

# LIFE INSURANCE QUICK ESTIMATOR

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Client Name \_\_\_\_\_ Date \_\_\_\_\_

Agent Name/Approved Title \_\_\_\_\_

## You're worth a fortune to your loved ones alive. But what if something unexpected happens to you? How much life insurance is enough?

According to the Life and Health Insurance Foundation for Education (2006), your family may have a true need for coverage of 10, 15, or even 20 times your gross annual income. While rules of thumb may be helpful, they do not take into consideration each individual's personal situation. This worksheet provides a quick and simple method to estimate the amount of life insurance needed for your individual situation.

### Income

1. **Annual before tax income your family would need if you died today** \$ \_\_\_\_\_  
Typically between 60% and 80% of total income. Include all salaries, dividends, interest and any other sources of income.
2. **Annual income available to your family from other sources** \$ \_\_\_\_\_  
Include dividends, interest, and spouse's earnings (Social Security may be available)
3. **Annual income to be replaced** – Subtract line 2 from line 1 \$ \_\_\_\_\_
4. **Capital needed for income** – Multiply line 3 by the appropriate factor in the table below \$ \_\_\_\_\_

Years Income Needed	10	15	20	25	30	35	40
Factor <sup>1</sup>	8.8	12.4	15.4	18.1	20.4	22.4	24.1

### Expenses

5. **Funeral <sup>2</sup> and other final expenses** \$ \_\_\_\_\_  
Typically the greater of \$15,000 or 4% of your estate
6. **Mortgage and other outstanding debts** \$ \_\_\_\_\_  
Include mortgage balance, credit card debt, car loans, home equity loans, etc.
7. **College costs <sup>3</sup>**  
2007-2008 average annual costs at four-year colleges and universities: public – \$17,336; private – \$35,374

	Annual Amount		Number of Years in College	Total Cost
Child 1		Multiplied by		
Child 2		Multiplied by		
Child 3		Multiplied by		
Child 4		Multiplied by		
Child 5		Multiplied by		
<b>Total for all children</b>				

**Total capital needed for college** \$ \_\_\_\_\_

8. **Total capital required** – Add lines 4, 5, 6 and 7 \$ \_\_\_\_\_

### Assets

9. **Savings and investments** \$ \_\_\_\_\_  
Bank accounts, CDs, stocks, bonds, mutual funds, real estate/rental property, etc.
10. **Retirement savings** \$ \_\_\_\_\_  
IRAs, 401(k) plans, SEPs, pension and profit sharing plans
11. **Present amount of life insurance** \$ \_\_\_\_\_  
Include group insurance and personal insurance purchased on your own
12. **Total of all assets** – Add lines 9, 10 and 11 \$ \_\_\_\_\_
13. **Estimated amount of additional life insurance needed** – Subtract line 12 from line 8 \$ \_\_\_\_\_

<sup>1</sup> Inflation is assumed to be 3%. The rate of return on investments is assumed to be 6%

<sup>2</sup> Many funerals run well over \$10,000 – Federal Trade Commission – Retrieved on September 23, 2008 from <http://www.ftc.gov/bcp/edu/pubs/consumer/products/pro19.shtm>

<sup>3</sup> Source: The College Board, *Trends in College Pricing 2007*. Costs include tuition, room, board, books and supplies, transportation, and other expenses for a resident.

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