

Estimating Needs

The following guide may help you determine the approximate amount of life insurance benefits your dependents may need to maintain their current standard of living without your income.

1 Annual Expenses

Estimate your total monthly expenses. Include mortgage¹ or rent, home and car maintenance, childcare, clothing, food, medical expenses, loan payments, insurance, taxes, and utilities. Multiply this amount by 12 to find your Annual Expenses.

Monthly Expenses	\$		\$	2,000
Months	X	12	X	12
Annual Expenses	= \$		= \$	24,000

Example

2 Ongoing Expenses

Enter your Annual Expenses from above. Multiply this amount by the number of years these expenses would need to be paid by your survivors. These are your Ongoing Expenses.

Annual Expenses	\$		\$	24,000
Survivor Years	X	10	X	10
Ongoing Expenses	= \$		= \$	240,000

3 Future Expenses

Estimate one-time future expenses, including funeral costs, medical charges, estate taxes, and estate settlement fees. Also include emergency funds and college expenses for your children. If you want your family to be debt-free, include the balance of your mortgage¹ and any other loans. Add these together to find your Future Expenses.

Funeral/Etc.	\$		\$	15,000
Emergencies	\$		\$ +	5,000
Education	\$		\$ +	60,000
Mortgage ¹	\$		\$ +	0
Other	\$		\$ +	0
Future Expenses	= \$		= \$	80,000

4 Life Insurance Coverage Needed

Add your Ongoing Expenses and Future Expenses from above to find your Total Survivor Expenses.

Combine existing assets that may be used to lower your family's debt or help support them. Be sure to include other life insurance coverage, savings, and any other liquid assets to find your Total Assets.

Next subtract Total Assets from Total Survivor Expenses to find the approximate amount of life insurance coverage you may need to provide for your survivors.

Ongoing Expenses	\$		\$	240,000
Future Expenses	\$		\$ +	80,000
Total Survivor Expenses	= \$		= \$	320,000
Other Life Insurance	\$		\$	110,000
Savings	\$		\$ +	20,000
Misc. Assets	\$		\$ +	40,000
Total Assets	= \$		= \$	170,000
Total Survivor Expenses	\$		\$	320,000
Total Assets	\$		\$ -	170,000
Total Coverage Amount	= \$		= \$	150,000

5 Multiple of Annual Base Pay²

Divide Total Coverage Amount by your Annual Base Pay and round up to the next number in half increments from 1 to 6 to find the multiple of coverage you may need. If this number is greater than 6, the multiple should be 6.

Total Coverage Amount	\$		\$	150,000
Annual Base Pay	÷		÷	45,000
Annual Expenses	= \$		= \$	3 ¹ / ₂

¹You may include your mortgage payment in part one or include the total amount required to pay off the balance in part three. Include in one or the other, but not both.

²This worksheet does not assume interest earned on the unused portion of the death benefit, inflation rates, or taxes payable on interest earned. This worksheet is only a guide. You may wish to consult your financial advisor regarding the appropriate amount of life insurance needed.