Helpful Hints for
Collegiate Alumni Life Calculator (CALC)

General Information – Step 1 of 4

1. **Age.** Enter your age.

2. **Gender.** Indicate your gender.

Income Needs – Step 2 of 4

3. **Your Annual Income.** Enter your current annual gross (before tax) income.

4. **Survivor's Annual Income.** Enter your partner/spouse's current annual gross (before tax) income, if applicable.

5. **Other Annual Income.** Enter all other gross (before tax) annual income from dividends, interest, rents, etc.

   Total Family Income. This is the sum of Items 3, 4, and 5.

6. **Desired Annual Survivor Income.** This should be 60% to 80% of your current **Total Family Income** to cover your survivors' needs without a major lifestyle change.

   Families with higher incomes typically fall into the lower end of the range.

   This Item 6 is 80% of your **Total Family Income**. Override this pre-populated entry if you have information that will produce a more personalized analysis.

7. **Annual Social Security Survivor Benefits.** Social Security Survivor Benefits are the most complex item in CALC. Those benefits are paid to:

   a. A widow or widower (and some divorced widows and widowers). Full benefits at full retirement, or reduced benefits as early as age 60.

   b. A disabled widow or widower, as early as age 50.

   c. A widow or widower at any age if she or he takes care of the deceased's child who is (i) under age 16 or disabled and (ii) receiving Social Security benefits.

   d. Unmarried children under 18, or under age 19 if they are attending high school full-time. Under certain circumstances, benefits can be paid to stepchildren, grandchildren, or adopted children.

   e. Children at any age who were disabled before age 22 and remain disabled.

   f. Dependent parents age 62 or older.

The Social Security Survivor Benefit depends on your average lifetime earnings. The more you have paid into Social Security, the greater your survivor benefits.

Social Security uses the deceased worker's basic benefit amount to calculate the percentage that survivors are entitled to. The percentage depends on the survivors' ages and relationships to the worker.

The benefits payable to your beneficiaries are limited, generally varying from 150% to 180% of your benefit amount.

If your survivor works while receiving Social Security Survivor Benefits and is younger than full retirement age, those benefits may be reduced if total earnings exceed certain limits.

A surviving child receives $15,600 to $20,400 a year, and the maximum family benefit is $37,200 to $48,000 a year. These numbers are guidelines.

Use the information above as a guide. Or, determine your family's exact benefits by using Social Security's Online Calculator at www.ssa.gov/retire2/AnypiaApplet.html.

8. **Annual Supplemental Income.** This is Item 6 *minus* Items 4, 5, and 7.

9. **Years Needed.** Enter the number of years your survivors will need supplemental income to make up for any shortfall resulting from your death, e.g., the number of years until your spouse's anticipated retirement age or until your children have finished college or another milestone you may choose.

Expenses – Step 3 of 4

10. **Funeral Expenses.** The average cost of a funeral is $6,500 (National Funeral Directors Association, July 2004), which includes a casket and funeral proceedings. It does not include a cemetery plot, which ranges from $1,000 to $5,000 or more, depending on location.

11. **Emergency Fund.** A general guideline for an emergency fund is three to six months of your annual income (Item 6).

12. **Final Expenses.** Examples include:
    a. Costs of settling an estate (typically 1-2% of the estate).
    b. Uninsured medical fees.
    c. Terminal illness expenses.

13. **Mortgage Balance.** This can be handled in one of two ways:

   a. *If your survivors would pay off your mortgage immediately*, enter your outstanding mortgage balance. If you choose this approach, reduce your family's Desired Annual Survivor Income (Item 6), as this expense would no longer need to be included in their ongoing budget.

   b. *If your survivors would keep your existing mortgage* and continue to pay it from their current budget, leave this Item 13 blank. This means that your family's Desired Annual Survivor Income (Item 6) includes funds sufficient to make mortgage payments.

14. **Other Debt.** Examples include:
   a. Credit card balances.
   b. Car loans.
   c. Home equity loans.
   d. Student loans.
   e. Loans from family and friends (such as apartment security deposit, broker fee, and moving expenses).

   CALC assumes that you will pay off all "other debt" immediately and keep your mortgage (if you have one), unless you entered its balance in Item 13 to indicate that you are paying it off immediately.

15. **College Funding.** This is the total amount your family would need to invest today to cover your children's future college educations.

   The College Board is a non-profit scholastic service association of high schools and colleges. It reports that the 2007-2008 average annual costs for four-year public and private colleges are $18,326 and $37,390, respectively.

   Thus, if your child wishes to attend a private, four-year college, the total estimated cost in today's dollars is $149,560. The cost includes tuition, room and board, books and supplies, transportation, and other expenses.

