

**CAPITAL NEEDS ANALYSIS**  
**For**  
**John and Mary Demo**  
**Assuming John Dies:**

**IMMEDIATE CASH FLOW**

Liquidated Assets	321,402	Final Expenses	10,000
Pension Death Benefits	<u>54,000</u>	Administrative Costs	0
		Estate Taxes	0
IMMEDIATE EXPENSES	421,864	Education Fund	201,252
AVAILABLE CASH	- <u>375,402</u>	Emergency Needs	20,000
		Real Estate Loans	160,748
NET IMMEDIATE NEEDS	46,462	Other Loans	+ <u>29,864</u>
		IMMEDIATE EXPENSES	421,864

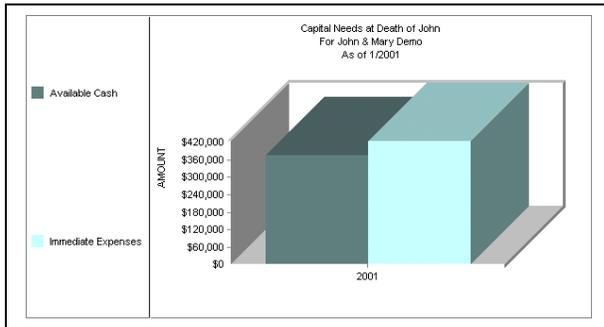
**NEEDS BY PERIOD**

	Two + Children 12 Yrs 47-59	One Child 3 Yrs 59-62	Soc Sec Blackout 0 Yrs	Survivor PreRet 3 Yrs 62-65	Survivor Retire 21 Yrs 65-86
AVAILABLE MONTHLY INCOME #s are Constant Value Dollars					
Survivor's Earned Income	3,750	3,750		3,750	0
Soc Sec Parent Survivor Benefit	1,333	571		0	0
Widow(er)'s Soc Sec Retirement	0	0		638	561
Other Retirement Income	0	0		0	1,750
Nonliquidated Asset Income	1,000	1,000		1,000	1,000
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AVAILABLE MONTHLY INCOME	6,083	5,321		5,388	3,311
MONTHLY EXPENSES-INCLUDING TAXES	6,000	5,500		5,000	4,000
Less AVAILABLE MONTHLY INCOME	-6,083	-5,321		-5,388	-3,311
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NET MONTHLY NEEDS-Constant \$'s	0	179		0	689
Above - Inflated At 3.00%	0	271		0	1,650
MONEY TO FUND EACH PERIOD	0	4,967		0	100,968

**NEED FOR INSURANCE**

Immediate Expenses	421,864	
Money to Fund Ongoing Needs (Consumed)	105,936	
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TOTAL NEEDS	527,799	527,799
Available Cash	375,402	
Existing Life Insurance	100,000	
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TOTAL RESOURCES	475,402	- 475,402
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ADDITIONAL LIFE INSURANCE NEEDED		52,397

## CAPITAL NEEDS ANALYSIS For John and Mary Demo



When an adult member of the household dies, it causes economic disruption for the survivors, whether or not the individual produced income. Typically the survivors need two types of money: immediate cash and money to provide longer-term income.

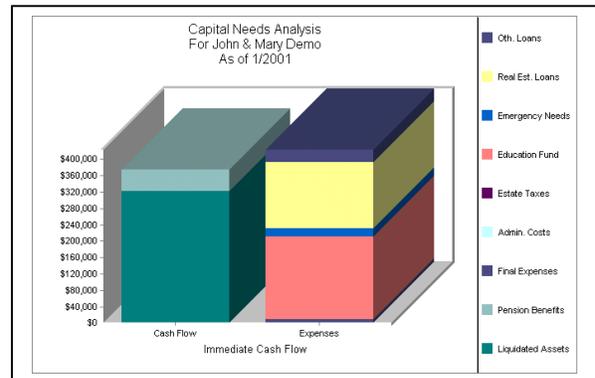
Immediate needs generally include funeral expenses, taxes, and estate administrative costs. They may also include educational costs, payoffs of real estate and other loans, and provision for a cash emergency fund for the survivors.

Also there are ongoing needs to provide future income to Mary.

To determine the immediate need for capital, we totaled liquid assets, and pensions. We find that if John were to die today there would be \$375,402 available immediately.

The needs for immediate cash are the following:

Final Expenses of \$10,000,  
 Administrative Costs of \$0,  
 Estate Taxes of \$0,  
 Educational Funds of \$201,252,  
 Real Estate Mortgages of \$160,748, and  
 Other Loans of \$29,864.



