



LIFE

How Much Life Insurance Do You Need to Protect Your Family?

This simple worksheet can give you an idea. It's only approximate, however. You should consult with an insurance professional before buying any insurance products. The 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 percent)
2. Annual income your family would receive from other sources _____
Dividends, interest income, spouse's earnings (Social Security may be available)
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

Expenses:

5. Funeral and other final expenses _____
The average cost of an adult funeral is about \$5,000
6. Mortgage and other outstanding debts _____
Include mortgage balance, credit card debt, car loans, etc.
7. College costs for each child, in today's dollars _____
1997-98 average 4-year costs; state college-\$40,276, private college-\$85,696
8. Capital needed for college - Multiply line 7 by the appropriate factor in Table B _____
9. Total capital required _____
Add lines 4, 5, 6 and 8

Assets:

10. Savings and investments _____
Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, etc.
11. Retirement savings _____
IRAs, 401(k)s, Keoghs, pension and profit sharing plans
12. Present amount of life insurance _____
Include group insurance as well as insurance purchased on your own
13. Total income producing assets - Add lines 10, 11 and 12 _____
14. Life insurance needed - Subtract line 13 from line 9 \$ _____

TABLE A	Years Income Needed	Factor
	10	8.1
	15	11.1
	20	13.6
	25	15.6
	30	17.3
	35	18.7
	40	20.0

TABLE B	Years Before College	Factor
	5	.82
	10	.68
	15	.56
	20	.46

Important note: Inflation is assumed to be 4%. The rate of return on investments is assumed to be 8%.

LIFE, the Life and Health Insurance Foundation for Education, is a nonprofit organization dedicated to educating consumers about the essential role of insurance within a sound financial plan. For more information about insurance, visit LIFE's Web site at www.life-line.org, or call 1-888-LIFE-777 for a free brochure.