   Average costs for public and private colleges, in various geographic regions, are provided. Enter your children's ages and school preferences individually.

   - This covers undergraduate studies only. To cover graduate studies as well, simply override the pre-populated amount by adding the cost of graduate school in the corresponding child's College Cost field.

   - Deduct current funds in a child's name. Also, adjust for any automatic savings for college that are already part of your current budget and, therefore, already accounted for in Desired Annual Survivor Income (Item 6).

- No financial aid or scholarships are considered. Make adjustments accordingly.

- College costs have historically increased at a rate greater than the Consumer Price Index. Therefore, future college costs are assumed here to increase at the investment yield (Item 25) rather than the inflation rate (Item 24).

16. **Value of Daily Activities (VDA).** To help determine the value of the daily activities you *personally* perform, click the VDA button.

    Most people have jobs at home for which they are not paid, whether mowing the lawn or helping with homework. The VDA captures expenses for services that would have to be paid for in your absence. Such activities are not currently (a) performed by your survivors and (b) performed by people you pay (and not therefore already covered in your family budget).

    We have provided you with a range of hourly costs. Several factors influence hourly cost, including where you live, the type of service provider, etc.

    1. **Childcare.** Include, for example, babysitting, chaperoning, and transportation you currently provide that would be paid to a service provider in your absence.

    2. **Tutoring/Home Schooling.** Include homework assistance, etc.

    3. **Housekeeping/Home Management.** Include cleaning, laundry, pet care, etc.

    4. **Food Preparation.** Include grocery shopping, cooking, cleanup, etc.

    5. **Bookkeeping.** Include time spent managing household finances, paying bills, preparing tax forms, medical claims, etc.

    6. **Home Maintenance.** Include residential exterior maintenance and repair, appliance maintenance and repair, etc.

    7. **Yard Care.** Include lawn care and leaf/snow removal.

    8. **Care of Others.** Include assistance you currently provide other family members that would be paid to a service provider in your absence, e.g., elder care, transportation, shopping (if not already accounted for in the items above).

    9. **Other.** Include additional activities you perform that are not included above.

17. **Additional Childcare Costs.** This Item captures *additional* childcare expenses your survivors would incur in your absence due to, for example, a work status change, where a surviving spouse begins to work full-time rather than part-time and therefore needs daycare that wasn't previously required. (Do not confuse this with the childcare *you*

currently provide, as that was captured in the VDA. And, do not confuse this with childcare your family currently funds from your Current Family Income.)

Enter the expected additional monthly cost for childcare. Include what your survivors would need to pay others for additional daycare, after-school care, baby sitting, etc. The NPV (Net Present Value) of the Total Cost is calculated and displayed. The Total Cost is defined as:

additional monthly cost
times 12 (months)
times number of years until your youngest child is age 12

Override this pre-populated entry if you have information that will produce a more personalized analysis.

18. **Eldercare Expenses.** Enter the annual cost *times* the number of years your parent/relative will need this care. (Do not confuse this with the care *you* currently provide, as that was captured in the VDA. These are services you *pay* for, not care currently provided by family and friends.) If your parent/relative owns Long Term Care insurance, adjust for expenses that policy would cover.

19. **Total Needs.** This is the NPV (Net Present Value) of Items 10 through 18.

Assets & Financial Assumptions – Step 4 of 4

Assets

20. **Existing Life Insurance.** Enter only the total of your group and individual life insurance that is payable to your survivors, reduced by the amount of any policy loans.

21. **Savings and Investments.** Enter the market value of bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, rental property, and other real estate (*excluding* your residence).

22. **Additional Savings Needed.** Enter additional retirement or other savings you wish to have at the end of the life insurance "needs" period. In retirement, most people will require about 60% to 80% of their pre-retirement income. Of this, some portion will come from Social Security.

23. **Total Current Assets.** This is the sum of Items 20 and 21.

Financial Assumptions

24. **Inflation Rate.** A 3.0% inflation rate has been incorporated in the calculation. Override this pre-populated entry if you have information that will produce a more personalized analysis.

25. **Investment Yield.** A 6.0% yield on investments has been incorporated in the calculation. Override this pre-populated entry if you have information that will produce a more personalized analysis.

    Despite results in this decade, a reasonable long-term range for an investment yield is 4% to 8%.

26. **Lost Income Potential.** This allows for lost income due to "normal" year-over-year salary increases, as well as annual income increases as you climb the corporate ladder or otherwise achieve financial success.

    An average annual salary increase of 3.9% is built into CALC. The actual increase in salary budgets was 3.9% in 2008, according to the World at Work Salary Budget Survey. Override this pre-populated entry if you have information that will produce a more personalized analysis.
