

If Something Happens To Me™

Life Insurance Worksheet

Do you need life insurance? The main purpose of life insurance is to replace a person's income in the event of their death. Generally speaking, if you have people relying on your income, you need life insurance. It can also be a useful tool in other circumstances, such as estate planning or business succession planning.

Once you decide whether or not you need life insurance, you will need to determine how much you need. While you don't want to over-insure, you want to make sure that you purchase enough to replace the insured's income as well as pay for burial expenses and pay off any debts you have incurred. A figure that we have heard often is that you need about five times your annual income. Because every family is unique, however, we think it is a good idea to do a little more homework. We have included a worksheet below that will help you determine your need.

Step 1 Determine what annual income the surviving spouse and dependents will need.

A: \$ _____

Step 2 If the surviving spouse will have income sources in addition to the insurance, add those up and subtract them from the number you came up with in step one. For example, a surviving spouse might have income from their own job, earnings on investments, or income from Social Security.

B: \$ _____

C: \$ _____ (A minus B)

Step 3 In order to replace a person's income indefinitely, you would need to invest the proceeds from the insurance settlement and live off the interest without touching the principal. Therefore, if you thought your after tax returns would average 6%, you would divide the number you came up with on line C above by .06. If you think you would be more aggressive with your investments, you could divide by a larger percent or vice versa if you would be more conservative.

D: $C / .06 = \$$ _____

The above information was excerpted from the book *If Something Happens To Me*. To learn more about preparing for the unexpected or to purchase tools designed to help you organize your affairs, visit us on the web at www.ifsomethinghappenstome.com.

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Step 4

There are a few adjustments we need to make to line D in order to arrive at a final number. First of all, your family will have certain expenses at the time of death that are not factored into your typical annual salary needs. There is no way to know for certain what these will be, but you can ask your attorney and your financial advisor to help you make an estimate.

E:	Funeral expenses	\$ _____
	Medical costs	\$ _____
	Estate taxes	\$ _____
	Trustee or probate fees	\$ _____
	Debts to be paid	\$ _____
	Emergency expenses	\$ _____
	Children's education	\$ _____
	Other	\$ _____
	Total	\$ _____

Step 5

Add the total from Step 3 with the total from Step 4. There is still one final adjustment we need to make to this number.

F: \$ _____ + \$ _____ (Step 3 plus Step 4) = \$ _____

Step 6

Finally, subtract any assets that survivors could use to meet their needs from the number that you came up with on line F. For example, they could access money in your retirement plans or there may be proceeds from other insurance policies.

G:	Other life insurance	\$ _____
	Cash and other savings	\$ _____
	IRA or 401(k)	\$ _____
	Other	\$ _____
	Total	\$ _____

Total of F minus G = Total face value of life insurance that you may need.

\$ _____ - \$ _____ = \$ _____

Once you have determined how much insurance you may need, you should meet with your insurance agent to review your calculations and determine what type of life insurance would best meet your needs. Once you have done this, make sure to record the details of your policy in the life insurance section of [If Something Happens To Me](#).

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