



Life Insurance Needs

Name(s) _____

Date: _____

Item	Example	Your Amount
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1. Income Replacement

Enter 75% of your current income. \$30,000 \$ _____

2. Years Income Will Be Needed

Years	10	15	20	25	30	40
Factor	8.98	12.84	16.35	19.52	22.39	31.42

Enter the factor number. x 22.39 x \$ _____

3. Subtotal (#1 x #2) = 671,700 = \$ _____

4. Funeral Expenses

Enter the amount for funeral expenses and other final-expense needs. + 10,000 + \$ _____

5. Debt

Enter the total amount of all debt owed. + 140,000 + \$ _____

6. Other

Consider other needs such as college expenses, a readjustment period for a spouse, or day care. + 0 + \$ _____

7. Total Expenses

Add lines 3, 4, 5, and 6. = 821,700 = \$ _____

8. Government Benefits

Take the monthly amount of Social Security survivor benefits and other benefits and multiply by 12, and then multiply by the number of years they will be received. Subtract that amount from line 7 (e.g., \$1,237 x 12 mos. x 14 yrs). - 207,816 - \$ _____

9. Other

Subtract other items such as current assets or income from other family members for the same time period as above (e.g., 14 years). - 300,000 - \$ _____

10. Total

This is an estimate of how much insurance is needed to cover the needs of your survivors. = \$313,884 = \$ _____

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Insurance Checklist

Check “yes” or “no” for each question. Items for which “no” is checked indicate actions that should be taken in the future to improve your household insurance coverage.

	<u>Yes</u>	<u>No</u>
Can you locate your insurance policies, such as life, health, homeowner’s or renter’s, automotive, and disability?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know the type and amount of life insurance protection you have?	<input type="checkbox"/>	<input type="checkbox"/>
Is your life insurance coverage adequate to protect dependents and assets?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know the names of the beneficiaries and contingent beneficiaries of your life insurance policies?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know the type of health insurance protection you have and the provisions of the policy?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have adequate disability insurance?	<input type="checkbox"/>	<input type="checkbox"/>
Is your automobile liability insurance sufficient?	<input type="checkbox"/>	<input type="checkbox"/>
Is your automobile adequately insured for collision, yet not overinsured?	<input type="checkbox"/>	<input type="checkbox"/>
Are your home and personal property insured for today’s replacement values?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know the limits in your homeowner’s policy on loss of silver, furs, collectibles, computers, and stereo equipment?	<input type="checkbox"/>	<input type="checkbox"/>
Have you appraised and insured valuables such as jewelry, silver, and collectibles?	<input type="checkbox"/>	<input type="checkbox"/>
Have you made a personal property inventory?	<input type="checkbox"/>	<input type="checkbox"/>
If you are not a homeowner, do you have renter’s insurance that will cover your personal belongings?	<input type="checkbox"/>	<input type="checkbox"/>

Adapted from: Cude, Brenda. “Insurance Decisions.” University of Illinois Cooperative Extension. © Board of Trustees of the University of Illinois.



Insurance Evaluation and Goals

Today's date ____/____/____ Review in 6 months on ____/____/____

To help you evaluate insurance coverage and plan for future needs, complete the forms on the following pages using your current policies as the source of the information. You may wish to confirm your findings with your agent(s).

Homeowner's Insurance

Name of insurance agency _____ Telephone _____

Address _____

Agent _____ Name of company insuring your property _____

Date of policy _____ Annual premium \$ _____ Policy number _____

Type of policy: HO-1 HO-2 HO-3 Home business
 HO-4 (renters) HO-6 (condominium) HO-8 (older home)

Estimated replacement value of your home: \$ _____

Estimated value of home's contents: \$ _____

Building is insured for: \$ _____

Contents are insured for: \$ _____

Is your home insured for at least 80% of its replacement cost: yes no

What is the deductible amount you must pay? \$ _____

Medical coverage per person is: \$ _____

Check the type of insurance, amount of coverage, and special riders or floaters.

