

HLV (Income Replacement)

Mr. Shukla who is 30 years old recently changed his job. He got a big hike in his CTC from 10lakh to 15 lakh per annum. He is going to be married very recently and wants to recalculate his risk coverage by increasing his term plan coverage which is currently 1crore.

He wants to know how much term coverage is required logically to secure the income stream for his family in his absence for the next 30 yrs.

Suggestion:

His Yearly expense on own lifestyle - 3 lakh

Assumptions

His Expected Annual Increment - 8%

Discount Rate of Future Income - 6%

Human Life Value Calculation

Current Age	30 Years
Retirement Age	60 Years
Discounting Rate	6 %
Current Annual Income	₹ 1800000
Expected Annual Increment	8 %
Annual Personal Expenses	₹ 3,00,000

Human Life Value

₹ 5,64,00,788

*Income Replacement Method

Mr. Shukla will be needing Rs 5.64 - 1 = Rs 4.64 Crore additional Term Coverage.