Coming to a total of \$421,864.

After immediate expenses you will have an immediate cash shortfall of \$46,462 not taking into account any life insurance you may already have.

To determine the capital required today to meet longer-term needs, we have used the net present value approach. This means that we look for the investment dollars needed today to produce the dollars needed tomorrow. We also take into account inflation and an assumed after-tax rate of return stated on the formatted report.

When looking at the longer-term needs, we divide the future into several periods. For each period we assume a monthly cash income requirement (including money to pay taxes) and subtract the expected sources of income. Please be sure to determine such available income in terms of your paycheck before deductions, since the needs should include taxes normally deducted from your paycheck.

If a surplus occurs during any given period, we assume that it will be consumed, and not carried forward to the next period.

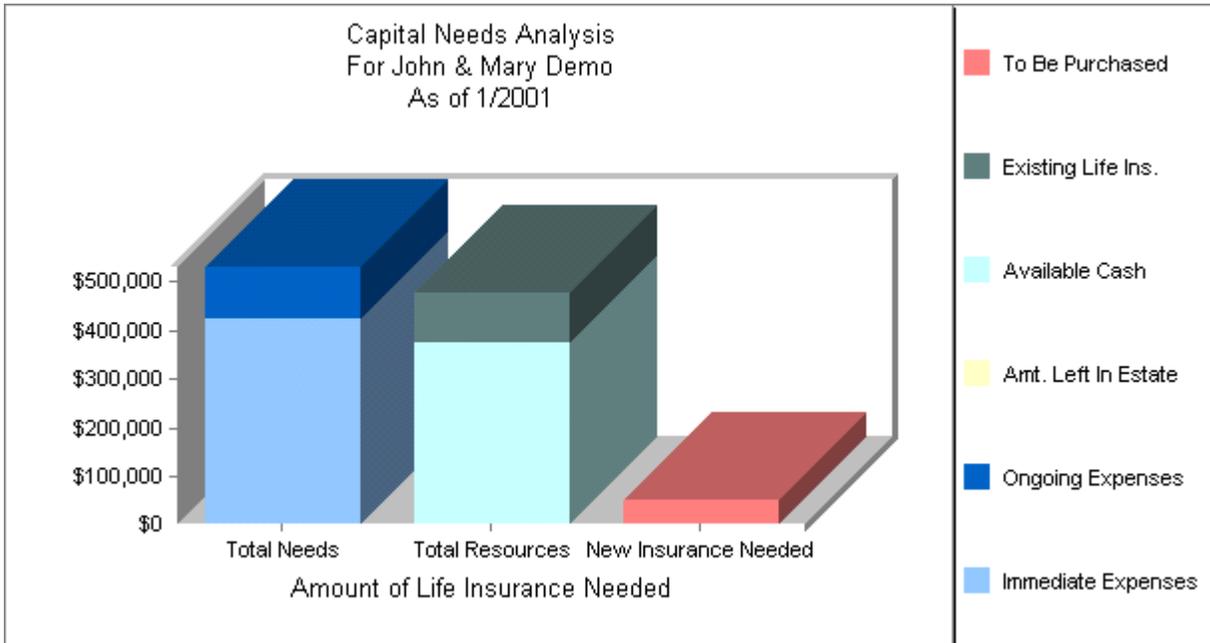
To determine Mary's actual need we have divided the future into five common need periods. Possibly all of them may apply, or only some may apply to your situation.

- 1) While two or more children are at home,
- 2) While one child remains at home,
- 3) Until Mary is eligible for Social Security,
- 4) Until Mary retires, and
- 5) Until Mary's life expectancy.

After adjusting for an expected annual inflation rate of 3.00%, we find that Mary has a need for \$52,397 of additional new capital for immediate needs and for income production.

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TO SUMMARIZE: Since there would only be a total of \$475,402, including any existing life insurance provided at John's death, to provide for all of the immediate cash and ongoing income needs, there will be a shortfall experienced by John's survivors of \$52,397.



NOTE: Take care when interpreting this report. We cannot guarantee that the survivors will not experience cash flow shortfalls. Together we have made certain assumptions about the future; for example, we have estimated what we think the projected needs for each period will be and what we think the inflation rate will be, but these might change drastically.

Another possibility is that you may need to provide for a greater projected life span than we have assumed here. Also, if the survivors deplete the principal of any available capital, or if the capital does not earn as much as we hope it might, or if the Federal government reduces benefits, there may also be cash shortages.