

Customize Your Life Insurance Portfolio



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Life Insurance Worksheet

I. How Much?

There are many ways to determine how much life insurance may be appropriate to provide for your family. One way is to focus on how much money would be necessary to replace your monthly income in the case of an unfortunate event. This allows you to determine how much your life insurance provides for those most important to you, by focusing on the total amount of coverage needed to provide income that your family could by providing your family with a monthly income in your absence, they may still be able to keep the lifestyle they have grown accustomed to and cover any other obligations your monthly income may now cover.

Simple Steps:

1. What is your monthly income?
2. How much of your income do you want to provide for your family in the event something happens to you?
3. How long would your family need this income in the event something happens to you?

II. Insurance Portfolio Allocation (The right mix) - 8 Questions - Agree or Disagree

While determining the right amount of life insurance is a challenge for most people, deciding which type of policy can be even more confusing. In fact, half of American households (58 million) readily admit they currently don't have adequate life insurance coverage - the highest level ever.*

Some people feel they need life insurance for a certain period of time - just long enough to meet their responsibilities for those who depend on them. This is typically done with term insurance.

Others, however, recognize that owning some form of life insurance for their entire lives can provide them with added security and flexibility as they prepare for life's possibilities. This is typically done with permanent life insurance.

This worksheet will present you with the opportunity to share your feelings and attitudes, and provide you with guidance in choosing the appropriate type and amount of insurance. Many people find their objectives are best met with a combination of term and permanent insurance.

III. Your Permanent Insurance Allocation (The right type of permanent policy) - 6 questions - Strongly Agree to Strongly Disagree

Many people find that owning some term insurance is an effective way to protect their families and others who depend on them, particularly for the short-term.

Many of these same people, however also want the long-term protection and flexibility of permanent insurance but are unsure as to which type is most suitable for their situation.

The most appropriate type of permanent insurance for you is based on your preferences and attitudes toward a range of factors such as risk preference, flexibility, guarantees and your retirement and legacy objectives.

This worksheet will present you with the opportunity to share your feelings and attitudes, and provide you with guidance regarding which product best suits your needs based on your situation. Your financial professional will help you understand the features and benefits of the options that are available.

*<https://www.financialarchitects.us/lifes-choices>

I. How Much?

INSTRUCTIONS FOR LIFE INSURANCE WORKSHEET:

Determine your monthly income, the amount you wish to protect and how many years you wish to protect it. For protected monthly income levels and a duration of years protected other than what's shown - we can develop a customized report.

INCOME:

1. Annual before tax income your family would need if you died today

Typically between 60% and 80% of total income. Include all salaries, dividends, interest and any other sources of income.

\$ _____

2. Annual income available to your family from other sources

Include dividends, interest, and spouse's earnings (Social Security may be available)

\$ _____

3. Annual income to be replaced (Subtract line 2 from line 1)

\$ _____

4. Capital needed for income

Multiply line 3 by the appropriate factor below:

\$ _____

Years Income Needed	10	15	20	25	30	35	40	45	50
Factor ⁽¹⁾	8.8	12.4	15.4	18.1	20.4	22.4	24.1	25.6	26.9

5. Current Life Insurance Coverage

\$ _____

6. Life Insurance Needed today (Subtract #5 from #4)

\$ _____

⁽¹⁾ Inflation is assumed to be 2%. The rate of return on investments is assumed to be 5%.

II. Insurance Portfolio Allocation

BEGIN THE INSURANCE PORTFOLIO ALLOCATION

Some people feel they need life insurance for a certain period of time - just long enough to meet their responsibilities for those who depend on them. This is typically done with *term insurance*.

Others, however, recognize that owning some form of life insurance for their entire lives can provide them with added protection and flexibility as they prepare for life's possibilities. This is typically done with *permanent insurance*.

Many people find their objectives are best met with a combination of term and permanent insurance.

