Life Insurance Needs Worksheet

Get a general sense of how much life insurance you need to protect your family. Before buying life insurance, it makes sense to consult with an insurance professional for a more thorough analysis of your needs. This 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**
   For example, spouse’s earnings or a fixed pension.\(^1\) (Do not include income earned on your assets, as it is addressed later in the calculation) $_________

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. Factor _______. $_________

**Expenses**

5. **Funeral and other final expenses**
   Typically the greater of $15,000 or 4% of your estate $_________

6. **Mortgage and other outstanding debts**
   Include mortgage balance, credit card balance, car loans, etc. $_________

7. **Capital needed for college**
   (2013-2014 average 4-year cost: Private $163,668; Public $73,564\(^2\))
   Estimated 4-Year Cost x Appropriate Factor in Table B = NPV $_________

   - Child 1
   - Child 2
   - Child 3

8. **Total capital required**
   Add items 4, 5, 6 and 7 $_________

**Income**

9. **Savings and investments:** Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc. $_________

10. **Retirement savings:** IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans\(^3\) $_________

11. **Present amount of life insurance**
    Including group insurance as well as insurance purchased on your own $_________

12. **Total income producing assets**
    Add lines 9, 10 and 11 $_________

13. **Life insurance needed**
    Subtract line 12 from line 8 $_________

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\(^1\) Social Security benefits, which may be available, have not been factored into this calculation.

\(^2\) Trends in College Pricing, 2013. The College Board. Costs reflect total charges, which include tuition, fees, room and board.

\(^3\) Distributions from most retirement savings plans are subject to ordinary income tax rates.

Note: These tables help you determine net present value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.

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Prefer to Use an Online Calculator?