

Life insurance needs analysis

A tool to estimate the right amount of life insurance coverage

Immediate cash needs		
1. Final expenses	The amount needed to cover all final expenses upon your death. This includes funeral costs, medical expenses, probate fees, etc. Current average funeral expenses are about \$10,000.	\$ _____
2. Mortgage	Enter your mortgage balance here, if you intend to pay off your mortgage upon your death.	\$ _____
3. Other debts	Estimate the amount needed to pay off your debts. Include credit card balances, car loans, educational loans and other outstanding liabilities.	\$ _____
4. Emergency fund	The amount you would like to reserve for unforeseen financial needs, such as income lost due to work absence, medical expenses and home/auto repairs.	\$ _____
5. Education fund	The total cost of sending your children to college. The current annual average costs of public and private colleges are about \$17,000 and \$33,000, respectively.	\$ _____
6. Total Cash for Immediate Needs	Enter the sum of lines 1 through 5.	\$ _____
Future income needs		
7. Survivor's income replacement need	Generally, it is estimated that your family will need to replace 65% to 75% of your current gross annual income in order to maintain its standard of living after your death.	\$ _____
8. Money factor	Determine using the Money Factor Chart (reverse).	\$ _____
9. Present value of future income needs	Multiply line 7 by line 8 and enter the total here.	\$ _____
Available funds		
10. Savings and investments	The current value of savings and investments which may be liquidated to provide your family cash flow upon your death. Include stocks, bonds, savings accounts, etc.	\$ _____
11. Retirement savings	The current value of retirement savings which may be liquidated to provide your family cash flow upon your death. Include IRA, 401(k), annuities and other retirement accounts.	\$ _____
12. Other assets	All other assets which may provide income to your family (inheritances, commodities, rental properties, etc.).	\$ _____
13. Current life insurance	Include all life insurance policies, including coverage through your employer.	\$ _____
14. Total available funds	Enter the sum of lines 10 through 13.	\$ _____
Needs summary		
15. Total funds needed at death	Line 6 plus line 9	\$ _____
16. Total available funds	From line 14	\$ _____
17. Estimate of additional life insurance coverage needed	Line 15 minus line 16	\$ _____

Determine Your Money Factor

This chart provides the factor needed in Line 8 to determine the present value of your dependents' income needs. It considers how long income will be needed and an assumed "Real Rate of Return."

- 1. **Annual Growth Rate:** Average is between 5.5% and 10%. _____ %
- 2. **Annual Rate of Inflation:** Average is between 0.0% and 4.5%.¹ _____ %
- 3. **Your Real Rate of Return:** Subtract Line 2 from Line 1 and enter the total here. _____ %

To find your Money Factor, match up your Real Rate of Return with the number of years your beneficiaries will need income. Enter this number on line 8 on the reverse side.

Income is Needed...	Your Real Rate of Return								
	1%	2%	3%	4%	5%	6%	7%	8%	9%
5 years	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2
10 years	9.6	9.2	8.8	8.4	8.1	7.8	7.5	7.2	7.0
15 years	14.0	13.1	12.3	11.6	10.9	10.3	9.7	9.2	8.8
20 years	18.2	16.7	15.3	14.1	13.1	12.2	11.3	10.6	10.0
25 years	22.2	19.9	17.9	16.2	14.8	13.6	12.5	11.5	10.7
30 years	26.1	22.8	20.2	18.0	16.1	14.6	13.3	12.2	11.2
35 years	29.7	25.5	22.1	19.4	17.2	15.4	13.9	12.6	11.5
40 years	33.2	27.9	23.8	20.6	18.0	15.9	14.3	12.9	11.7

Talk with your financial professional to find the right life insurance coverage to meet your needs.

¹ For information on annual rate of inflation please visit usinflationcalculator.com/inflation/current-inflation-rates/.

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This Life Insurance Needs Analysis is intended only to provide a general estimate of the amount of life insurance coverage you may need. This analysis provides only a snapshot of your current situation. You should complete a new Life Insurance Needs Analysis at least annually and whenever your relevant information changes. The results of this analysis are based on your inputs and assumptions. Changes to those items will produce different results.

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CLC.9397 (03.23)

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