Yes	Amount	Cost/year (\$/yr)
<input type="checkbox"/> full replacement value	\$ _____	\$ _____
<input type="checkbox"/> actual cash value	\$ _____	\$ _____
<input type="checkbox"/> flood damage	\$ _____	\$ _____
<input type="checkbox"/> earthquake damage	\$ _____	\$ _____
<input type="checkbox"/> loss of use limits	\$ _____	\$ _____
<input type="checkbox"/> credit card protection	\$ _____	\$ _____
<input type="checkbox"/> sewer backup	\$ _____	\$ _____
<input type="checkbox"/> other riders	\$ _____	\$ _____

Insurance Evaluation and Goals

(continued)

What are your insured dollar limits, by category, on the following:

- money, gold, silver, coins, bank notes, medals \$ _____
- securities, deeds, manuscripts, stamps, valuable financial papers \$ _____
- watercraft and their trailers, furnishings, equipment, and outboard motors \$ _____
- trailers not used with watercraft \$ _____
- jewelry, precious and semiprecious stones, watches, and furs \$ _____
- silverware, silver plate, gold-ware, gold-plated ware, pewter-ware \$ _____
- guns and firearms \$ _____
- computers, special stereo equipment \$ _____

Disability Insurance

I have disability insurance through my employer purchased by me.

Name of company that insures me _____

Yearly premium \$ _____ Agent _____ Telephone _____

Amount I would receive per month if unable to work \$ _____

Length of time I must wait before receiving benefits _____

Can the policy be renewed? yes no Can it be canceled? yes no

How is disability defined and what does it include? _____

How long can I receive benefits? _____

Health Insurance

My health insurance is provided through my employer by me by spouse

Monthly or yearly premium is \$ _____

The amount of copayment for each is \$ _____ for office visits, \$ _____ for prescription drugs, and/or a \$ _____ annual deductible.

The policy can cannot be canceled. It contains vision dental coverage.

The policy contains an out-of-pocket annual maximum payment of \$ _____.

Insurance Evaluation and Goals

(continued)

Automobile Insurance

Name of insurance agency _____ Telephone _____

Address _____ Agent _____

Name of company insuring your vehicles _____

Policy number _____

What are your liability limits? (written, e.g., 100/300/50) _____

Each person in the accident \$ _____

Total bodily injury per accident \$ _____

Total property damage per accident \$ _____

What is your uninsured motorist coverage? \$ _____

Each person per accident \$ _____ Total bodily injury per accident \$ _____

What is your comprehensive coverage limit? \$ _____ Your deductible \$ _____

What is your collision limit? \$ _____ What is your deductible? \$ _____

Does your policy cover a rental car when on vacation? due to an accident?

Life Insurance

I have the following term life insurance from my employer purchased on my own.

Individual term \$ _____ (amount) from _____ (company)

Group term \$ _____ (amount) from _____ (company)

Other \$ _____ (amount) from _____ (company)

I have the following cash value life insurance (whole life, variable life, etc.):

Agency purchased from _____ Company insuring me _____

Type of insurance _____ Policy number _____

Amount \$ _____

The current cash value of all my life insurance as of today ____/____/____ is \$ _____

The total amount of life insurance listing me as a beneficiary from my spouse or partner is \$ _____

Insurance Evaluation and Goals

(continued)

To Do List

To be fully aware of the insurance coverage that I have and to ensure adequate coverage at the most reasonable cost, I should (check all that apply):

- prepare an inventory and take photographs or make a video of personal property.
- add smoke alarm(s), radon detector(s), and fire extinguisher(s) to my home.
- increase/decrease amount of dwelling cost coverage to at least 80% of replacement value.
- increase/decrease the deductible on homeowner's policy.
- increase/decrease coverage of personal property on homeowner's policy.
- add a rider to my homeowner's policy to cover special items.
- insure my home/apartment and automobile(s) with the same company.
- increase the deductible on my automobile policy for comprehensive and collision.
- increase/decrease medical coverage on automobile policy.
- increase/decrease liability coverage on automobile policy.
- increase/decrease collision coverage on automobile(s).
- increase/decrease comprehensive coverage for automobile(s).
- increase/decrease uninsured/underinsured motorist coverage.
- investigate term life insurance.
- increase/decrease amount of life insurance on my life and that of my spouse/companion.
- review life insurance beneficiary designations to ensure they reflect my current situation.
- investigate cost and coverage for disability insurance.
- investigate the following changes in health insurance coverage (list).

- investigate cost and advantages of an umbrella policy.
- other (list).

Exercise II-3 adapted with permission from: Dahl, B., *A Working Woman's Guide to Financial Security*. Urbana, Ill.: University of Illinois Cooperative Extension. ©Board of Trustees of the University of Illinois.

