

## WORKSHEET: How Much Life Insurance Do I Need?

When purchasing life insurance, you'll get all sorts of quick-calculation advice from financial planners. Some will tell you to multiply your annual income by seven. Some will tell you to buy enough to cover your debts. However, really figuring out what you need takes more than one of these quick guesstimates. You have lots of other things to worry about, like getting the kids through college or hoping your beneficiaries will be able to keep up their present lifestyle despite inflation. This worksheet will help you identify your short- and long-term needs, and put numbers to them.

### **SHORT TERM DEBTS**

What are your:

#### Outstanding Debts?

*Credit Card*

Amount

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*Vehicle/Other Loans*

Amount

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*Approximate Final Expenses?*

Prearranged or approximate funeral cost? \_\_\_\_\_

Allowance for medical/hospital bills? \_\_\_\_\_

Allowance for attorney/probate costs? \_\_\_\_\_

*Emergency Expenses?*

What are the amounts you would normally expect to pay for:

Medical emergencies? \_\_\_\_\_

Car repairs? \_\_\_\_\_

Home repairs? \_\_\_\_\_

Other? \_\_\_\_\_

**TOTAL SHORT TERM DEBTS:**

**\$ \_\_\_\_\_**

**LONG-TERM DEBTS**

What are your:

*College Loans*

Amount

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*Children's Expected College Expenses*

Amount

*NOTE: During the 1999-2000 school year, the average yearly tuition for a public four-year institution was \$8,086, and \$21,339 for a private, four-year institution. College costs go up about 5% per year.*

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<i>Mortgage</i>	Amount
<b>TOTAL LONG TERM DEBTS:</b>	<b>\$ _____</b>

**FAMILY BUDGET**

*NOTE: For ease of calculations, use monthly expenses.*

Rent	_____
Groceries	_____
Utilities	_____
Child Care	_____
Transportation	_____
Vehicle Fuel	_____
Vehicle Maintenance	_____
Non-College School Expenses	_____
Entertainment	_____
Travel	_____
Medical Care	_____
Insurance Premiums	_____
Clothes	_____
Household Goods	_____

TOTAL MONTHLY FAMILY EXPENSES: \$ \_\_\_\_\_

Multiply the total monthly family expenses times 12 to calculate

TOTAL YEARLY FAMILY EXPENSES: \$ \_\_\_\_\_

Multiply total yearly family expenses times the number of years you want to provide for them:

**TOTAL FAMILY EXPENSES PROVIDED:** \$ \_\_\_\_\_

Add the Total Expenses for short-term and long-term debts, and Total Family Expenses Provided:

**TOTAL INCOME NEEDS:** \$ \_\_\_\_\_

**RESOURCES INVENTORY**

*Savings Account*

Amount

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*Investment Account*

Amount

*NOTE: Include all accounts where you have investments of any kind, including stocks, bonds, and mutual funds.*

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*Life Insurance Policies*

Amount

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*Social Security Benefit Estimate* (go to the Social Security Administration's Web Site at <http://www.ssa.gov/OACT/COLA/benefitEx.html> for a rough calculation; if you have more than one child, use the monthly family maximum) times the number of years until the youngest child reaches age 18: \_\_\_\_\_

**TOTAL RESOURCES:**

\$ \_\_\_\_\_

### **INSURANCE NEEDS**

**TOTAL INCOME NEEDS MINUS TOTAL RESOURCES:**

\$ \_\_\_\_\_

This is the amount of coverage you will need to meet all these obligations when you die. The amount may seem astronomical, but try pricing it out. It may be quite affordable. If you can't afford the premium, redo the calculation after taking out items which you may be able to do without. For example, maybe the kids will have to take out some student loans instead of having all of their tuition paid for them.

Redo this calculation every few years, to see if your insurance needs have drastically changed. You may have a new baby, or buy a new house. Or, you may get a large raise or inherit money, and pay off your mortgage and other expenses.