



HUMAN LIFE VALUE CALCULATION –Dr. Solomom huebner

- ❖ **HLV** -CALCULATION IS TO PROTECT FUTURE EARNING FOR THE FAMILY IN ABSENCE OF FAMILY HEAD.
- ❖ HOW MUCH INSURANCE NEEDED FOR THE FAMILY?

INSURANCE NEED = (Annual Income x
NO of years left for Retirement) +
(Liabilities) Or (Any Loan).

Steps in HLV calculation

- Find out NET ANNUAL INCOME after deducting his Personal Expenses
- Personal Expenses include Income Tax, life-style maintenance expenses etc.
- The NET AMOUNT he gives to his family is to be taken into account
- The Economic value of a Person is also dependent on his remaining earning life

For example,

Age: 28 Monthly Contribution to Family: Rs.20,000

Retirement:60

Simple way to calculate HLV would be the TOTAL of his future salaries:

$$\text{Rs.20,000} \times 12 \times 32 = \text{Rs.76,80,000}$$

This Rs.76,80,000 is the “Absolute Value of his Future Earnings”.

We need to calculate “Present Value of his Future Earnings”.



- ❖ Present Value of any money is LESS than the actual amount received in Future.
- ❖ Money value decreases year after year due to INFLATION.
- ❖ If we assume Inflation to be 5%, it means, price increases by 5% in 1-year
- ❖ 1-Lac receivable next year is Rs.95,000 today.
- ❖ 1-Lac receivable 2-years from now is Rs.90,700 today

APPLYING THE SAME LOGIC

Absolute value of Future Earnings : Rs.76,80,000

Present Value @ 8% discount factor: Rs.45,44,000

(Around 60% of Future earnings)

So, the FAMILY needs to have INSURANCE COVER for 45-Lacs to ensure that his family is ADEQUATELY PROTECTED in his absence.

KINDLY REQUEST YOU FRIENDS TO CALCULATE YOUR OWN

- HUMAN LIFE VALUE FOR YOUR FAMILY
- MAKE ENSURE YOUR FAMILY IS PROTECTED BY YOUR EARNING AND LIFET STYLE FOR THE FUTURE.
- IT HELPS TO CALCULATE YOUR RETIREMENT NEEDS.

THANK YOU ALL FOR THE OPPORTUNITY.

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