

# Life Insurance Needs Analysis



A Tool to Estimate the Right Amount of Life Insurance Coverage

## Immediate Cash Needs

1. **Final Expenses:** The amount needed to cover all final expenses upon your death. This includes funeral costs, medical expenses, probate fees, etc. Current average funeral expenses are about \$10,000.

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



2. **Mortgage:** Enter your mortgage balance here, if you intend to pay off your mortgage upon your death.

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



3. **Other Debts:** Estimate the amount needed to pay off your debts. Include credit card balances, car loans, educational loans, and other outstanding liabilities.

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



4. **Emergency Fund:** The amount you would like to reserve for unforeseen financial needs, such as income lost due to work absence, medical expenses, and home/auto repairs.

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



5. **Education Fund:** The total cost of sending your children to college. According to [Collegeboard.org](http://Collegeboard.org), the current annual average cost of public and private colleges are about \$18,383 and \$42,419, respectively.

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



6. **Total Cash for Immediate Needs:** Sum of Lines 1 through 5

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

## Future Income Needs

7. **Survivor's Income Replacement Need:** How much of your current gross annual income is needed in order to maintain your family's standard of living after your death?

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



8. **Money Factor:** Determine using the Money Factor Chart (below). Use to determine the present value of your dependents' income needs.

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



9. **Present Value of Future Income Needs:** Line 7 times Line 8

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

## Available Funds

10. **Savings and Investments:** The current value of savings and investments which may be liquidated to provide your family cash flow upon your death. Include stocks, bonds, savings accounts, etc.

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



11. **Retirement Savings:** The current value of retirement savings which may be liquidated to provide your family cash flow upon your death. Include IRA, 401(k), annuities, and other retirement accounts.

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

12. **Other Assets:** All other assets which may provide income to your family (inheritances, commodities, rental properties, etc.)

+ \$ \_\_\_\_\_

13. **Current Life Insurance:** Include all life insurance policies, including coverage through your employer.

+ \$ \_\_\_\_\_  
=

14. **Total Available Funds:** Sum of Lines 10 through 13

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

### Needs Summary

15. **Total Funds Needed at Death:** Line 6 plus Line 9

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

16. **Total Available Funds:** From Line 14

= \$ \_\_\_\_\_

**Estimate of Additional Life Insurance Coverage Needed:** Line 15 minus Line 16

= \$ \_\_\_\_\_

### Determine Your Money Factor

This chart provides the factor needed in Line 8 to determine the present value of your dependents' income needs. It considers how long that income will be needed, and an assumed "Real Rate of Return."

**Annual Growth Rate:** (Low 3-4%, Intermediate 4-7%, High 7-10%)

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

**Annual rate of Inflation:** ([see historical inflation rates](#))

= \$ \_\_\_\_\_

**Your Real Rate of Return:**

= \$ \_\_\_\_\_

Future Income	Your Real Rate of Return								
	1%	2%	3%	4%	5%	6%	7%	8%	9%
5 years	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2
10 years	9.6	9.2	8.8	8.4	8.1	7.8	7.5	7.2	7.0
15 years	14.0	13.1	12.3	11.6	10.9	10.3	9.7	9.2	8.8
20 years	18.2	16.7	15.3	14.1	13.1	12.2	11.3	10.6	10.0
25 years	22.2	19.9	17.9	16.2	14.8	13.6	12.5	11.5	10.7
30 years	26.1	22.8	20.2	18.0	16.1	14.6	13.3	12.2	11.2
35 years	29.7	25.5	22.1	19.4	17.2	15.4	13.9	12.6	11.5
40 years	33.2	27.9	23.8	20.6	18.0	15.9	14.3	12.9	11.7

This Life Insurance Needs Analysis is intended only to provide a general estimate of the amount of life insurance coverage you may need. This analysis provides only a snapshot of your current situation. Please acknowledge no needs analysis will include all possibilities for every situation, therefore this may or may not be an ideal situation for you. You should complete a new Life Insurance Needs Analysis at least annually, and whenever your relevant information changes. The results of this analysis are based on your inputs and assumptions. Changes to those items will produce different results.