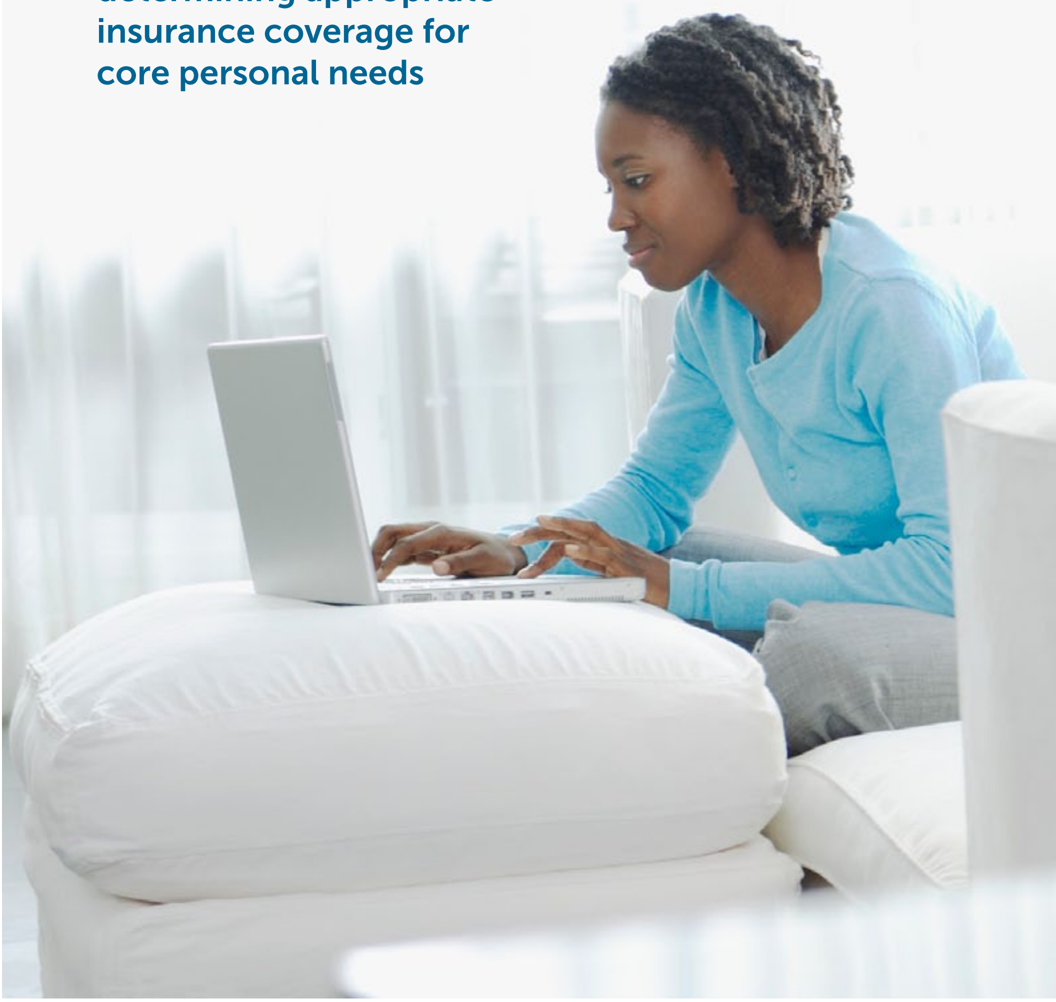
PERSONAL LIFE INSURANCE

NEEDS ANALYSIS

A framework for determining appropriate insurance coverage for core personal needs



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Estimating Personal Needs	Spouse 1 (or individual)	Spouse 2 (as applicable)
Income replacement *This is a simplified calculation using constant values rather than indexed future years' cash flows*		
Gross annual income		
Tax @ % (table 1)		
Net income		
Multiplier yrs @ % (table 2)	x	x
[A] Total		

Estate & final expenses		
General estate & final expenses		
Mortgage or other major debt retirement	+	+
[B] Total		

Terminal Taxes *This is a simplified calculation; generally Spouses use rollovers to defer the taxation until the second death. For jointly-owned assets, show them under the higher taxed spouse to get a better estimate of the eventual tax liability*			
Taxable capital assets	Fair market value		
	Adjusted cost base	-	-
	Capital gain		
	Taxable gain @ 50%		
Registered retirement plans/funds		+	+
Amounts subject to terminal taxes			
[C] Tax @ % (Table 1)			

Bequests & donations		
Needy individuals		
Worthy charities	+	+
[D] Total		

Total *This rough estimate (less existing insurance and liquid assets) can be used to begin discussions with your insurance professional*		
[A] + [B] + [C] + [D]		

Tax rates (Table 1)

This table shows the approximate combined federal / provincial tax rate by province at selected gross income levels, as well as the top marginal rate. *Source: Ernst & Young*

Province	25 k	50 k	75 k	100 k	MTR
BC	11%	18%	22%	25%	44%
AB	12%	20%	24%	26%	39%
SK	13%	21%	26%	29%	44%
MB	16%	23%	27%	31%	46%
ON	12%	18%	23%	27%	46%
QC	15%	23%	28%	32%	48%
NB	14%	21%	26%	28%	43%
NS	14%	23%	28%	31%	50%
PE	15%	23%	28%	31%	47%
NL	13%	21%	25%	29%	42%
NT	12%	18%	22%	26%	43%
YT	13%	19%	23%	26%	42%
NU	11%	17%	21%	24%	41%
Avg:	13%	20%	25%	28%	44%

Income needs multipliers (Table 2)

This table helps determine what amount of capital would be needed presently to provide a given aftertax income over the selected number of years to intended retirement. The income amount is treated as constant (ie., not indexed for inflation), and therefore this is only a guideline for discussion. Choose the after-tax interest rate that is the best reasonable estimate of interest rate investment returns over the expected time period.

	2%	3%	4%	5%	6%
10 yrs	15%	21%	25%	29%	44%
20 yrs	15%	22%	26%	28%	39%
30 yrs	18%	25%	28%	31%	44%
40 yrs	18%	26%	30%	33%	46%

Main types of personal insurance needs

	Purpose	Amount	Duration
Income replacement	Replacing lost income capacity of principal breadwinner to spouse and family retirement income	Generally calculated as a present value of after-tax income; declines as retirement approaches	Temporary need up to retirement calculated as one's intended retirement age less current age
Estate, Final Expenses	Cost arising at death such as funeral, medical bills, retiring debt, probate/estate fees, and other administrative expenses	Depends on circumstances and desires; may range from nominal to critically large is a mortgage is to be retired	Permanent need that must be addressed; this and taxes are the first charges on an estate, ahead of beneficiaries
Terminal Taxes	Tax arises on deemed disposition of capital property & on registered retirement plans.	Capital property taxed on growth,generally increasing over time; registered retirement plans are fully taxable, going up and down with it's value	Permanent need for life; may be used to recoup tax from a lifetime capital property sale; spousal rollovers may defer taxes on capital property & registered plans
Bequests, Donations	To provide for particularly needy individuals and/or worthwhile charities	Decision is completely discretionary as to the recipients and respective amounts	Permanent need based on individual wishes, but may be revisited as circumstances change

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ENG-06/12

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