for income | Factor |
|------------------|--------|
| 10 | 9.4 |
| 15 | 13.6 |
| 20 | 17.5 |
| 25 | 21.1 |
| 30 | 24.5 |
| 35 | 27.7 |
| 40 | 30.6 |

TABLE B

| Years until College | Factor |
|---------------------|--------|
| 5 | 0.87 |
| 10 | 0.75 |
| 15 | 0.65 |
| 20 | 0.55 |

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If something were to suddenly happen to you, your family might have to hire others to take on some of your daily activities.

- To see how much, estimate the number of hours per week that you spend on each of the activities below.
- The final cost will then be part of the calculation of how much life insurance you need. Even if you earn no income, insurers generally allow you to get as much life insurance as your working spouse has.
- To get a full picture of your insurance needs, be sure to look at your spouse's life insurance coverage, too.

| Services | Hrs/wk | Hourly Rate ¹ | Est Weekly Cost | # of Years | Estimated Total Cost |
|-------------------------------|--------|--------------------------|-----------------|------------|----------------------|
| Child Care | | | \$ | | \$ |
| Driving Family Members | | | \$ | | \$ |
| Tutoring/Home Schooling | | | \$ | | \$ |
| Housekeeping/Home Mgmt. | | | \$ | | \$ |
| Food Preparation | | | \$ | | \$ |
| Bookkeeping | | | \$ | | \$ |
| Yard Care & Maintenance | | | \$ | | \$ |
| Home Maintenance & Repair | | | \$ | | \$ |
| Parental Care | | | \$ | | \$ |
| Other | | | \$ | | \$ |
| Other | | | \$ | | \$ |
| *Estimated Total Costs | | | | | \$ |

¹Based on current market rate averages.

Inflation is assumed to be 3% and life insurance proceeds are invested to earn 4.5% after tax. The earnings on the life insurance proceeds, plus spending down the life insurance proceeds, will be used to cover these expenses over the expected period. The return is purely hypothetical and is used for illustrative purposes only. Performance results are not indicative of any particular investment. Actual results and investment risks will vary.

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