

# Planning for Life

Understanding  
The Idea

November 2006



## Human Life Financial Value: An Example

Human Life Financial Value is defined as the present value of future income that you could expect to earn for your family's benefit, plus other value you expect to contribute, less taxes and personal consumption through your planned retirement date.

You can quickly check a Human Life Financial Value calculation by applying a simple underwriting guideline, used frequently by life insurance companies to determine proper amounts of coverage:

Age	Multiple of Salary
25	25
35	20
45	15
55	10

So if you are currently age 35 and your salary is \$50,000 annually, you would need approximately \$1 million of life insurance coverage to provide your family with financial protection in the event of your premature death.

## Enriching the Lives of Those We Touch

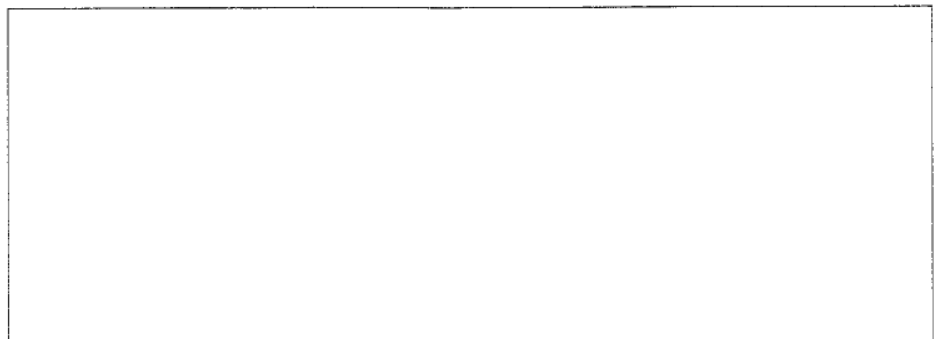
In Frank Capra's film, *It's a Wonderful Life*, Jimmy Stewart's character, George Bailey, is nearly driven to the unthinkable after a silly error places him on the brink of financial disaster. But at his darkest hour, he's persuaded by a clueless angel, Clarence, that his life has far more worth than just numbers in his insurance policy, having touched so many. Happily, a wealth of family and friends come to the rescue with the immediately needed financial support, and the insurance policy is presumably tucked away for the future.<sup>1</sup>

The movie is a good reminder that life is much greater than the sum of its parts. It also reminds us that unexpected things do happen. As much as we'd like to believe that we're the captains of our own destiny, it doesn't always work out that way. And that's the principal reason we're in business... to help people prepare for the unexpected.

When it's time to pay claims, Guardian meets its obligations promptly and efficiently. Unfortunately, some claims come sooner than anyone would have expected. A list of our more recent claims includes<sup>2</sup>:

- A young man with no medical history who died from a sudden and terminal illness within one and a half years after taking out a policy.
- A middle-aged businessman who died suddenly while on vacation just two years after his policy was issued.
- A construction worker in excellent health who died in a work-related accident just four years after he purchased a policy.
- A young athlete who died suddenly from natural causes just eight months after he was insured.
- A young woman who was diagnosed with a terminal illness less than a year after her policy was issued, and subsequently died within months.

The list goes on. Auto accidents. Unguarded swimming pools. Slips in the bathroom. Sudden heart attacks. Incurable diseases that don't differentiate between the old and



the very young. You can't always protect against unforeseen events, but you can take steps to protect those around you from suffering the financial consequences.

One of the greatest aspects of owning life insurance is the immediate guarantee of funds to replace all or some of your human life financial value should disaster strike.

## Human Life Financial Value – What Are You Worth?

Your human life value is the present value of your future earnings. Earnings that will provide a home for your family, food, clothing, vacations, education, and a multitude of other things that make up your life's infrastructure.

Guardian representatives have a unique tool to help clients called the *Living Balance Sheet* that contains calculators for evaluating your human life value. This is the first step you need to take in providing the financial protection your family needs in the event that you are no longer there.

To estimate your financial protection needs, the Living Balance Sheet calculator takes into consideration such factors as:

- Current annual income
- Existing insurance protection and sources of income that would continue
- Liabilities – Loans and mortgages
- Assets set aside for special funding needs such as college education

The end result of calculating your human life financial value can be eye-opening. It seems only possible to achieve such a significant amount of money through careful planning and years of hard work. But what if funds are needed in a shorter time than expected?

## A Simple Solution

As the keystone of your financial strategy, you ought to consider life insurance to build an immediate estate, and to conserve and protect your assets during your lifetime. Life insurance helps people maximize the use and enjoyment of other assets, and allows you to transfer wealth to future generations – all with the simplicity, guarantees, tax advantages, and flexibility inherent to this unique product.

Adding rider options to a policy (which may increase the out-of-pocket cost) will also increase the value of your policy and include other guarantees, such as the right to utilize a portion of the death benefit should you develop a permanent chronic or terminal illness. Guardian offers a number of unique products and riders that can enhance the value as well as the flexibility of your policy, helping you keep pace with financial changes through various life stages.

If you have shorter term goals or immediate, substantial needs with a limited budget, Term life insurance may be a cost-effective, temporary way to establish immediate financial security. All of Guardian's Term products provide a valuable option to convert to a permanent life insurance policy at a later time, without proving continued good health.<sup>3</sup>

## Find the Time

If you're the type of person who likes to dot i's and cross t's, you'll want to ensure that you have a plan in place which will anticipate financial obligations that may outlive you. Call your financial representative to set aside some time to talk about how easy it is to guarantee your life financial value – for those you care about – and feel very good about tomorrow.



- <sup>1</sup> Had we written the script, we would have increased the value of George Bailey's life insurance policy and he could have used it as collateral for a bank loan or borrowed from its cash value to cover the outstanding debt. And the wicked Mr. Potter would have been foiled again, since life insurance policies' cash values are, in many states, protected from claims of creditors.
- <sup>2</sup> These events actually occurred in the course of our business, however, circumstances are slightly altered in order to protect the privacy of our clients.
- <sup>3</sup> The length of time that a Term insurance policy may be converted varies by product type and age of the insured when the policy is purchased.



GUARDIAN®

The Guardian Life Insurance Company of America, 7 Hanover Square, New York, NY 10004-4025

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