



Instructions

So, how much life insurance do you need? Well, the answer isn't really how much life insurance you need... it's how much investment capital your family will need at the time of your death. Their need for capital - on a gross basis - is really a function of two variables:

1. **How much will be needed at death to meet immediate obligations?**
2. **How much future income is needed to sustain the household?**

The first category is fairly easy to estimate. It's the sum of final expenses (including uncovered medical costs, funeral expenses and final estate - settlement costs) and other lump-sum obligations (such as outstanding debts, mortgage balance, and college costs). The second variable is a bit more tricky. It involves calculating the future needed cash-flow streams. By answering a few simple questions below, you can get a rough sense of the needs for capital that might exist at your death.

A few tips: Our analysis of your needs depends upon the answers you provide us to the questions below. Please answer all questions. If you do not understand a question, please refer to the explanations for more information. This calculation will provide a rough sense of your potential life insurance needs. To the extent that you or your beneficiaries are eligible for Social Security benefits, those benefits have not been included in this analysis. Social Security benefits, if available, will somewhat reduce the need for life insurance. We didn't include things like "present value" of future needs, inflation, taxation or investment rate of return, due to the wide range of variables. For a more accurate and detailed analysis, please contact us.

Explanation/Notes

<u>Child Care</u>	With just one parent, your children may need care beyond what you currently have. If so, estimate what this will cost based on your current child care rates. (Include in your annual Income needed)
<u>College Funding:</u>	In 2008-09, the average cost for a four-year private college was roughly \$34,000 per year, including room and board. For in-state residents at a public school, it was approximately \$14,000. You should expect that these prices will increase by at least 5% annually. That said, some students will qualify for financial aid.
<u>Final Expenses:</u>	Typically the greater of \$15,000 or 4% of your estate. This would include uncovered medical costs, funeral expenses, and final estate settlement costs. Note: If your estate is over \$1,500,000 your final expenses may be much higher due to federal and state estate or inheritance taxes.
<u>Savings and Investments:</u>	Includes bank account, money market accounts, mutual funds, CDs, bonds, stocks and other assets.
<u>Retirement Savings:</u>	Includes 401(k), Keoghs, pension and profit sharing plans.
<u>Mortgage Payment Fund:</u>	Whether or not your survivors would use life insurance proceeds to pay off the mortgage right away, reating a fund to cover mortgage payments makes sense.
<u>Annual Income Needs:</u>	Total amount your family needs, before taxes, to maintain their current standard of living, typically 60%-75% of total income. Families with higher incomes typically fall into the lower end of that range.
<u>Life Insurance in Force:</u>	Includes individual policies, group term coverage available through work, and any other life insurance on your life payable to your family or for the benefit of your family. Do not include accidental death insurance or "double indemnity" insurance.
<u>Spouse's Marginal Tax Rate:</u>	This is the rate of tax you are paying on your highest dollars of income. Default at 25% (again, this is a rough estimate)
<u>Contingency Fund</u>	We recommend that a fund equal at least three times monthly expenses. Also, if you want your spouse to have something extra to live on in retirement or a fund to enhance his or her lifestyle, this is where to enter it. This, of course, is up to you, but many people use life insurance to provide an extra cushion for the surviving spouse.
<u>Outstanding debts</u>	Include any debts that you would want to pay off immediately. Periodic dept payments (such as your mortgage) should be included in your living expenses.
<u>Expenses Total Needed:</u>	This is the amount of money your family will need to cover expenses over the years ahead. Built into this number is the assumption that your spouse will invest the life insurance benefit conservatively, earning at least 2% above annual inflation.
<u>Current assets available</u>	This includes stocks, savings accounts, 401k proceeds, annuities, bonds, etc. Many people figure on at least drawing down the interest on these assets to pay current expenses.





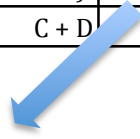
Expenses in Case of Your Death	
Final Expenses:	
Outstanding debts (other than your mortgage):	
Outstanding Mortgage:	
*College Funding Needs (Child 1):	
*College Funding Needs (Child 2):	
*College Funding Needs (Child 3):	
*College Funding Needs (Child 4):	
*College Funding Needs (Child 5):	
*College Funding Needs (Child 6):	
Total A:	

Income Needs in Case of Your Death	
1. Total Annual Income your family would need if you died today:	
2. How many years should income be provided:	
Total of 1 * 2 above :	
Total B:	

Current and Future Assets	
What is your current savings and investments (not including retirement funds)?	
What are your current retirement savings ?	
What is the value of the life insurance in force on your life?	
Total C:	

Spouse's Work Income Following Your Death	
1. What is your spouse's annual income?:	
2. How many years does your spouse expect to work?:	
Total of 1 + 2 above * 0.75 (25% tax rate) :	
Total D:	

Total Insurance Need			
Total A (Expenses):		Total C (Assets):	
Total B (Income):		Total D (Spouse's Income):	
A + B :		C + D	



Insurance Needed:

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* See Page 3 for an age based 4 year estimate.





*College Funding Needs		
Child's Current Age	Est. College Tuition	4 Year College Funding Needs
1	\$25,900.00	\$103,600.00
2	\$25,200.00	\$100,800.00
3	\$24,500.00	\$98,000.00
4	\$23,800.00	\$95,200.00
5	\$23,100.00	\$92,400.00
6	\$22,400.00	\$89,600.00
7	\$21,700.00	\$86,800.00
8	\$21,000.00	\$84,000.00
9	\$20,300.00	\$81,200.00
10	\$19,600.00	\$78,400.00
11	\$18,900.00	\$75,600.00
12	\$18,200.00	\$72,800.00
13	\$17,500.00	\$70,000.00
14	\$16,800.00	\$67,200.00
15	\$16,100.00	\$64,400.00
16	\$15,400.00	\$61,600.00
17	\$14,700.00	\$58,800.00
18	\$14,000.00	\$56,000.00

