

LIFE INSURANCE COVER CALCULATOR

HOW MUCH LIFE INSURANCE DO I NEED?

How much is your life worth? This is more than a rhetorical question when buying life insurance cover. While it's natural you would consider your life priceless, you should also look at it from the point of view of owning an asset that provides, say, \$50,000 per year for the next 40 years. That totals to \$2 million. If that \$2 million asset was a property, you'd be crazy not to insure it but what if that asset was you? Everyone believes they are invincible and that they will be able to work indefinitely, if they so choose. Sickness, accident or even death, however, can throw things into disarray. If you or your income was suddenly out of the picture, what financial hardship would your family members find themselves in?

It's a good exercise to crunch the numbers to sum up the various yearly costs your family will face in your absence to ensure their needs are met. It's not a terribly complicated process but most people struggle with determining how much death cover they would need. CANNEX has simplified this exercise by creating an easy-to-use calculator that highlights some of the key elements you need to consider. Of course, you may have other items you wish to add to customise the calculator to your situation but it is a good start. It will also help you to have an amount in mind before you visit your financial planner and talk further about premiums.

STEP 1: ONGOING COST TO MAINTAIN FAMILY & HOME

A: Annual family personal expenses \$ _____
B: Annual food, clothing, fuel expenses etc \$ _____
C: Home maintenance/repair & rent expenses \$ _____
D: Other regular expenses (council rates, utilities, health insurance etc) \$ _____
E: Number of years you want to continue to pay the above \$ _____
F: Total lump sum to cover step 1 expenses [(A+B+C+D+E) x F] \$ _____

STEP 2: CHILDREN'S EDUCATION

Children's Primary Education Fund
Cost per child to completion of this level of education \$ _____
Number of children _____
G: Total primary education fund [Cost per child x Number of Children] \$ _____
Children's Secondary Education Fund
Cost per child \$ _____
Number of children _____
H: Total secondary education fund [Cost per child x Number of Children] \$ _____
Children's Tertiary education Fund
Cost per child \$ _____
Number of children _____
I: Total secondary education fund [Cost per child x Number of Children] \$ _____
J: Total Children's Education Fund [G + H + I] \$ _____

STEP 3: EXITING DEBTS

K: Outstanding Mortgage debt \$ _____
L: Outstanding credit/store card debt \$ _____
M: Outstanding car loan debt \$ _____
N: Other outstanding debts \$ _____
O: Total existing debts [K + L + M + N] \$ _____

STEP 4: OTHER EXPENSES

P: Medical/Hospital costs \$ _____
Q: Funeral & Estate settlement costs \$ _____
R: Major home/car repair or upgrades \$ _____
S: Total other expenses [P + Q + R] \$ _____

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STEP 5: TOTAL EXPENSES

T: Sum of all expenses [F + J + O + S]

\$ _____

STEP 6: EXISTING ASSETS & INSURANCE

U: Existing Life Insurance (eg included in superannuation cover)

\$ _____

V: Superannuation balance

\$ _____

W: Savings account balance

\$ _____

X: Other available liquid assets (eg trust fund, shares etc)

\$ _____

Y: Total Existing Assets [U + V + W + X]

\$ _____

STEP 7: SUGGESTED LIFE INSURANCE SUM INSURED

Sum of Expenses less existing assets [T – Y]

\$ _____

IMPORTANT NOTICES

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