



LIFE INSURANCE QUICK ESTIMATOR

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	9.4	13.6	17.5	21.1	24.5	27.7	30.6	33.3	35.9

EXPENSES

5. Funeral² 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 costs³ 2015-2016 average annual costs at four-year colleges and universities:

Public – \$24,061 (in-state), \$38,544 (out-of-state); Private – \$47,831

	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 value of all you do: The cost of daily activities [Use the calculator on page 2.]

\$ _____

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

\$ _____

ASSETS

10. Savings and investments

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

\$ _____

11. Retirement savings

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

\$ _____

12. Present amount of life insurance

Include group insurance and personal insurance purchased on your own

\$ _____

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

\$ _____

14. Estimated amount of additional life insurance needed (Subtract line 13 from line 9.)

\$ _____

¹ Inflation is assumed to be 3%. The rate of return on investments is assumed to be 4.5%. College inflation rate is assumed to be 4.5%.

² The national median cost for a funeral in 2014 is \$7,181, excluding various additional expenses. <http://nfda.org/about-funeral-service/-trends-and-statistics.html>.

³ Source: The College Board, Trends in College Pricing 2015, Figure 1. Costs include tuition, room, board, books and supplies, transportation, and other expenses for a resident. The College Costs numbers are the 2015-2016 national average for a four-year college or university.

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CALCULATOR

The Value of All You Do

Client Name _____ Date _____

If something were to suddenly happen to you, your family might have to hire others to take on some of your daily activities. You'd be surprised at how all you do adds up!

- ▶ To see just 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	Hours per Week	Hourly Rate ⁴	Estimated Weekly Cost	Number 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					

This is how much life insurance you would need to cover these services⁵

⁴ Based on current market rate averages.

⁵ 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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