

# INDIVIDUAL FINANCIAL NEEDS ANALYSIS

# A LIFE INSURANCE ANALYSIS TOOL

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 <sup>1</sup>	9.4	13.6	17.5	21.1	24.5	27.7	30.6	33.3	35.9

## EXPENSES

**5. Funeral<sup>2</sup> 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<sup>3</sup> Current average annual costs at four-year colleges and universities:**

Public – \$22,180 (in-state), \$38,640 (out-of-state); Private – \$51,660

	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		
<b>Total capital needed for college</b>				

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

**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.)

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

<sup>1</sup> Inflation is assumed to be 3%. The rate of return on investments is assumed to be an after-tax 4.5%. College inflation rate is assumed to be 4.5%.

<sup>2</sup> The national median cost for a funeral in 2012 is \$7,640. National Funeral Directors Association's (NFDA) 2020 General Price List survey.

<sup>3</sup> Source: The College Board, Trends in College Pricing 2021. Costs include tuition, room, board, books and supplies, transportation, and other expenses for a resident.

The College Costs numbers are the 2021-2022 national average for a four-year college or university.

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# INDIVIDUAL FINANCIAL NEEDS ANALYSIS

## THE MAINTENANCE COST'S OF LIVING!

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 <sup>4</sup>	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					
<b>Estimated Total Costs</b>					

**This is how much life insurance you would need to cover these services<sup>5</sup>**

<sup>4</sup> Based on current market rate averages in your area of the country.

<sup>5</sup> 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.**

Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.