

Life Insurance Needs Analysis:

How Much Insurance Do You Need

Step 1: Assets and life insurance

Liquid assets
 (cash on hand, GICs, RRSPs and other investments)

Other disposable assets
 (rental property, cottages, farm or business assets)

Total amount of existing life insurance policies
 (Include group insurance, personal insurance, mortgage insurance)

Total assets available

Step 2: Liabilities and cash needs

Total mortgage amounts owing
 (residential, commercial etc.)

Total of loans and other debts
 (such as bills and credit cards)

Final expenses
 (funeral expenses, lawyer fees, income and capital gains taxes)

Education fund
 (we suggest a minimum of \$10,000 per child per year of schooling)

Other cash needs
 (emergency fund, child care, aging parents, etc.)

Total liabilities and cash needs

Step 3: Income needed by your survivors in the event of your death

Present Value Factor for an Ordinary Annuity
 (interest rate = r, number of periods = n)

n/r	4%	5%	6%
1	0.9615	0.9524	0.9434
2	1.8861	1.8594	1.8334
3	2.7751	2.7232	2.6730
4	3.6299	3.5460	3.4651
5	4.4518	4.3295	4.2124
6	5.2421	5.0757	4.9173
7	6.0021	5.7864	5.5824
8	6.7327	6.4632	6.2098
9	7.4353	7.1078	6.8017
10	8.1109	7.7217	7.3601
11	8.7605	8.3064	7.8869
12	9.3851	8.8633	8.3838
13	9.9856	9.3936	8.8527
14	10.5631	9.8986	9.2950
15	11.1184	10.3797	9.7122
16	11.6523	10.8378	10.1059
17	12.1657	11.2741	10.4773
18	12.6593	11.6896	10.8276
19	13.1339	12.0853	11.1581
20	13.5903	12.4622	11.4699
21	14.0292	12.8212	11.7641
22	14.4511	13.1630	12.0416
23	14.8568	13.4886	12.3034
24	15.2470	13.7986	12.5504
25	15.6221	14.0939	12.7834
26	15.9828	14.3752	13.0032
27	16.3296	14.6430	13.2105
28	16.6631	14.8981	13.4062
29	16.9837	15.1411	13.5907
30	17.2920	15.3725	13.7648

Annual income to provide for your survivors
 (70% of current income is often selected)

Number of years income to be provided

Annual rate of return on investments
 (before taxes)

Income needs for your survivors
 (Multiply factor opposite number of years
 in chart by the required annual income)

Your life insurance needs

Total liability and cash needs
plus

Amount of income needed by your survivors
equals

Total capital required to meet income needs
minus

Total assets
equals

Additional life insurance needed