



LIFE INSURANCE NEED ASSESSMENT

You need to carry life insurance if:

- You have dependants
- You are married, have debts, and want to protect your spouse in the event of your death
- You have a large estate and want to reduce potential estate taxes

If you need to carry life insurance, the following exercise will allow you to estimate the amount of death benefit you need to carry.

ESTIMATED TOTAL COSTS

- 1. Calculate the total amount of your personal debt, including mortgage debt.** Add up the total amount of everything you owe. Most experts recommended that in the event of your death, you plan to leave your spouse, dependants and/or heirs debt-free.

Total Estimated Debt: \$ _____

- 2. Estimate the cost of raising minor children that you currently support, to age 18.** According to *Consumer Reports*, in 2005 the cost of raising a child from birth to age 18 (for a family earning approximately \$70,000 per year) totals approximately \$360,000, or \$20,000 per year. This does not include any costs associated with saving for college.

Total Estimated Cost: \$ _____

- 3. Estimate the cost of four years of college for each child that you currently support.** By 2021, the average cost of room, board, tuition and fees for a four year college degree is expected to be approximately \$130,000 at public institutions and \$260,000 at private institutions. In 2005-2006, the *College Board* estimated the average cost of room, board, tuition and fees to be approximately \$12,000 per school year for public institutions and approximately \$28,500 per school year for private institutions. Currently, it is estimated that college expenses will increase by an annual rate of 8.25 percent per year for several years beyond 2006.

Total Estimated Cost: \$ _____

- 4. Anticipate the annual income needs of your spouse (or the guardian of your children).** Estimate the amount of annual income your spouse or guardian will need for living expenses and multiply this result by a factor of at least 10.

Total Estimated Cost: \$ _____

- 5. Subtotal.** Add the Total Estimated Costs calculated in items 1, 2, 3 and 4 above.

Total Estimated Cost: \$ _____

ESTIMATED TOTAL EQUITY

6. Estimated value of assets. Add up the total value of everything you own free and clear and the amount of equity you have in each of your assets.

Total Estimated Value/Equity of Assets: \$ _____

ESTIMATED VALUE OF DEATH BENEFIT

Total approximate value of life insurance death benefit you need to carry. Subtract the estimated value of item 6 from the estimated value calculated in item 5.

Total Estimated Value of Death Benefit: \$ _____ **(Item 5 minus Item 6)**

This assessment will give you a rough estimate of the amount of life insurance death benefit you should carry. For individuals with young families, this can be a sizeable amount of life insurance! A more general rule-of-thumb used by many experts is to carry life insurance death benefit equal to somewhere between 6 and 20 times your gross annual salary.