



How much life insurance
does your family need?

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



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American General Life Insurance Company
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Do You Have Enough?

Determining your
life insurance requirements.



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WE KNOW LIFE.®



Life Insurance Needs Analysis

A simple review of your financial status and future requirements can help determine how much life insurance you and your spouse may 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 \$5,000 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 debts (principal), such as auto loans, personal loans, credit card balances and so forth.

e. Education costs

Calculate future college expenses for your children. The current average costs are \$29,026 per year for a four-year private school education and \$12,127 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: Trends in College Pricing, Annual Survey of Colleges, 2005

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: $\$40,000 \times .70 \div 12 = \$2,333$ (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. $\$2,500 \times 2218.6748 = \$546,687$.

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 needs

- g. Monthly income requirement \$ _____
- h. Cash reserve factor \$ _____
- i. Total cash reserve required (g x h) \$ _____
- j. Total current and long-term cash needs (f + i) \$ _____

Assets

- k. Cash and savings \$ _____
- l. Securities \$ _____
- m. IRA, KEOGH, 401(k) and pension \$ _____
- n. Life insurance in force \$ _____
- o. Other assets \$ _____
- p. Total assets (k+l+m+n+o) \$ _____
- q. Life insurance needed (j-p) \$ _____