

# How Much Life Insurance?

---

1. Annual living expenses of survivors <sup>1</sup>(spouse, children, etc.)
  - a. After-tax living expenses \$ \_\_\_\_\_
  - b. Average tax rate<sup>2</sup> (as decimal value) \_\_\_\_\_
  - c. Tax factor (one minus line 1b) \_\_\_\_\_
  - d. Pre-tax annual living expenses of survivors (1a divided by 1c) \_\_\_\_\_
2. Less: Expected pre-tax annual income
  - a. Social Security benefits \_\_\_\_\_
  - b. Survivor's pension benefits \_\_\_\_\_
  - c. Survivor's earned income \_\_\_\_\_
  - d. Other income \_\_\_\_\_
  - e. Total expected pre-tax annual income \_\_\_\_\_
3. Equals: Annual net living expense shortage, if any.<sup>3</sup> (1-2) \_\_\_\_\_
4. Capital required to produce income to meet the annual living expense shortage
  - a. Pre-tax annual rate of return \_\_\_\_\_%
  - b. Annual inflation rate \_\_\_\_\_%
  - c. Years of income required \_\_\_\_\_ yrs
  - d. Multiplication factor<sup>4</sup> \_\_\_\_\_
  - e. Capital required due to shortage (3 times 4d) \_\_\_\_\_
5. Plus: Lump-sum expenses
  - a. Final expenses and/or estate costs \_\_\_\_\_
  - b. Mortgage/other debt payoff \_\_\_\_\_
  - c. Emergency fund \_\_\_\_\_
  - d. Other fund (education, etc.) \_\_\_\_\_
  - e. Total lump-sum expenses \_\_\_\_\_
6. Total capital required (Line 4 plus line 5) \_\_\_\_\_
7. Less: Existing capital
  - a. Income producing assets \_\_\_\_\_
  - b. Life insurance \_\_\_\_\_
  - c. Total Present Capital \_\_\_\_\_
8. Amount of capital to be added, if any (Line 6 minus line 7) \$ \_\_\_\_\_

---

<sup>1</sup> Consider using 70% of current family living expenses.

<sup>2</sup> This value should be based on the total income and payroll taxes divided by total gross income.

<sup>3</sup> If Line 2 is greater than Line 1, enter a zero value for Lines 3 and 4, then skip to Line 5.

<sup>4</sup> See tables on following pages.

# How Much Life Insurance?

## Multiplication Factors (for line 4d)

Years of Income	1% Pre-Tax Annual Return			2% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	5.20	5.31	5.41	5.10	5.20	5.30
10	10.94	11.45	11.98	10.45	10.93	11.43
15	17.27	18.56	19.96	16.07	17.24	18.52
20	24.25	26.79	29.66	21.98	24.20	26.71
25	31.95	36.32	41.42	28.17	31.87	36.18
30	40.44	47.35	55.72	34.68	40.32	47.12
35	49.81	60.12	73.07	41.51	49.63	59.78
40	60.14	74.90	94.14	48.69	59.89	74.40
45	71.54	92.01	119.73	56.22	71.20	91.31

Years of Income	3% Pre-Tax Annual Return			4% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	5.00	5.10	5.20	4.90	5.00	5.10
10	10.00	10.45	10.92	9.58	10.00	10.44
15	15.00	16.06	17.22	14.03	15.00	16.05
20	20.00	21.96	24.16	18.27	20.00	21.94
25	25.00	28.14	31.79	22.32	25.00	28.11
30	30.00	34.63	40.20	26.17	30.00	34.58
35	35.00	41.44	49.46	29.84	35.00	41.38
40	40.00	48.59	59.65	33.34	40.00	48.50
45	45.00	56.10	70.86	36.67	45.00	55.97

# How Much Life Insurance?

## Multiplication Factors (for line 4d)

Years of Income	5% Pre-Tax Annual Return			6% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	4.81	4.91	5.00	4.72	4.81	4.91
10	9.18	9.58	10.00	8.82	9.19	9.59
15	13.16	14.04	15.00	12.36	13.17	14.05
20	16.76	18.29	20.00	15.44	16.79	18.31
25	20.04	22.34	25.00	18.10	20.08	22.36
30	23.02	26.20	30.00	20.40	23.07	26.24
35	25.72	29.88	35.00	22.40	25.79	29.93
40	28.17	33.39	40.00	24.13	28.26	33.45
45	30.40	36.74	45.00	25.63	30.51	36.81

Years of Income	7% Pre-Tax Annual Return			8% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	4.64	4.73	4.82	4.56	4.64	4.73
10	8.47	8.83	9.20	8.15	8.49	8.84
15	11.64	12.39	13.19	10.99	11.67	12.41
20	14.26	15.47	16.82	13.23	14.31	15.51
25	16.43	18.15	20.12	15.00	16.49	18.20
30	18.22	20.47	23.12	16.39	18.30	20.54
35	19.70	22.48	25.86	17.49	19.79	22.57
40	20.92	24.23	28.35	18.36	21.03	24.33
45	21.93	25.75	30.61	19.04	22.06	25.87

# How Much Life Insurance?

---

## Multiplication Factors (for line 4d)

Years of Income	9% Pre-Tax Annual Return			10% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	4.48	4.56	4.65	4.40	4.48	4.57
10	7.85	8.17	8.50	7.57	7.87	8.18
15	10.40	11.02	11.70	9.85	10.43	11.05
20	12.31	13.28	14.35	11.50	12.36	13.32
25	13.76	15.06	16.55	12.68	13.82	15.12
30	14.84	16.47	18.37	13.53	14.93	16.55
35	15.66	17.59	19.89	14.14	15.76	17.68
40	16.28	18.47	21.14	14.58	16.39	18.58
45	16.75	19.17	22.18	14.90	16.86	19.29

---

Years of Income	11% Pre-Tax Annual Return			12% Pre-Tax Annual Return		
	Inflation at 3%	Inflation at 4%	Inflation at 5%	Inflation at 3%	Inflation at 4%	Inflation at 5%
5	4.33	4.41	4.49	4.26	4.33	4.41
10	7.31	7.59	7.89	7.06	7.33	7.61
15	9.36	9.89	10.46	8.90	9.39	9.92
20	10.77	11.55	12.41	10.11	10.82	11.60
25	11.74	12.75	13.89	10.91	11.80	12.81
30	12.40	13.61	15.01	11.44	12.48	13.69
35	12.86	14.24	15.85	11.78	12.95	14.33
40	13.18	14.69	16.50	12.01	13.28	14.79
45	13.40	15.01	16.98	12.16	13.50	15.12

---