

Innovative Ways to Market Life Insurance



Executive Marketing Insurers Needs Analysis



The Two-Minute Life Insurance Needs Analysis

My current life insurance program is less than seven times my annual income.

According to *The Wall Street Journal Complete Personal Finance Guide Book*¹, the most basic method in estimating your life insurance needs is to ensure your coverage is somewhere between five and 10 times your annual salary. Those who use this method will often split the difference and multiply their income by seven. If you bring in \$50,000 a year, you'd need \$350,000 of life insurance using this rule of thumb. Keep in mind, however, this method is fairly simplistic and doesn't take into account any specific insurance needs you might have, such as the cost of a child's college education or the continuing care of a special-needs dependent.

My annual income has increased by 10 percent or more since I last updated my coverage.

A key purpose of life insurance is to replace lost income. If your current coverage is not in line with your needs, you could be exposing your family to risk.

I have had a change in family status.

The birth of a child, death of a family member, marriage, divorce, or a child leaving home. These events often indicate the need to adjust — whether to increase or decrease — your life insurance coverage.

My spouse or I recently resumed or discontinued work.

Such changes create shifts in income and the need to review your plans.

In the event of my death, my family would have an immediate cash flow problem.

One of the purposes of life insurance is to provide cash to help your family at the exact moment when it is needed most.

In the event of my death, my family would have difficulty maintaining their current standard of living.

Another purpose of life insurance is to provide sufficient funds to help enable your family to stay in the family home and continue their present lifestyle.

Are you aware that nearly half of all adults will suffer at least one critical illness. More troubling still is the fact that over 60% of all bankruptcies are for medical reasons, even though most of the people had health insurance.

How would your family be able to maintain their standard of living if you were financially impacted by a critical illness such as a heart attack, stroke, invasive cancer, or had a terminal illness? Now modern plans pay-out a death benefit while you are still alive if you have a chronic illness, a critical illness, or a terminal illness.

How much life insurance do you currently have?

\$100,000 of coverage? \$200,000? How about \$400,000? That may seem like a lot, and it certainly is a good start. However, consider that it is your income stream, not your net worth, that provides the best measure of your family's standard of living. If you couldn't earn a living — if you should die or become disabled — how much money would it take to replace your income stream? Though the precise answer depends on interest rates and withdrawal amounts, you might be surprised at how much money would be needed.

For example, it takes \$500,000 to provide your family with an income stream of \$40,000 a year for a 20-year period, after which the entire amount is depleted.² Similarly, one million dollars generates \$80,000 a year, once again with the entire amount consumed in 20 years.

- In the event of my death, [my children's educational goals](#) would be put in jeopardy.**
According to the National Center for Education Statistics, for the 2009–10 academic year, annual prices for undergraduate tuition, room, and board were estimated to be \$12,804 at public institutions and \$32,184 at private institutions.
- We really haven't taken serious steps to build up a retirement income fund to supplement Social Security and our employer-sponsored pensions.**
If you're already in your 40s or your 50s, you need to start planning, and soon.
- We've been too busy to develop a plan mapping out how our estate should be distributed.**
Estate planning goes beyond updating wills. With professional planning, you can make sure your heirs inherit the estate you worked hard to build.

¹Source: "[Determining How Much Life Insurance You Need](#)," Jeff Opdyke, WSJ.com. Adapted from *The Wall Street Journal Complete Personal Finance Guide Book*, Copyright 2006 by Dow Jones & Co. Published by Three Rivers Press, an imprint of the Crown Publishing Group, a division of Random House Inc.

² For illustration purposes only and is not representative of any particular product: Based on the assumption that the principal (starting amount) earns 5% in today's dollars, with principal interest to be depleted after 20 years by withdrawing an amount equal to 8% of the original principal each year. The example does not take into consideration any fees/expenses associated with investing or taxes.