



# Life Insurance Needs Worksheet

Get a general sense of how much life insurance you need to protect your family. Before buying life insurance, it makes sense to consult with an insurance professional for a more thorough analysis of your needs. This worksheet assumes you died today.

## 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.<sup>1</sup> (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 \$181,480; Public \$80,360<sup>2</sup>)

	Estimated 4-Year Cost	x	Appropriate Factor in Table B	=	NPV		
Child 1	_____	x	_____	=	_____	+ ]	→ \$ _____
Child 2	_____	x	_____	=	_____		
Child 3	_____	x	_____	=	_____		

### 8. Total capital required

Add items 4, 5, 6 and 7 \$ \_\_\_\_\_

## Income

### 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<sup>3</sup>

\$ \_\_\_\_\_

### 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 \$ \_\_\_\_\_

<sup>1</sup> Social Security benefits, which may be available, have not been factored into this calculation.

<sup>2</sup> *Trends in College Pricing*, 2016, The College Board. Costs reflect total charges, which include tuition, fees, room and board.

<sup>3</sup> Distributions from most retirement savings plans are subject to ordinary income tax rates.

Table A

Years Income Needed	Factor
10	8.8
15	12.4
20	15.4
25	18.1
30	20.4
35	22.4
40	24.1

Table B

Years Before College	Factor
5	.95
10	.91
15	.86
20	.82

Note: These tables help you determine net present value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.