



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.¹ (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 \$197,280; Public \$98,440²)

	Estimated 4-Year Cost		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 plans³

\$ _____

11. Present amount of Life Insurance

Do not include group insurance; only insurance you 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 \$ _____

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

² College Data, 2016. The College Board. Costs reflect total charges, which include tuition, fees, room and board.

³ 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.



Prefer to Use an Online Calculator?

Visit the nonprofit Life Happens' Life Insurance Needs Calculator at www.lifehappens.org/howmuch.

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