

THE LIFE INSURANCE WORKSHEET

Present Annual Income Needs

Enter the amount of your yearly balanced spending plan.

Subtract Deceased Person's Needs

Expenses should drop as a result of the death of the breadwinner. For example, a second car may no longer be required, income taxes may be reduced, and less food will be consumed.

Subtract Other Income Available

Enter the amount of income the survivors will receive from all sources, such as Social Security, investments, retirement benefits, and the surviving spouse's earnings.

Net Annual Income Needed

Present income, less the spending no longer required, and less the income available, determines the income needs for the survivors to sustain their current standard of living.

Insurance Required to Provide Needed Income

To estimate the required amount of insurance, multiply the income required by 12.5. This assumes the survivors will earn an 8 percent return, after taxes, on the insurance proceeds.

Example: \$10,000 additional annual income is needed to support the survivors.

$\$10,000 \times 12.5 = \$125,000$ in insurance invested at 8 percent would provide the needed income.

Lump Sum Requirements

In addition to insurance required to produce income, lump sums may be required for specific purposes or debt repayment. Those needs should be determined and added to the total amount of the insurance.

Life Insurance Worksheet

Date _____

GROSS MONTHLY INCOME		Matt and Jennifer's Sample	
Present annual income needs:	\$	<u>53,280</u>	
Subtract deceased person's needs:	\$	<u>9,000</u>	
Subtract other income available: <small>(Social Security, investments, retirement)</small>	\$	<u>10,000</u>	
= Net annual income needed:	\$	<u>34,280</u>	
Net annual income needed, multiplied by 12.5 (assumes an 8% after-tax investment return on insurance proceeds):		\$	<u>428,500</u>
LUMP SUM NEEDS			
Debts:	\$	<u>8,000</u>	
Education:	\$	<u>20,000</u>	
Other:	\$	<u>0</u>	
Total lump sum needs:	\$	<u>28,000</u>	
TOTAL LIFE INSURANCE NEEDS:			\$ <u>456,500</u>

GROSS MONTHLY INCOME			
Present annual income needs:	\$	_____	
Subtract deceased person's needs:	\$	_____	
Subtract other income available: <small>(Social Security, investments, retirement)</small>	\$	_____	
= Net annual income needed:	\$	_____	
Net annual income needed, multiplied by 12.5 (assumes an 8% after-tax investment return on insurance proceeds):		\$	_____
LUMP SUM NEEDS			
Debts:	\$	_____	
Education:	\$	_____	
Other:	\$	_____	
Total lump sum needs:	\$	_____	
TOTAL LIFE INSURANCE NEEDS:			\$ _____

Once you have quantified your approximate life insurance needs, deduct the amount of your present life insurance coverage to determine whether you need additional life insurance. Then analyze your spending plan to determine how much new insurance you can afford. Seek counsel to decide the precise amount and type of insurance that would meet your needs and spending plan.