

PERSONAL LIFE INSURANCE NEEDS ANALYSIS

How Much Life Insurance is enough for your family?

Step 1: Calculate how much income you will need **each month**.

Food:	\$
Clothing:	\$
Housing:	
Rent (mortgages discussed below)	\$
Property taxes	\$
Utilities	\$
Insurance premiums	\$
Home maintenance and repair	\$
Transportation:	
Public transit	\$
Car lease	\$
Car insurance, license	\$
Car maintenance	\$
Education:	\$
Child care:	\$
Investments:	
Life insurance premiums	\$
RRSP contributions	\$
RESP contributions	\$
Other investments	\$
Vacations and entertainment:	\$
Other:	\$
TOTAL	\$ (A)

Step 2: To find out your **annual** income needs, multiply the monthly needs (A) by 12:

\$ _____ (B)

Step 3: To determine the **annual shortfall**, calculate your spouse's current annual sources of income, plus any government benefits.

Salary (annual)	\$
Canada/Quebec Pension Plan benefits	\$
Survivor benefits	\$
Orphan benefits	\$
Interest and investment income	\$
Unemployment insurance	\$
Other sources of income	\$
TOTAL	\$ (D)

Subtract (D) from (B):

(B) \$ _____ — (D) \$ _____ = (E) \$ _____

This is the annual shortfall. If (E) is a negative number, calculate it as zero (0).

Step 4: Calculate **immediate lump-sum expenses and debts**.

Final expenses (funeral, burial)	
Mortgage(s) (unless there is mortgage insurance)	
Loans (car, student, business, personal)	
Legal/probate fees	
Business expenses	
Medical bills	
Income taxes	
Credit card debt	
Other debt	
TOTAL	(F)

Step 5: Calculate any future **lump-sum expenses**, like a new car or children's university education. Also, calculate an amount to account for inflation, if necessary.

Car	
Education tuition fees	
Other future expenses	
Inflation	
TOTAL	(G)

Step 6: Calculate the amount of life insurance coverage that you will need.

6A. Divide annual shortfall (E) by 3% to calculate **future capital needs**. (If annual shortfall is zero, go to step 6B.)

(E) \$ _____ X 0.3 = \$ _____ (H).

6B. Add:

Future capital needs (H):	\$
Immediate lump-sum expenses/debts (G):	+ \$
Future lump-sum expenses (F):	+ \$
TOTAL:	= \$
Subtract any life insurance coverage you [your client] may already have through group and other insurance plans	- \$
TOTAL:	= \$

This is the approximate amount of life insurance coverage that you will need today. Remember, an individual calculation should be done for each spouse/partner in a relationship. This needs analysis does not take into account inflation, which will magnify your life insurance needs over time. For a detailed analysis of your insurance needs, contact a qualified financial advisor.

Don Wells Financial Inc.