

# How Much Life Insurance Do You Need To Protect Your Family?

This simple worksheet can give you an idea. However, you should consult with an insurance agent or other financial advisor 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% of total income) \$ \_\_\_\_\_
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 \$6,130<sup>1</sup> \$ \_\_\_\_\_
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  
2001-2002 average 4-year costs; state college-\$47,904 (in-state resident),  
private college-\$104,280 (resident)<sup>2</sup> \$ \_\_\_\_\_
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 \$ \_\_\_\_\_

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

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%. Changing either or both of these assumptions would change the results.

<sup>1</sup> NFDA 2002 General Price List Survey, National Funeral Directors Association, 2002

<sup>2</sup> Annual Survey of Colleges, The College Board, 2001