	Agree	Disagree
1. The idea of leaving an inheritance is important to me - either for my family or a charitable organization. I would want to do this in an efficient manner.	<input type="radio"/>	<input type="radio"/>
2. In the future, my adult children and/or parents may rely on me for financial support. I want to make sure my life insurance policy is there if they need it.	<input type="radio"/>	<input type="radio"/>
3. I would prefer the least expensive type of life insurance, even though my benefits may expire at some point in the future.	<input type="radio"/>	<input type="radio"/>
4. I only want life insurance for a limited period of time (e.g. until my mortgage is paid, children finish college, or other financial obligations are met.)	<input type="radio"/>	<input type="radio"/>
5. If I die prior to my spouse during retirement, I want to ensure he or she receives a life insurance death benefit.	<input type="radio"/>	<input type="radio"/>
6. If I were to die during my working years, I would want my family to receive a life insurance death benefit that would replace my income.	<input type="radio"/>	<input type="radio"/>
7. Regardless of how long I may live, it's important for me to have my life insurance in place when I die.	<input type="radio"/>	<input type="radio"/>
8. I don't want to commit to permanent insurance today, however, I'd like to have the right to convert term coverage into permanent coverage in the future should my situation change without having to undergo additional medical screening.	<input type="radio"/>	<input type="radio"/>

Insurance Portfolio Allocation Scoring

INSTRUCTIONS

Circle your answers from Section II in the table below. Add the scores to determine the type of policy or policies that should be considered based on your situation - (your insurance portfolio allocation score).

Question	Agree	Disagree	Score
1	1	0	
2	1	0	
3	0	1	
4	0	1	
5	1	0	
6	0	1	
7	1	0	
8	0	1	

_____ **Insurance Portfolio Allocation Score**

0 POINTS = 100% TERM

Clearly you're concerned about protecting those who depend on you, however, today you feel you only want coverage for a limited period of time. Based on your answers, a term life insurance policy with the option of future conversion should be considered. The next section will help you understand which permanent policy you may want to consider converting to in the future.

1-2 POINTS = 75% Term / 25% Permanent

You recognize the importance of owning life insurance throughout your entire life, however, you also acknowledge that your biggest concern is protecting those who depend on you during your working years. Life insurance products with mostly term insurance and a small amount of permanent insurance should be considered based on your answers.

3-5 POINTS = 50% Term / 50% Permanent

Your answers show that you appreciate both the benefits of permanent and term insurance. Life insurance products consisting of equal amounts of term and permanent protection should be considered based on your answers.

6-7 POINTS = 25% Term / 75% Permanent

Protecting those who depend on you for your entire lifetime - regardless of how long you may live - is most important to you. Your preferences indicate that life insurance products consisting mostly of permanent insurance should be considered based on your answers.

8 POINTS = 100% Permanent

You want lifetime protection, to leave a legacy and to protect your spouse's retirement income. A permanent policy should be considered based on your answers.

NOTE: Many companies offer term policies with guaranteed level premiums for a specific period of time. After the level premium period, the premiums increase significantly each year. During the level period you may be able to convert your term policy to a permanent policy with no additional medical questions or requirements.

III. Permanent Insurance Allocation

BEGIN THE PERMANENT INSURANCE ALLOCATION

Many people find that owning some term insurance is an effective way to protect their families and others who depend on them, particularly for the short term.

Many of these same people, however, also want the added protection and flexibility of permanent insurance but are unsure as to which type is right for their situation.

The most appropriate type of permanent insurance for you is based on your preferences and attitudes toward a range of factors such as risk preference, flexibility, guarantees and your retirement and legacy objectives.

Answer the questions below to the best of your ability and add your scores to the table on the next page.

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1. I prefer the guarantee of knowing exactly what my insurance policy premium and death benefit will be, even though I may not be able to change it in the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. I would like to have the flexibility to increase or decrease my premium payment, even though doing so may have an impact on my policy's performance and guarantees (if applicable).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. I would like my life insurance policy cash value to grow and eventually be worth more than the cumulative premiums that I've paid, even though it may require a higher initial premium outlay.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. It's important for me to find additional ways to set money aside on a tax-deferred basis to help meet my long term retirement goals if necessary.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. I prefer the type of policy that has cash value. I would like to know that my policy cash value is guaranteed regardless of future performance of interest rates and stock markets.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. I prefer the type of policy that has cash value. I am willing to accept some risk for more potential policy cash value growth; I understand, however, that a declining market may require additional premium in the future to keep my policy in place and that the performance of the policy may be better or worse than illustrated.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Permanent Insurance Allocation Scoring

INSTRUCTIONS

Circle your answers from Section III in the table below. Add the score to determine the type of permanent policy that should be considered for the permanent portion of your insurance portfolio.

