

Life Insurance Needs Analysis

A Tool to Estimate the Right Amount of Life Insurance Coverage

Immediate Cash Needs

1. **Final Expenses:** The amount needed to cover all final expenses upon your death. This includes funeral costs, medical expenses, probate fees, etc. Current average funeral expenses are about \$10,000. \$ _____
2. **Mortgage:** Enter your mortgage balance here if you intend to pay off your mortgage upon your death. \$ _____
3. **Other Debts:** Estimate the amount needed to pay off your debts. Include credit card balances, car loans, educational loans, and other outstanding liabilities. \$ _____
4. **Emergency Fund:** The amount you would like to reserve for unforeseen financial needs, such as income lost due to work absence, medical expenses, and home/auto repairs. \$ _____
5. **Education Fund:** The total cost of sending your children to college. The current annual average cost of public and private colleges are about \$13,000 and \$28,000, respectively. \$ _____
6. **Total Cash for Immediate Needs:** Sum of Lines 1 through 5 \$ _____

Future Income Needs

7. **Survivor's Income Replacement Need:** Some experts suggest a life insurance policy should pay a benefit equal to 7 to 10 times your annual income¹. Your need could be higher or lower depending on your situation. \$ _____
8. **Money Factor:** From the Money Factor Chart (below) \$ _____
9. **Present Value of Future Income Needs:** Line 7 times Line 8 \$ _____

Available Funds

10. **Savings and Investments:** The current value of savings and investments which may be liquidated to provide your family cash flow upon your death. Include stocks, bonds, savings accounts, etc. \$ _____
11. **Retirement Savings:** The current value of retirement savings which may be liquidated to provide your family cash flow upon your death. Include IRA, 401(k), annuities, and other retirement accounts. \$ _____
12. **Other Assets:** All other assets which may provide income to your family (inheritances, commodities, rental properties, etc.) \$ _____
13. **Current Life Insurance:** Include all life insurance policies, including coverage through your employer. \$ _____
14. **Total Available Funds:** Sum of Lines 10 through 13 \$ _____

Needs Summary

15. **Total Funds Needed at Death:** Line 6 plus Line 9 \$ _____
16. **Total Available Funds:** From Line 14 \$ _____
17. **Estimate of Additional Life Insurance Coverage Needed:** Line 15 minus Line 16 \$ _____

Money Factor Chart

This chart provides the factor needed in Line 8 to determine the present value of your dependents' income needs. It considers how long that income will be needed, and an assumed "Real Rate of Return."

- Estimate the annual growth rate you expect on your savings and investments. This is generally in the range of 6% to 10%.
- Next, subtract the annual rate of inflation you estimate in the future. Usually, a figure of 1% to 5% is appropriate.
- Now you have determined the Real Rate of Return. Use this chart to determine the money factor to use in Line 8 above.

Income is Needed...	Real Rate of Return								
	1%	2%	3%	4%	5%	6%	7%	8%	9%
5 years	4.9	4.8	4.7	4.6	4.5	4.5	4.4	4.3	4.2
10 years	9.6	9.2	8.8	8.4	8.1	7.8	7.5	7.2	7.0
15 years	14.0	13.1	12.3	11.6	10.9	10.3	9.7	9.2	8.8
20 years	18.2	16.7	15.3	14.1	13.1	12.2	11.3	10.6	10.0
25 years	22.2	19.9	17.9	16.2	14.8	13.6	12.5	11.5	10.7
30 years	26.1	22.8	20.2	18.0	16.1	14.6	13.3	12.2	11.2
35 years	29.7	25.5	22.1	19.4	17.2	15.4	13.9	12.6	11.5
40 years	33.2	27.9	23.8	20.6	18.0	15.9	14.3	12.9	11.7

This Life Insurance Needs Analysis is intended only to provide a general estimate of the amount of life insurance coverage you may need. This analysis provides only a snapshot of your current situation. You should complete a new Life Insurance Needs Analysis at least annually, and whenever your relevant information changes. The results of this analysis are based on your inputs and assumptions. Changes to those items will produce different results.

Neither West Coast Life Insurance Company nor its representatives offer legal or tax advice. Investors should consult their attorney or tax adviser regarding their individual situations. Life insurance policies issued by West Coast Life Insurance Company. Located at 2801 Highway 280 South, Birmingham, AL 35223.

¹ "What You Should Know About Buying Life Insurance," <http://www.pueblo.gsa.gov/accli/> (ACLI, 2007).