

Life
Insurance
Needs
Analysis

1. **Ask** about the mortgage.
2. **Ask** about other debts.
3. **Add** these amounts.
4. **Record** the total.

Capital Retention Model

Concept: Retain principal and spend earnings

Example

Income

Replacement: \$2,000/mo. (\$24,000 annually)
4% return expected on principal
\$6000.00 lump sum needed

Formula: Annual Need x Factor from Interest
Table = Lump Sum Needed

$$\text{\$24,000} / .04 = \text{\$600,000}$$

Capital Utilization Model

Concept: Spend principal and earnings

Example

Income

Replacement: \$2,000/mo. (\$24,000 annually)
4% return expected on principal
\$6,000 lump sum needed

Formula: Annual Need x Factor from Interest
Table = Lump Sum Needed

$$\text{\$24,000} / 8.4353 = \text{\$202,447}$$

Capital Retention Questions

1. If your spouse died, how much annual income would you need to replace his/her earnings?
 2. What rate of return would you expect to receive on the money that generates this income?
- Based on the customer's response, calculate the amount needed and write this amount on the "Income Replacement" line.

Capital Utilization Questions

1. If Joe died, how much annual income would you need to replace his earnings?
 2. How long would you need this income to continue?
- Based on the customer's response, calculate the amount needed and write this amount on the "Income Replacement" line.

Final Expenses

- Ask: Do you want to provide for final expenses (medical, funeral)?
- Inform: Share local cost of funeral expenses.
- Record: List determined amount.

Other Expenses

1. Education
 - Do you plan to pay?
 - Type of education
 - Estimated cost
2. Others
 - Charities
 - Parents
3. Add
4. Record

Life Insurance Needs

- Total Loans, Mortgage or Rent
 - Other Debts
 - Income Replacement
 - Final Expenses
 - Other Expenses
- = Total Estimated Life Insurance Need

Available Resources

- Other Life Insurance
 - CDs
 - Savings
 - Trust Funds
 - Other Resources
- = Total Available Resources

Shortfall
or
Surplus?

Total Estimated Life Insurance Needs

—

Total Available Resources

=

Amount of Life Insurance needed