

Life at its Best[®]

FAMILY NEEDS ANALYSIS



*Answers for
your **Life***

FAMILY NEEDS ANALYSIS



Life is full of questions...

from the simple, **“What do I need to do today?”**

to the complex, **“Where do I want to be 10 years from now?”**

But perhaps the single largest question any family faces in life is,

“How will I provide for my family’s needs today and tomorrow?”

Food...shelter...college...clothing...you will provide these things as long as you’re alive.

But where will the money come from if something happens to you or your spouse?

Life Insurance is Often an Answer

When it comes to personal financial planning, life insurance is one component that is critical to managing your finances and family affairs responsibly.

The primary purpose of life insurance is to protect against financial loss by providing a generally federal-income-tax-free death benefit to your loved ones.* But permanent life insurance also builds cash values that can be used for other purposes as well. This combination of generally federal-income-tax-free death benefits and life insurance cash values can be used to meet your estate planning needs and those of your family...today and tomorrow.

Life Insurance can...

- Provide a generally federal-income-tax-free death benefit to your loved ones.*

- Build a cash value that can be used to pay for a number of expenses...including a college education and supplemental retirement income.

- Provide the security of strong guarantees and the opportunity to adjust your coverage according to your evolving needs and priorities.

There are many benefits of life insurance, but often the question many of us have is, "How much life insurance do I need?"

A Family Needs Analysis can help provide the answer. Involving four main steps – gathering information, establishing goals, developing a plan, and implementing the plan – it can help you find the answers for your life.

FAMILY

1 Gather Information

Fill out the Family Needs Analysis Information Form on the following page.

2 Establish Your Goals

After gathering information, the next step is generally establishing your goals. This is a step that many of us overlook as we grow older. It's as if we think of this activity as something for the young. Establishing goals, however, is not something you do only once (e.g. when you graduate from high school or college). Your goals change as you age and build families, and there are always many questions to consider as you go. The following are some questions that can help you narrow down your current goals and financial objectives:

- *How do you feel about your career?*
- *What do you think is your most important personal goal?*
- *What is your most important financial goal?*
- *In your opinion, what percentage of income should be saved regularly?*
- *What are the best plans for accumulating money?*
- *What are your thoughts about saving for retirement?*
- *Are you satisfied with the amount that you have saved thus far?*
- *How much could you set aside each month?*
- *Have you established a will?*
- *What are your feelings about life insurance on your spouse and children?*
- *What are your thoughts about permanent life insurance and term life insurance?*

These are just some of the many questions you'll consider as you continually re-discover your goals.

After defining your goals and gathering information (steps 1 and 2 above), progress to steps 3 and 4 on the reverse of this page.

FAMILY NEEDS ANALYSIS

Information Form

CLIENT INFORMATION

Client's Name: _____ Spouse's Name: _____

Client's Date of Birth: _____ Gender: Male Female Spouse's Date of Birth: _____ Gender: Male Female

Client's Retirement Age: _____ Spouse's Retirement Age: _____

Illustration Basis

First to Die: Client Spouse

INCOME

Current Annual Income

Client _____

Spouse _____

Other _____

Include Social Security as a Retirement Benefit Yes No

Desired Survivor Income

% of current income during Dependency Period _____

% of current income during Empty Nest Period _____

% of current income during Retirement Period _____

ASSETS

Client

Spouse

Existing Policies

Life Insurance Proceeds to Survivor _____

Survivor's Income

Working Years _____

Retirement Years _____

Savings & Investments

Cash, Savings, CDs _____

Pension, IRA, 401(k), ESOP _____

Securities (stock, bond, mutual funds) _____

Real Estate Equity _____

Other Assets _____

Assumed Rate of Return (net of inflation & taxes) _____

EXPENSES

Funds Needed

Final Expenses _____

Debt/Loan repayment _____

Mortgage Balance/Rent Fund _____

Emergency Fund _____

Special Considerations _____

Children's Education

Name	Date of Birth	Annual Cost	Years
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_____	_____	_____	_____
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_____	_____	_____	_____
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_____	_____	_____	_____
-------	-------	-------	-------

_____	_____	_____	_____
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NOTES: _____

*The above information corresponds with Midland National's illustration software.

Considerations

When Gathering Information:

1. Client Information: Enter client and spouse information.

2. Income: Enter the amount of current annual earned income for the client from wages and salary.

- a. Spouse: Enter the amount of current annual earned income for the spouse from wages and salary.
- b. Other: Enter any additional annual income (real estate, dividends, interest etc.) that will continue after the death of either person. The program assumes this income would cease at retirement. Any income that will continue beyond retirement should be included in Survivor's Income-Retirement Years on the Assets tab.

3. Assets:

- a. Existing Policies: Enter the total death benefit from life insurance plans (personal and group) that will be paid to the survivor at the death of the first to die.
- b. Survivor's Income: Enter the amount of potential annual survivor's earned income during the working years. If the survivor does not anticipate any change in employment (for example, from part time to full time) enter the same amount as in the spouse's current annual income field on the Income Tab.
- c. Retirement Years: Enter any income from part-time employment, rental property income, etc. DO NOT include Social Security benefits, they are calculated by the program. Also, do not include any income, interest or dividends generated by the items listed under Savings and Investments.
- d. Savings and Investments: Enter the total current value of funds in checking accounts, savings accounts and certificates of deposit. Enter the current vested account values of all qualified retirement plans. Enter the current market value of stocks, bonds and mutual funds. Enter the net equity (market value minus mortgage balance) of real estate that will be liquidated upon the death of the first to die. If the property will be retained for income or is used as the primary residence, DO NOT include it in this field. Enter an assumed rate of return net of taxes and inflation. Take a reasonable interest rate (4-12 percent) and subtract from it an expected long-term inflation rate (2-6 percent). This rate could be further reduced to reflect taxes, if so desired. A suggested rate is 5 percent. This rate is used to figure present value of future money.

