



# Life insurance needs analysis

## How much money will your family need when you die?

With the following information, you and your financial professional can estimate how much life insurance will suit your budget and provide the financial protection your family needs.

Cash needs	Chris	Pat	Client 1	Client 2
Final expenses	\$15,000	\$15,000		
Emergency funds	\$50,000	\$50,000		
Education funds	\$200,000	\$200,000		
Child/homecare funds	\$120,000	\$120,000		
Mortgage	\$180,000	\$180,000		
Other debt	\$37,000	\$37,000		
Other cash needs				
<b>Total cash needs</b>	<b>\$602,000</b>	<b>\$602,000</b>		

Suggested income replacement ratio is between 70%-80%, depending on client's goals. Multiply **combined family income** by the **ratio** to arrive at **family income goal**

Income needs				
Current income	\$80,000	\$70,000		
Combined family income	\$150,000	\$150,000		
Income replacement ratio	80%	80%		
Family income goal	\$120,000	\$120,000		
Other income				
Social Security <sup>1</sup>	\$15,000	\$15,000		
Survivor income	\$70,000	\$80,000		
Income shortage	\$35,000	\$25,000		
Inflation-adjusted earnings rate	3%	3%		
<b>Capital required for income</b>	<b>\$1,166,667</b>	<b>\$833,333</b>		

Subtract **other income** from **family income goal**

**Gross return – inflation = inflation-adjusted earning rate** (e.g., 6% – 3% = 3%)

Divide **income shortage** by **inflation-adjusted earnings rate** (e.g., \$35,000 ÷ 3% = \$1,166,667)

Add **capital required for income** and **total cash needs**

Subtract **total income savings/liquid assets** and **existing life insurance** from **total capital required**

Additional capital required				
Total capital required	\$1,768,667	\$1,435,333		
Savings/liquid assets	– \$112,000	– \$112,000		
Existing life insurance	– \$500,000	– \$500,000		
<b>Additional capital required</b>	<b>\$1,156,667</b>	<b>\$823,333</b>		

<sup>1</sup> See the Social Security website [ssa.gov](http://ssa.gov) for additional information regarding survivor benefits.

See second page for important information.

This life insurance needs analysis is a tool that can help you estimate your life insurance needs. The information provided is not a substitute for a complete life insurance needs analysis. This information is not a guarantee of coverage. The cost and availability of life insurance depends on factors such as age, health, and the type and amount of insurance. Please work with your insurance professional to help determine the coverage best suited to your individual situation.

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