

## SET YOUR HOUSE IN ORDER

### LIFE INSURANCE CALCULATION

Complete this analysis to approximate your life insurance needs. This is not intended to be precise. Seek the counsel of an expert to determine your needs accurately.

Your **Annual income** figure represents your household's income needs. Then, subtract the **deceased person's living expenses** (share of food, for example) that will no longer be needed if a spouse passes away. Also subtract **other income** survivors will receive from all sources, such as wages, Social Security and investments. This calculation will give you the estimated **net income needed** for the survivors to maintain their current standard of living.

To estimate the amount of **insurance you will need for income**, multiply the annual income required by 20. This assumes the survivors will earn a 5 percent after-tax return on the insurance proceeds. Insurance coverage may also be needed to fund "**lump sums**," such as paying off debt or funding a child's education. Determine these needs and add them to the total amount of insurance and then subtract the value of any existing insurance policies. This will give you the value of any increased insurance needs. Remember, these estimates will be helpful to start a conversation with an insurance professional.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

#### 1. Your annual income needs

2. Subtract deceased person's needs

3. Subtract other income available (Social Security, Investments, retirement)

4. Equals net annual income needed

5. Net annual income needed, multiplied by 20 (assumes 5% after-tax investment return on insurance proceeds)

#### Lump Sum Needs

6. Debts

7. Education

8. Other

9. Total lump sum needs

10. Add line 9 to line 5

11. Subtract value of existing life insurance (if any)

**Total additional life insurance needs**