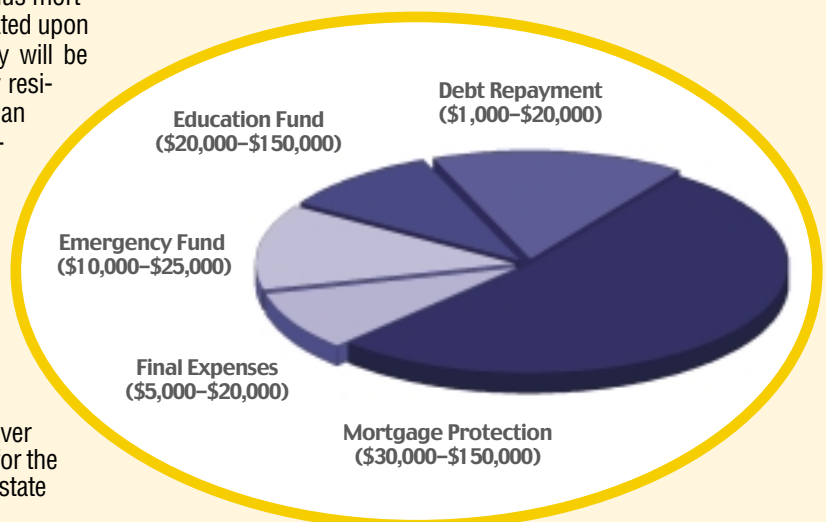
4. Expenses: Funds Needed

- a. Final Expenses: Enter the amount needed to cover probate costs, burial costs, final medical bills for the first to die, other estate administrative costs, state

death taxes, and federal estate taxes. Final expenses will generally total \$5,000 to \$20,000 for most families prospect's. This can be calculated as a percentage of the prospects assets (5-7 percent) or a percentage of annual income (25-40 percent may be appropriate).

- b. Debt/Loan Repayment: Enter the sum of all outstanding account balances excluding the home mortgage or monthly rent. Include car loans, home improvement loans, credit card balances, education loans, etc.
- c. Mortgage Balance/Rent Fund: Enter the current mortgage balance on the primary residence only. For renters, calculate a home assurance fund. (Multiply the monthly rent payment by 12 to get an annual figure and then divide that by the assumed rate of return. This provides the amount of capital required to generate enough interest to cover the monthly rent.)
- d. Emergency Fund: Enter the amount to be set aside in a reserve fund. It is recommended that 30-50 percent of one year's income which for most families, would require a minimum of \$10,000 to \$25,000. This fund guards against unexpected events such as a job loss, a short term illness that interrupts the survivors income, a major home or car maintenance problem, etc.
- e. Special Considerations: Enter the amount to be used for unique expenses such as the care of dependent parents, disabled or handicapped children, or a charitable gift to a favorite church, school or organization.
- f. Children's Education: Enter the annual amount of all education related expenses (college or vocational training) in today's dollars that is expected for each child.

5. Breakdown of Typical Cash Needs



3

Develop a Plan

Once you have gathered information and established your goals, you can begin developing a plan for your estate planning objectives and life insurance needs. Life insurance is no longer the cut-and-dried, one-size-fits-all estate planning product. Today's life insurance comes in all varieties, most of which can be adjusted as your needs and priorities change. There's the affordable Term life insurance that provides pure life insurance coverage for a designated period of time (no cash value). There are also a number of permanent life insurance products that provide lifetime coverage and policy cash values. One example is Universal Life, which provides flexibility of premium payments and death benefit options. Most also include optional benefits (riders), which allow you to tailor your life insurance coverage to fit your unique needs.

4

Implement the Plan

Often, the most difficult step most of us encounter when making life and financial decisions is putting those decisions into action. There are many reasons for this: you may not be positive that this is the plan for you, or maybe you believe that there might be a better plan out there somewhere. Sometimes, it's often just easier to talk about what you want than to actually go for it. Unfortunately, what typically happens is that you never make the move or you discover it's too late when you finally do decide to take action. Your health may decline; insurance premiums, which increase with age, may have become less affordable since you completed the original steps; and, the worse scenario, either you or your spouse dies without necessary life insurance coverage.

At Midland National, we can simplify the process of implementing a plan and can assist you in the future, should you need to adjust your coverage to fit your changing needs and priorities.

Finding Answers for your Life

Life is full of questions, and some questions, like those pertaining to your family's financial security, are more important than others. That's why it is important to find the answers now...so you can make sure you and your family have the financial security you need to realize your goals and dreams.

We can help you discover the answers for your life insurance needs. Let us help you implement a plan that's right for you.

*Proceeds from a life insurance policy paid because of the death of the insured are generally excludable from the beneficiary's gross income for income tax purposes. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Policy loans from life insurance policies generally are not treated as distributions or subject to income tax provided the contract is not a Modified Endowment Contract. A policy loan or withdrawal from a life insurance policy that is considered to be a Modified Endowment Contract may be taxable upon receipt. A policy loan or withdrawal will reduce the policy's ultimate death benefit and cash value. Information presented is based on current tax laws. Midland National does not give legal or tax advice and you should always consult with your own legal or tax advisor.

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Executive Office • One Midland Plaza • Sioux Falls, SD 57193-0001 • www.mnlife.com



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