How much life insurance does your family need?

When determining life insurance needs, make sure you consider all your requirements

American General
Life Companies

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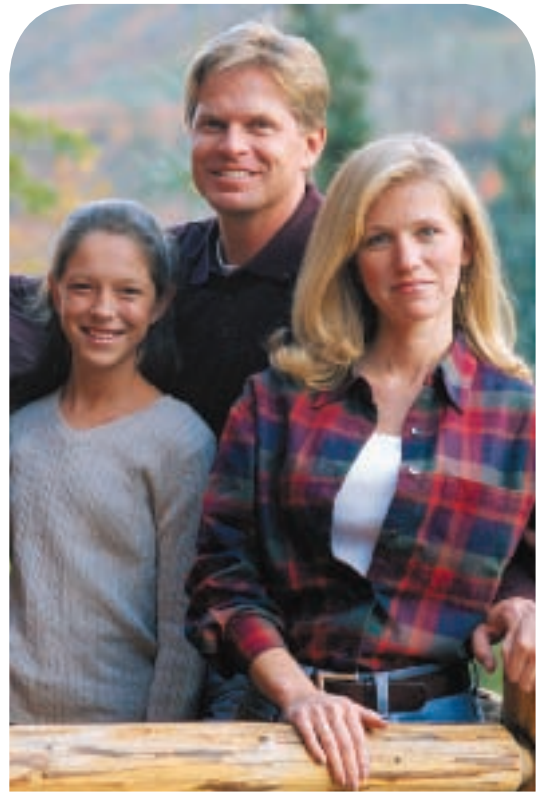
AGLC0358 REV0109



Do you have enough?

Determining your life insurance needs

Life Insurance Needs Analysis

A simple review of your current life insurance and future requirements can help determine how much life insurance you and your spouse need to protect your family properly.

Use the following guidelines to complete the Life Insurance Needs Analysis Worksheet.

Current cash requirements

a. Final expenses
This estimated cost includes medical expenses not covered by your healthcare policy (deductible plus any coinsurance), funeral expenses (estimate $6,195 to $10,000)* and probate costs.

b. Emergency fund
Financial experts recommend that you save up to six months salary for any household or personal emergency that may arise. The emergency fund might be larger or smaller, depending on your family's circumstances.

c. Mortgage balance
It's often desirable to select a life insurance benefit large enough to pay off the mortgage balance.

d. Outstanding loans
Determine total outstanding consumer debts (principal), such as auto loans, personal loans, credit card balances, educational loans, etc.

e. Education costs
Calculate future college expenses for your children. The current average costs are approximately $37,390 per year for a four-year private school education and $18,326 per year per child for a four-year public school education. This includes tuition, fees, books, supplies, room and board, transportation and other personal expenses. The cost of a college education can increase by 5 percent annually.**

f. Total cash required
Add the total amounts for lines a through e.

* Source: National Funeral Directors Association, 2008

** Source: Trends in College Pricing, Annual Survey of Colleges, 2008

Long-term cash requirements

g. Monthly income requirement
Take the annual gross income your family will need to supplement income receivable from existing sources. Generally, it is estimated that a family will require 60-80 percent of prior total income following the death of one spouse. Existing sources of income could include the surviving spouse's earnings, Social Security survivor benefits, rental income and employer-provided benefits. Determine only the additional amount needed after considering all available sources of income, then divide by 12 months.

For example: $40,000 x .70 ÷12 = $2,333 (monthly income replacement amount).

h. Cash reserve factor
To complete line h, multiply the total monthly income (g) by the factor from the chart below, located to the right of the number of years your family will require monthly income.

For example: You determine your family's needs for the next 20 years at $2,500 per month. $2,500 x 218.6748 = $546,687.

This formula is based on a time value analysis for determining future cash needs, assuming a 3 percent annual increase in inflation and a 4 percent return on the lump-sum death benefit.

Number of Years	Factor
10	114.3641
15	167.6727
20	218.6748
25	266.8802
30	312.9890

Assets

Determine your estimated assets as indicated on the worksheet.

How much will life insurance cost?

Ask your representative to prepare a personalized proposal for you and your family.

Life Insurance Needs Analysis Worksheet

Current cash requirements

a. Final expense $_____

b. Emergency fund $_____

c. Mortgage balance $_____

d. Outstanding loans $_____

e. Education $_____

f. Total current cash requirements (a+b+c+d+e) $_____

Long-term cash requirements

g. Monthly income requirement $_____

h. Cash reserve factor $_____

i. Total cash reserve required (gxh) $_____

j. Total current and long-term cash needs (f+i) $_____

Available assets

k. Cash and savings $ _____

l. Securities $ _____

m. IRA, 401(k), etc. $ _____

n. Life insurance in force $ _____

o. Other liquid assets $ _____

p. Total available assets (k+l+m+n+o) $ _____

q. Life insurance needed (j-p) $ _____