Question	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Score
1	12	11	10	13	14	
2	15	14	10	12	12	
3	12	11	7	5	0	
4	12	11	9	7	0	
5	12	11	10	9	8	
6	20	13	11	10	9	

Permanent Allocation Score: _____

SCORING:

BELOW 59 POINTS:

Your answers show that you favor guaranteed death benefit protection over the potential for cash value growth. You should discuss with your financial professional whether universal life insurance with secondary guarantees should be considered based on your situation.

59-62 POINTS:

Your answers show that you generally prefer guaranteed death benefit protection, yet you may want to consider a policy that has some element of cash value growth. Working with your financial professional, you should consider universal life or whole life insurance to determine what policy best fits your situation.

63-67 POINTS:

Your answers show that you prefer a policy that has both guaranteed death benefit protection as well as a guaranteed form of cash value growth. You should discuss with your financial professional how whole life insurance should be considered based on your situation.

68-72 POINTS:

You said you would prefer a policy with the potential for cash value growth, yet you also may be unsure about taking risk with your policy values. Working with your financial professional, you should consider either whole life or index universal life or maybe a combination of both. You can discuss the potential risks, benefits and crediting options available with index universal life policies to determine what crediting option is best for you and if it is right for your situations.

Over 72 POINTS:

You clearly prefer a policy that has cash value with the potential for growth associated with the stock market. Working with your financial professional, you should discuss the potential risk, benefits and crediting options available with an indexed universal life policy.

CONTRACTS AVAILABLE IN THE MARKET BASED ON YOUR ANSWERS ABOVE:

Universal Life - Can provide clients with an array of options. Some products are designed to offer a secondary death benefit guarantee with a return of premium, while others focus on cash accumulation.

Whole Life - Has guaranteed level premiums, guaranteed cash value and guaranteed death benefits. Whole life is also eligible to receive annual dividends (participating contracts). Dividends are not guaranteed, however, if paid they may increase the cash value and death benefits over time.

Indexed Universal Life - Premiums may be allocated to fixed account, one or more index strategies or a combination of any of the available interest crediting strategies. Depending on the allocation, the policy holder can earn fixed interest or interest based upon the performance of the S&P 500® Index.

Life Insurance Coverage Summary & Analysis

Prepared For: _____

Prepared By: _____

Date Prepared: _____

Current Age: _____

Sex:

Male Female

Health:

Excellent Good Average Poor

Smoker:

Yes No

TOTAL INSURANCE NEEDED (Page 2, Step 6) _____

INSURANCE PORTFOLIO ALLOCATION _____

(Allocation Score, Page 4)

0 POINTS = 100% TERM

1-2 POINTS = 75% Term / 25% Permanent

3-5 POINTS = 50% Term / 50% Permanent

6-7 POINTS = 25% Term / 75% Permanent

8 POINTS = 100% Permanent

PERMANENT INSURANCE ALLOCATION _____

(Allocation Score, Page 6)

BELOW 59 POINTS:

Your answers show that you favor guaranteed death benefit protection over the potential for cash value growth. You should discuss with your financial professional whether universal life insurance with secondary guarantees should be considered based on your situation.

59-62 POINTS:

Your answers show that you generally prefer guaranteed death benefit protection, yet you may want to consider a policy that has some element of cash value growth. Working with your financial professional, you should consider universal life or whole life insurance to determine what policy best fits your situation.

63-67 POINTS:

Your answers show that you prefer a policy that has both guaranteed death benefit protection as well as a guaranteed form of cash value growth. You should discuss with your financial professional how whole life insurance should be considered based on your situation.

68-72 POINTS:

You said you would prefer a policy with the potential for cash value growth, yet you also may be unsure about taking risk with your policy values. Working with your financial professional, you should consider either whole life or index universal life or maybe a combination of both. You can discuss the potential risks, benefits, and crediting options available with index universal life policies to determine what crediting option is best for you and if it is right for your situations.

OVER 72 POINTS:

You clearly prefer a policy that has cash value with the potential for growth associated with the stock market. Working with your financial professional, you should discuss the potential risk, benefits, and crediting options available with an indexed universal life policy.

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Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges and other charges or fees that will impact policy values. Keep in mind that most life insurance policies require health underwriting and, in some cases, financial underwriting. Each case is individually underwritten as the severity of medical conditions varies among individuals. Formal underwriting evaluation and pricing is based on the individual characteristics of each case. Guarantees and benefits are based on the claims-paying ability of the issuing insurance company. Broker/dealers, insurance agencies and their affiliates who sell the policy make no representations or guarantees regarding such ability.