# Life Insurance Needs calculator

So, how much life insurance do you need? Well, the answer isn't really how much life insurance you need... it's how much investment capital your family will need at the time of your death. Their need for capital — on a gross basis — is really a function of two variables:

**1. How much will be needed at death to meet immediate obligations?**

**2. How much future income is needed to sustain the household?**

The first category is fairly easy to estimate. It's the sum of final expenses (including uncovered medical costs, funeral expenses and final estate-settlement costs) and other lump-sum obligations (such as outstanding debts, mortgage balance, and college costs). The second variable is a bit trickier. It involves calculating the "present value" of future needed cash-flow streams. By answering a few simple questions below, you can get a rough sense of the needs for capital that might exist at your death.

**A few tips:**Our analysis of your needs depends upon the answers you provide us to the questions below. Please answer all questions. If you do not understand a question, click on the highlighted term for more information and we'll explain what we're driving at. This calculator has provided a rough sense of your potential life insurance needs. To the extent that you or your beneficiaries are eligible for Social Security benefits, those benefits have not been included in this analysis. Social Security benefits, if available, will somewhat reduce the need for life insurance. For a more accurate and detailed analysis, contact a professional life insurance agent.

Below, please estimate some of the lump-sum needs that would exist at the time of your death.

**Enter only numbers, no commas or dollar signs.**
**Estimate Your Family's Expenses in Case of Your Death:**

1. Final expenses: 15000

2. Outstanding debts (other than your mortgage): 0

3. Outstanding mortgage: 0

4. College funding needs:

| Child 1 age | Child 2 age | Child 3 age | Child 4 age | Child 5 age | Child 6 age |
|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 |
| School | School | School | School | School | School |
| 0 | 0 | 0 | 0 | 0 | 0 |

**Estimate Your Family's Income Needs in Case of Your Death:**

1. Total annual income your family would need if you died today:

2. How many years should income be provided?

3. What is your current savings and investments (not including retirement funds)? 0

4. What are your current retirement savings? 0

5. What is the value of the life insurance in force on your life? 0

**Assuming your spouse would work following your death:**

1. What is your spouse's annual income? 0

2. How many years does your spouse expect to work? 0

3. Your spouse's marginal tax rate? 25 %

Please note: The following assumptions are incorporated in the calculation. You may enter your own data and override these assumptions to gain an even more personalized analysis.

1. Estimated inflation rate: 3 %

2. After-tax net investment yield: 6 %

Analysis | Clear

Return to calculator.

**Final expenses**: Typically the greater of $15,000 or 4% of your estate. This would include uncovered medical costs, funeral expenses, and final estate settlement costs. Note: If your estate is over $1,500,000 your final expenses may be much higher due to federal and state estate or inheritance taxes.

**College funding**: Total projected college costs (tuition plus all other costs such as room and board, books, etc.), less current funds in the child's name.

**Savings and investments**: Includes bank accounts, money market accounts, mutual funds, CDs, bonds, stocks and other assets.

**Mortgage payment fund**: Whether or not your survivors would use life insurance proceeds to pay off the mortgage right away, creating a fund to cover mortgage payments makes sense.

**Annual income needs**: Total amount your family needs, before taxes, to maintain their current standard of living, typically 60%-75% of total income. Families with higher incomes typically fall into the lower end of that range.

**Retirement savings**: Includes 401(k), Keoghs, pension and profit sharing plans.

**Life insurance in force**: Includes individual policies, group term coverage available through work, and any other life insurance on your life payable to your family or for the benefit of your family. Do not include accidental death insurance or "double indemnity" insurance.

**Spouse's marginal tax rate**: This is the rate of tax you are paying on your highest dollars of income. For instance, in 2005 a single taxpayer earning $50,000 has a Marginal Tax Rate of 25%. That's because earned income between $29,700 and $71,949 gets taxed at 25%. The lowest Marginal Tax Rate is 10% an applies to people who earn less than $7,299. The highest Marginal Tax Rate is 35% for dollars earned in excess of $326,450.

http://www.lifehappens.org/life-insurance-needs-calculator/