

➤ Step 1: Determine your financial obligations

	Obligation	Amount	Example
1	Total income your family would need if you died today (<i>annual salary multiplied by the number of years you want to replace your income</i>) <i>This is the amount your family needs, before taxes, to maintain their current standard of living; for example, 75% of your current income.</i>		\$50,000
2	Outstanding mortgage and other debt <i>Include any credit card debt you currently have.</i>		\$200,000
3	Funeral and other final expenses <i>Other final expenses can include medical bills, attorney fees, probate costs, etc.</i>		\$15,000
4	College costs for children, if applicable <i>Consider the cost of a four-year institution, public or private, for all children.</i>		\$80,000
5	Total amount needed to cover your obligations <i>Add lines 1, 2, 3, and 4.</i>		\$345,000

➤ Step 2: Estimate the money your family will receive from other sources

	Sources of money	Amount	Example
6	Total savings and investments <i>Estimate the total funds you have in your bank accounts, retirement accounts, and investments.</i>		\$50,000
7	Current amount of life insurance, if applicable <i>You may already have life insurance through your employer. If so, include the death benefit here.</i>		\$150,000
8	Existing college funds <i>Enter the amount you've already saved for your children's educations.</i>		\$10,000
9	Total annual income from other sources (<i>multiplied by the same number of years you used to calculate your income in line 1</i>) <i>Consider dividends, your spouse's earnings, Social Security, etc.</i>		\$25,000
10	Total amount of other income and earnings <i>Add lines 6, 7, 8, and 9.</i>		\$235,000

➤ Step 3: Calculate the additional life insurance needed

	Sources of money	Amount	Example
11	Enter the total financial obligations from line 5		\$345,000
12	Enter the total amount of other income and earnings from line 10		\$235,000
13	Subtract line 12 from line 11 <i>This is the additional amount of life insurance needed to cover your obligations.</i>		\$110,000