



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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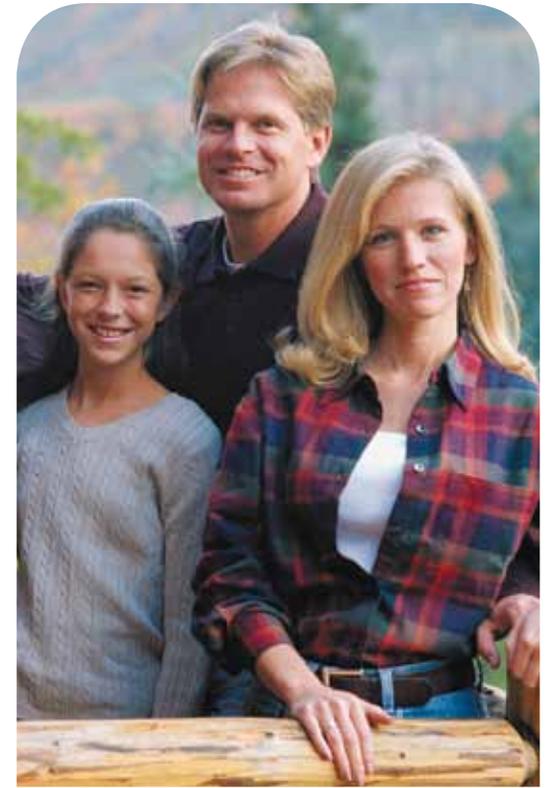
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Do you have enough?

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 \$6,500 to \$10,000)\* and probate costs.

#### b. Emergency fund

Financial experts recommend that you save up to six month's 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 \$36,993 per year for a four-year private school education and \$16,140 per year per child for a four-year public school education. This includes tuition, fees and room and board.

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.

### 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.  $\$2,500 \times 218.6748 = \$546,687$ .

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.

#### 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) \$ \_\_\_\_\_

\* Source: National Funeral Directors Association, 2010

\*\* Source: Trends in College Pricing, Annual Survey of Colleges, 2010