Your Minimum “Need To Knows” about Insurance

- A periodic review of insurance coverage is necessary to determine if present coverage is adequate. Use the questions on the *Insurance Checklist* (Exercise II-2) on page 64 to assess your present coverage and the *Insurance Evaluation and Goals* worksheet (Exercise II-3) on pages 65–68 to record key details about your current policies. Review the “to do list” for improved insurance coverage at the end of Exercise II-3.
- There are five ways to manage life’s financial risks: do nothing and hope for the best, risk avoidance, risk reduction, risk acceptance, and risk transfer (insurance).
- The size (amount) of a potential loss—rather than its frequency—should be the determining factor in purchasing insurance. This is called the “large-loss principle.”
- Major large-loss risks are disability, liability, large medical bills, loss of a household earner’s income, and destruction of one’s home.
- Some insurance is unnecessary for most people, including credit insurance, life insurance for children and people without dependents, cancer insurance, flight insurance, hospital indemnity policies, and “double indemnity” clauses in life insurance for accidental deaths.
- Consumers should check the financial stability of an insurance company before purchasing a policy.
- All insurance policies have features that limit coverage, including benefit coordination clauses, deductibles, copayments, coinsurance, elimination periods, and policy limits.
- Life insurance makes sense if you have dependents that would suffer financially in the event of your death. This includes both family earners and full-time homemakers.
- Term life insurance provides protection only for a specific period; cash value life insurance contains a savings component.
- Disability insurance provides a source of income to people who are unable to work because of an accident or illness.
- The longer the elimination (waiting) period on an insurance policy, the lower the premium for a specific amount of coverage will be.
- Liability coverage is the most important part of an auto insurance policy and should be at least 100/300/50.
- A home should be insured for at least 80% of its replacement cost, and a “guaranteed replacement cost” rider should be purchased for both a home (if available) and its contents.
- Umbrella liability insurance provides coverage above underlying auto and home liability limits.



How Much Money Will You Need for Retirement?

The preretirement planning decisions you make or don't make now will determine your ability to realize your retirement goals. Because you will probably live longer than you expect, proper financial planning now will determine the standard of living you will enjoy throughout your retired life.

How much money will you need for retirement?

This is a difficult but crucial question to ask. Because many factors must be considered, the answer is, "It depends." Answer the following questions to begin to formulate a retirement plan:

- What is your current age? _____
- At what age do you intend to retire? _____
- Do you plan to work during retirement? _____
- How many years might you live in retirement? (How long might you live?) _____
- How much are you currently earning? _____
- What will be your main source of income during retirement? _____
- How much money do you need (or want) to spend each month in retirement to achieve your goals and maintain your lifestyle? _____
- How much have you already accumulated in employer benefits? _____
- How much have you already saved or invested for retirement? _____
- How comfortable are you taking risks with your investment dollars? _____
- How many people must you support (financially) now and in the future? _____

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Steps to Successful Retirement Planning

You will feel a sense of control over the retirement process if you follow these financial planning steps:

- identify and set preretirement and postretirement goals.
- estimate the length of your retirement.
- determine your net worth.
- estimate your retirement expenses.
- estimate your retirement income.
- balance expenses and income.

- plan for the effects of inflation.
- evaluate and revise your plan.

Identify and Set Goals

Putting realistic, attainable goals in writing will help crystallize your thoughts about what you want your money to do for you in retirement. The more specific you can make your goals, the more likely you are to be committed to them. Your goals may change, and that's OK.

Take a few minutes now to think ahead, prioritize your goals, and complete Exercise IV-6. You may wish



Looking Ahead to Retirement

(Consider your answers from the previous exercise.)

	Example	Your situation
Your age today	42	
Age you plan to retire	62	
Number of years until retirement	20	
Where do you plan to live?	Madison, same home.	
Will you work part-time?	Yes	
What hobbies/activities will you do in your free time?	Volunteer at library, church choir.	
Will you be caring for any family members?	Don't know.	
Goals to accomplish before retiring	Pay off mortgage. Buy a new car. Have \$100,000 in savings/investments. Finish B.A. degree.	
Goals to accomplish after retiring	Trip for two to Ireland. Minor kitchen remodeling. Start part-time business.	

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to review your goals each year when you complete your annual review.

How Long Will You Live?

There was a time when you weren't expected to live much past your 65th birthday. Now studies show that the proportion of people reaching age 100 is slowly increasing over time. Therefore, to be safe, most women should plan for a retirement period of 30–40 years (age 95).

If you retire at age 65, will you be able to maintain your current standard of living for another 30 years based on what you plan to receive in employee retirement and Social Security benefits and what you have already saved?

Determine Your Net Worth

This was done as part of Session I and should be updated and evaluated each year.