

HOW MUCH LIFE INSURANCE IS ENOUGH?

Client Name: _____

Date: _____

This worksheet provides a quick and simple method to estimate the amount of life insurance you will need.

INCOME:

1. Annual before tax income your family would need if you died today

Typically between 60% and 80% of total income. Include all salaries, dividends, interest and any other sources of income.

\$ _____

2. Annual income available to your family from other sources

Include dividends, interest, and spouse's earnings (Social Security may be available)

\$ _____

3. Annual income to be replaced (Subtract line 2 from line 1)

\$ _____

4. Capital needed for income

Multiply line 3 by the appropriate factor below

\$ _____

Years Income Needed	10	15	20	25	30	35	40	45	50
Factor ⁽¹⁾	8.8	12.4	15.4	18.1	20.4	22.4	24.1	25.6	26.9

EXPENSES:

5. Funeral⁽²⁾ 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 debt, car loans, home equity loans, etc.

\$ _____

7. College costs⁽³⁾

2015 average annual costs at four-year colleges and universities:
public – \$28,000; private – \$59,000

	Annual Amount	X	Number of Years in College =	Total Cost (\$)
Child 1		X		
Child 2		X		
Child 3		X		
Child 4		X		
Child 5		X		
Total capital needed for college				

\$ _____

8. Total capital required (Add lines 4, 5, 6 and 7)

\$ _____

ASSETS:

9. Savings and investments

Bank accounts, CDs, stocks, bonds, mutual funds, real estate/rental property, etc.

\$ _____

10. Retirement savings

IRAs, 401(k) plans, SEPs, pension and profit sharing plans

\$ _____

11. Present amount of life insurance

Include group insurance and personal insurance purchased on your own

\$ _____

12. Total of all assets (Add lines 9, 10 and 11)

\$ _____

13. Estimated amount of additional life insurance needed (Subtract line 12 from line 8)

\$ _____

⁽¹⁾ Inflation is assumed to be 2%. The rate of return on investments is assumed to be 5%.

⁽²⁾ Many funerals run well over \$10,000 – Federal Trade Commission – Retrieved on September 23, 2008 from <http://www.ftc.gov/bcp/edu/pubs/consumer/products/pro19.shtm>

⁽³⁾ Source: Forbes, College Costs 2015. Costs include tuition, room, board, books and supplies, transportation and other expenses for a resident.