Survivor risk management

Fact-finding questions and questionnaire

If you already own life insurance:

1. Why did you buy the life insurance that you currently own?
2. How did you determine the amount of insurance?
3. What factors led you to the specific type (term/whole life/universal life/variable) of life insurance that you have?
4. When was the last time you had your current life insurance reviewed for its competitiveness and suitability to your current needs?
5. Do you have any objection to taking 10 minutes now to determine the right amount and type of life insurance appropriate for you and your family?

If you do not own (individual) life insurance:

1. Are you aware of your options regarding your group life insurance through your employer if you leave/retire?
2. If you die unexpectedly, after your group death benefits are exhausted, how much of your income will need to be replaced for your spouse (and children), and for how long?
3. Do you feel you know as much about the different types of life insurance as you should?
4. Do you have any objection to taking 10 minutes right now to determine if you should think about individually owned life insurance?

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Survivor Risk Management Questionnaire

	Permanent	Temporary	Years Remaining
Cash needs at death			
Final expenses	________	N/A	N/A
Mortgage balance	________	________	________
School loans	N/A	________	________
Other debts	________	________	________
College fund	N/A	________	________
Emergency fund	________	N/A	N/A

Total cash needs at death ________ (Z)

Income replacement

Monthly income desired ________ (A)

Multiply x 12 ________ (B)

Assumed net rate of return on insurance proceeds ________ (C)

Total income replacement = B ÷ C = D ________ (D)

Circle one: Temporary or Permanent

Total gross need = Z + D ________ (X)

Current resources

Current life insurance ________

Retirement plans / IRAs ________

Savings ________

College savings ________

Other ________

Total resources ________ (Y)

Net new life insurance need = X – Y ________

Net new permanent life insurance need ________

Instructions/Definitions

Cash needs at death—This is the amount of cash necessary at death to satisfy current and future obligations.

Final expenses—This is the amount needed for burial, probate expenses, executor's fees, attorney's fees, administrator's fees, income taxes, state inheritance taxes, and final health care costs. Costs typically run between $5,000 and $50,000, depending on the type of funeral and amenities, and other fees and taxes to settle the estate.

Mortgage balance—This is the amount needed if you want the surviving spouse to pay off your primary mortgage. If not, then include the mortgage payment with income replacement. How many years remaining on this mortgage? If you or your spouse plan on maintaining an existing mortgage longer than 25 years, then the balance should be in the permanent column.

School loans and other debts—What is the balance of any remaining debt obligations? How many years until they are paid off?

College fund—How much, in today's dollars, do you want to fund for higher education? For how many years? For how many children? How many years until the youngest child completes an undergraduate college degree or graduate school? Do not factor in inflation; the assumption is that performance on current savings and investments will equal rises in college costs.

Emergency fund—How much do you want to have available and earmarked specifically to pay for emergencies and large expenses that aren't foreseen? (A rule of thumb is 3–6 times monthly expenses… closer to 3x with consistent income, closer to 6x with fluctuating income.)

Temporary/Permanent—Define for each of the above items whether you feel the need is temporary or permanent. Any need lasting longer than 25 years should be considered permanent. Note: a mortgage balance should be considered permanent if it is your expectation to have any mortgage longer than 25 years from now (through new purchases, refinancing, etc.).

Income replacement—If all of the above are satisfied, i.e. the mortgage is paid, college is funded, debts are cleared, etc., how much does the surviving spouse and other dependents need to maintain the desired standard of living (utilities, clothing, food, day care, insurances, car expenses, etc.)

Assumed NROR—The after-tax rate of return that the surviving spouse could expect to earn on the life insurance death benefit proceeds (anything over 8.0% would be considered very aggressive).

Total income replacement—If the assumed net rate of return on death benefit proceeds is achieved, this figure represents a lifetime income for a surviving spouse from interest earnings only, without invading the principal. If the income is to be generated longer than 25 years, circle Permanent.

Current life insurance—Consider both group life and personally owned policies, plus consider the impact of changing jobs if including group life insurance. (If a job change is imminent, may want to avoid including group life insurance unless benefits of new job are clearly known.)

Retirement plans/IRAs—Only use values from the deceased spouse's accounts.

Savings/investments—Include all savings or investments that could be liquidated and used for income in the event of death.

College savings—Include any current accumulated college savings balance.

Net new life insurance need—This figure ignores inflation, based on the assumption that performance on all savings and retirement plans will equal inflation. It does not take into account Social Security income benefits that may be available to a surviving spouse with children under age 18.

Net new permanent life insurance need—To arrive at this number, add up all of the temporary needs and subtract from the net new life insurance need.

Years remaining—Use the largest number on this column to determine your level term period.

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