

Needs Analysis Worksheet

How much life insurance is enough?

1. Your annual earned income: \$ _____
2. If married, your spouse's annual income: \$ _____
TOTAL INCOME: \$ _____

3. What is the amount of net income needed per month to maintain your family's standard of living? \$ _____

(Do not include your house payment or other loan payments if insurance proceeds will be used to pay off the balances. Those balance amounts will be entered in step 8. If insurance proceeds will not be used, then use 75 percent of current monthly income)

SUBTOTAL \$ _____

Multiply the total net amount by 12 and enter on the SUBTOTAL line.

4. ADD unique annual personal expenses (for instance, financial obligations for a disabled parent or a handicapped child) \$ _____

SUBTOTAL \$ _____

5. **SUBTRACT** annual income from other sources such as spouse's income (if he/she plans to continue working) trust income, rental property income, etc.

TOTAL AMOUNT OF INCOME NEEDED FROM INTEREST \$ _____

6. To determine the amount of capital needed to generate the interest income determined in step 5, divide the amount in step 5 by an interest rate you would likely earn after taxes by investing a lump sum of cash. For example, if 7 percent sounds reasonable, divide by .07; if 9 percent sounds reasonable, divide by .09.

AMOUNT \$ _____

NOTE: This calculation does not include inflation. In order to determine the amount of capital needed to generate income that will grow with inflation, use a lower percentage such as 3 percent or 4 percent.

7. **ADD** estate settlement costs (taxes, probate and funeral expenses). Figure 4 to 6 percent of your total gross estate + _____

8. **ADD** any outstanding loan balances such as mortgage or car payments you did not include in step 3 + _____

9. **ADD** education funds in today's dollars that will be needed + _____

SUBTOTAL \$ _____

10. **SUBTRACT** existing insurance and other liquid assets such as CDs, stocks, and bank account balances from the SUBTOTAL APPROXIMATE LIFE INSURANCE

NEEDS AT PRESENT \$ _____