

How Much Life Insurance Do You Need?

~ 9 Steps to Replacing Your Income ~

	<u>Your Figures</u>
1. How much money does your family need each month to pay all of your bills and maintain your desired standard of living?	\$ _____
2. Multiply that by 12 <i>Equals the annual income needed to maintain your desired lifestyle:</i>	x _____ 12 \$ _____
3. Subtract the annual income your surviving spouse would receive after your death. (Include their wages and any Social Security beneficiary income for the family) <i>Equals your Family's <u>additional</u> annual income need:</i>	- \$ _____ \$ _____
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4. What investment return could your surviving spouse earn on a <u>regular</u> basis when they invest the life insurance proceeds? <i>(Example: 3% to 7% is common)</i>	% _____
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5. Divide your answer to #3 by the answer to #4. (Example: \$20,000 ÷ 5% = \$400,000)	\$ _____
6. Add final expenses (burial, funeral, etc.) (Example: \$10,000+/-)	+ \$ _____
7. Add any additional goals (Examples: college funds, charitable donations, etc)	+ \$ _____
8. Add any additional expenses that are NOT included above. (New day care expenses for children, a bereavement break from work, etc.) <i>Equals your estimated life insurance need:</i>	+ \$ _____ = \$ _____
9. Subtract existing life insurance as well as other liquid savings & investments. (Example: Savings, CD's, Mutual Funds- (Do not include 401k plans etc. unless surviving spouse is close to age 60 +/-)	- \$ _____
EQUALS ADDITIONAL LIFE INSURANCE NEEDED:	= \$ _____

(This sheet is for estimating purposes only. Individual needs and circumstances will vary)

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What type of Life Insurance is best for you?

- **What is your budget for purchasing the insurance coverage that you need?**
 - Term Insurance**= The most coverage at the lowest possible premium cost.
 - Return of Premium Term**= Higher cost than term, but premiums are refunded at the end of the level period (20-30 yrs)
 - Permanent Insurance**= Higher premiums, but coverage will be around for your entire lifetime, and builds significant cash surrender values that can be used to supplement retirement & college savings, etc.

- **How many years do you need the coverage for?**
 - Term Insurance**= Short-term needs (level premiums from 10-30 years, up to age 80)
 - Permanent Insurance**= Lifetime coverage up to age 100+ is available

- **Do you want the policy to develop a cash surrender value?**
 - Term Insurance**= Pure insurance coverage. No cash value if cancelled. Only pays a benefit if the insured dies.
 - Return of Premium Term** = More expensive than regular term insurance, but you receive 100% refund of your premiums paid if you survive to the end of the level premium period (20-30 years)
 - Permanent Insurance**= Builds cash values and generates a significant profit over time for use in supplementing retirement & college savings..

- **Are you maximizing your retirement plan at work and Roth IRA's?**
 - Term insurance**= Extremely low premiums allow you to have extra money available for other tax-favored investments.
 - Permanent insurance**= Can be a valuable savings tool, and can diversify your other investments by offering alternative choices, as well as guaranteed returns.

- **Is it important to have premiums that can be flexible from year to year?**
 - Term Insurance**- Locks-in a fixed premium that must be paid to continue coverage.
 - Permanent Insurance**- Builds cash values over time, so that premiums may be skipped in the future, if desired. (Also may allow dump-in of extra premiums to enhance cash value growth).

- **Does your portfolio need an investment that can offer guaranteed returns?**
 - Term Insurance**= No cash value returned- (not an investment)
 - Return of Premium Term** - Guarantees that you receive 100% of premiums refunded if you survive to the end of the level premium period (20-30 yrs).
 - Permanent Insurance**= Can offer a guaranteed investment return, and can develop significant tax-favored profits, if held for long enough periods of time (10-15 years+).

Remember, a mix of both Term and Permanent policies may be a solution.