

HOW MUCH DISABILITY INSURANCE DO I NEED?

ANNUAL LIVING EXPENSES	<u>EXAMPLE</u>	<u>YOU</u>
Housing	\$ 20,000	\$ _____
Phone and Utilities	3,000	_____
Food	12,000	_____
Clothing	6,000	_____
Transportation (Gas, Auto Insurance, Car Payments)	6,000	_____
Entertainment	3,000	_____
Education	20,000	_____
Medical, Personal Care	6,000	_____
Life Insurance	2,000	_____
Life Partner's Job-Related Expenses	1,500	_____
Other Expenses	—	_____
TOTAL ANNUAL LIVING EXPENSES	\$ 79,500	\$ _____
INCOME DURING DISABILITY		
Life Partner's After-Tax Income	25,000	_____
Investment Income	0	_____
Group Disability Income	0	_____
Individual Disability Income	0	_____
Other Income	0	_____
TOTAL ANNUAL INCOME	\$ 25,000	\$ _____
ANNUAL INCOME SHORTAGE	\$ 54,500	\$ _____
MONTHLY INCOME SHORTAGE (+ by 12)	\$ 4,541	\$ _____

HOW MUCH LIFE INSURANCE DO I NEED?

A) CASH NEEDS

Residence Mortgage

\$ 100,000

\$ _____

Other Mortgages

—

Other Liabilities

—

Transition Fund and Cash Cushion

50,000

Business Fund to Offset Key Management Loss

—

Emergency Fund

50,000

Education Fund

80,000

Funeral, Medical, and Miscellaneous

20,000

Estate Taxes and Related Costs

—

Total A: 300,000

B) INCOME NEEDS

*Capital Needed to Produce \$ 50,000 Annual

After-Tax Income for Your Life Partner &/or Children

1,000,000

TOTAL CAPITAL NEEDED

\$ 1,300,000

\$ _____

CAPITAL NOW AVAILABLE TO PRODUCE INCOME

Current Insurance

200,000

Income-Producing Assets

100,000

TOTAL CAPITAL NOW AVAILABLE TO PRODUCE INCOME

\$ 300,000

\$ _____

CAPITAL SHORTAGE (NEW INSURANCE NEEDED)

\$ 1,000,000

\$ _____

*To determine how much capital will be needed, divide the desired annual after-tax income by .05 if you wish to assume a 5% return on capital after taxes, or by .08 if you wish to assume an 8% return on capital after taxes. Bearing in mind the potential impact of Taxes, Inflation, Mistakes and Emergencies (TIME), I suggest using the more conservative assumption.