

Group life insurance

Many people believe they need life insurance. Yet only 52% of Americans are covered and that number is decreasing. See how you compare with other Americans.



One in four families would feel a financial impact **in just one month** if an unexpected death occurred.



48% of people have **no life insurance**.



1 in 3 place other financial priorities **above life insurance**.



On average people have \$200,000 less in life insurance than they truly need.



It takes **2 minutes** to calculate your life insurance needs.



Many **overestimate the cost of life insurance** by as much as six times!*

There are different types of life insurance.

Knowing the differences can help you to make wise choices:

Annually Renewable Group Term:

The premium is subject to renewal each year. These policies often start out lower than other types.

Guaranteed Level Group Term:

Your rate is guaranteed to remain the same throughout the term of the policy.

Group vs. Employer:

Unlike employer sponsored insurance, which often ends when you change jobs, many group policies allow you the flexibility to keep your insurance.

* A policy costing under \$200/year was thought to cost \$500 or more by 55% of survey respondents as part of the 2023 LIMRA Barometer Study. In this study, 36% thought the policy would cost \$1,000 or more.

Sources: "Life Insurance Statistics, Data And Industry Trends 2024," Forbes, January 3, 2024; 2023 Insurance Barometer Study, LIMRA 2023; Policy needs calculated using Life Happens Life Needs Insurance Calculator, accepting preset assumptions, and no debt or assets; Life Happens Online Resource www.lifehappens.org/insurance-overview/life-insurance/calculate-your-needs/.

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Life Insurance Needs Worksheet

Get a general sense of how much life insurance you need to protect your family. Before buying life insurance, it makes sense to consult with an insurance professional for a more thorough analysis of your needs. This worksheet assumes you died today.

Income

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

What your family needs, before taxes, to maintain its current standard of living (Typically between 60% - 75% of total income)

\$ _____

2. Annual income your family would receive from other sources

For example, spouse's earnings or a fixed pension.¹ (Do not include income earned on your assets, as it is addressed later in the calculation)

\$ _____

3. Income to be replaced

Subtract line 2 from line 1

\$ _____

4. Capital needed for income

Multiply line 3 by appropriate factor in Table A. Factor _____.

\$ _____

Expenses

5. Funeral and other final expenses

Typically the greater of \$15,000 or 4% of your estate

\$ _____

6. Mortgage and other outstanding debts

Include mortgage balance, credit card balance, car loans, etc.

\$ _____

7. Capital needed for college

(2021-2022 average 4-year cost: Private \$206,760; Public \$90,760²)

| | Estimated 4-Year Cost | Appropriate Factor in Table B | NPV | | |
|---------|--------------------------|----------------------------------|---------|-----|------------|
| Child 1 | _____ | x _____ | = _____ | +] | → \$ _____ |
| Child 2 | _____ | x _____ | = _____ | | |
| Child 3 | _____ | x _____ | = _____ | | |

8. Total capital required

Add items 4, 5, 6 and 7

\$ _____

Income

9. Savings and investments: Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc.

\$ _____

10. Retirement savings: IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans³

\$ _____

11. Present amount of life insurance

Including group insurance as well as insurance purchased on your own

\$ _____

12. Total income producing assets

Add lines 9, 10 and 11

\$ _____

13. Life insurance needed

Subtract line 12 from line 8

\$ _____

¹ Social Security benefits, which may be available, have not been factored into this calculation.

² *Trends in College Pricing*, 2021, The College Board. Costs reflect total charges, which include tuition, fees, room and board. ³ Distributions from most retirement savings plans are subject to ordinary income tax rates.

Table A

| Years Income Needed | Factor |
|---------------------------|--------|
| 10 | 8.8 |
| 15 | 12.4 |
| 20 | 15.4 |
| 25 | 18.1 |
| 30 | 20.4 |
| 35 | 22.4 |
| 40 | 24.1 |

Table B

| Years Before College | Factor |
|----------------------------|--------|
| 5 | .95 |
| 10 | .91 |
| 15 | .86 |
| 20 | .82 |

Note: These tables help you determine net present value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.