

Calculating your life insurance needs

Determining how much life insurance you need doesn't have to be complicated. Working with your insurance advisor, use the following **3 easy steps** to find out how much insurance protection you require today to protect your loved ones.

Step A : Identify your current debts and financial needs

Step B : Determine your future financial needs

Step C : Deduct the portion to be recovered by your assets and financial resources

$$A + B - C = \text{Your Life Insurance Needs.}$$

| Identify your current debts and financial needs | | \$ |
|---|--|-------------|
| 1 | Mortgages(s) | 1 |
| 2 | Loans (auto, credit cards, personal, etc...) | 2 |
| 3 | Final expenses (probate, executor fees, others) | 3 |
| Total | | (+A) |
| Determine your future financial needs | | |
| 4 | Income needs for your survivor | |
| | Your current gross income | \$ |
| | The % of income your survivor needs (e.g. 70%) | X % |
| | The amount of future annual income needed by your survivor | = \$ |
| | <u>See explanatory note 4:</u> | |
| | The number of years of income protection | X |
| | Assumed interest rate discounted by inflation | = \$ |
| | Assumed time-valued factor | = \$ |
| 5 | Emergency fund | 5 |
| 6 | Child-care expenses | 6 |
| 7 | Education fund | 7 |
| Total | | (+B) |
| Deduct your assets and financial resources | | |
| 8 | Cash and savings | 8 |
| 9 | Stocks, bonds or funds <i>(enter estimated value if desired to sell assets at death)</i> | 9 |
| 10 | Real estate <i>(enter estimated value if desired to sell assets at death)</i> | 10 |
| 11 | Business or farm assets <i>(enter estimated value if desired to sell assets at death)</i> | 11 |
| 12 | Insured Mortgages(s) and loans balance | 12 |
| 13 | Total life insurance benefit (personal, group and other) | 13 |
| 14 | Other death benefits (from pension plan, CPP/QPP) | 14 |
| Total | | (-C) |
| A + B - C = Your Life Insurance Needs | | \$ |

I understand that the values illustrated in this life insurance analysis are based on financial information that I have provided and my understanding of my future financial needs in the event of my death. The illustrated insurance coverage is subject to medical and financial underwriting. It is strictly for reference and I may decide to take out a life insurance policy with a coverage amount different from the one illustrated above. My insurance coverage has to be reviewed on a regular basis to ensure that my financial goals and objectives continue to be met.

Client Signature: _____ **Date:** _____

Advisor Signature: _____ **Date:** _____

Explanatory Notes

- 1 Mortgages(s) Enter the total amount of outstanding mortgage(s) balance of your family. If you are planning on moving to a bigger dwelling, use the new amount as estimated. The amount here represents a portion of the death proceeds required by you.
- 2 Loans Enter the total amount of outstanding loan balance(s) that you would like to pay off in the event of death. Try to include loans of all types e.g. car, credit card, line of credit, etc...
- 3 Final expenses Enter the estimated final expenses including burial, probate, executor fee, uninsured final medical costs. E.g. \$10,000 for funeral and 2% probate fee.
- 4 Income needs for survivor To work out the reasonable income needs for your survivor in the event of your death, it is suggested that you:
- Multiply your current annual gross income by a percentage, usually by 70%;
 - Estimate the number of years for income protection
 - Locate a time-valued factor from the table below based on an assumed *interest rate (discounted by inflation)* against the number of years of income protection required
 - Then, calculate the value by Gross income X Income % X Time-valued factor = **Amount to be entered in B (4)**.

Example:

Current gross income = \$71,000 % of income required by survivor = 70%
 Number of years = 25 Interest discounting inflation = 4%

Income needs for survivor = \$71,000 X 70% X 15.62 = \$781,110 (rounded)

Enter \$781,110 in B (4) in the worksheet.

Interest rate (discount by inflation)

| Years | 3% | 4% | 5% | 6% | 7% | 8% |
|-------|-------|-------|-------|-------|-------|-------|
| 10 | 8.53 | 8.11 | 7.72 | 7.36 | 7.02 | 6.71 |
| 15 | 11.94 | 11.12 | 10.38 | 9.71 | 9.11 | 8.56 |
| 20 | 14.88 | 13.59 | 12.46 | 11.47 | 10.59 | 9.82 |
| 25 | 17.41 | 15.62 | 14.09 | 12.78 | 11.65 | 10.67 |
| 30 | 19.60 | 17.29 | 15.37 | 13.76 | 12.41 | 11.26 |
| 35 | 21.49 | 18.66 | 16.37 | 14.50 | 12.95 | 11.65 |
| 40 | 23.11 | 19.79 | 17.16 | 15.05 | 13.33 | 11.92 |
| 45 | 24.52 | 20.72 | 17.77 | 15.46 | 13.61 | 12.11 |
| 50 | 25.73 | 21.48 | 18.26 | 15.76 | 13.80 | 12.23 |

- 5 Emergency fund Enter an amount equal to 6 months of your monthly gross income if you do not have a specific number in mind.
- 6 Child-care expenses Enter the amount of child-care expenses that would sustain the upbringing of your child(ren) to an age that they no longer require child care.
- 7 Education fund Enter the estimated education fund for all your children. Estimate the cost of university/college at \$5,000 per year per child if living at home. If living away from home, estimate \$12,000 per child.
- 8 Cash and savings Enter the amount of cash and savings on hand.
- 9 Stocks, bonds of funds Enter the estimated value of your monetary investments if you decide to sell them in the event of death to meet part of your financial needs. *Your required life insurance coverage will be reduced by the amount entered here.*
- 10 Real estate Enter the estimated value of your real estate investments if you decide to sell them in the event of death to meet part of your financial needs. *Your required life insurance coverage will be reduced by the amount entered here.*
- 11 Business or farm assets Enter the estimated value of your business or farm assets if you decide to sell them in the event of death to meet part of your financial needs. *Your required life insurance coverage will be reduced by the amount entered here.*
- 12 Insured Mortgages(s) and loans balance Enter the total amount of mortgages and loans that are currently **INSURED**, meaning that the insured amount will be paid off by the insurance proceeds at time of death.
- 13 Total life insurance benefit Enter the total amount of life insurance benefit that you have currently including personal, group, etc...
- 14 Other death benefits Enter the lump sum death benefit you have from any pension plan or CPP/QPP pension.