

How Much Life Insurance Do You Need?

Determining how much life insurance anyone needs is not an exact science. The idea behind life insurance is to make sure there is sufficient cash so your loved ones will be able to maintain a comfortable standard of living should you die prematurely and they are then left without your current and future income earnings.

In essence, life insurance is designed to replace your lost income. Everyone's need for life insurance is different, but as a general rule of thumb, anywhere from 10 to 20 times a person's annual income may be sufficient when you have dependent children.

Basic Family Needs Analysis¹

One way of determining how much life insurance you need is to determine an approximate amount your family should have for these types of financial needs upon your death:

1. Lump sum needed immediately to pay for your **Final Expenses** \$ _____
 – Funeral, outstanding charge cards, car loans, misc. debts to be paid off

2. Lump sum to be set aside for an **Emergency Savings Account** \$ _____
 – Recommend 3-6 months of living expenses to meet unexpected expenses

3. Lump sum amount to be set aside to pay for **College Education(s)** \$ _____
 – Estimate based on today's cost to complete a college education(s) – Assumes money is invested at death and is able to keep pace with rising cost of education

4. **Mortgage & Property Tax Fund** \$ _____
 – This can be a complete pay-off of your mortgage, plus a 'pool' of money to pay 'x' # of years of property taxes, or simply an amount of money in lump sum to draw upon, to supplement your current earnings to make these payments.

5. Lump sum needed to provide a **Monthly Income Supplement** \$ _____
 – Assuming items 1-4 are taken care of, most people still need a income supplement to pay the other on-going expenses of maintaining a living (i.e. food, insurance, etc.)
 – For every \$1000 of income needed, use \$300,000 in lump sum and the principal can remain intact for your _survivor's retirement (i.e., \$2,000 @ mo. Requires \$600,000)

6. Total of lines 1-5 \$ _____

7. Subtract current life insurance inforce² \$ _____

8. **Total amount of additional life insurance needed** \$ _____

¹ Retirement and/or qualified assets are not accounted for as it's assumed these would be needed for retirement of the survivor.

² Includes personal and group (employer provided) life insurance coverage

How much...
INSURANCE IS ENOUGH?



Do you have enough life insurance for tomorrow?

If you purchased this amount of life insurance...	\$50,000	\$100,000	\$250,000	\$500,000	\$1,000,000
And your family spent \$25,000 for last expenses,	\$25,000	\$75,000	\$225,000	\$475,000	\$975,000
Your family will have this monthly income for 10 years or	\$263	\$788	\$2,365	\$4,992	\$10,247
This monthly income left for 20 years or	\$163	\$488	\$1,465	\$3,093	\$6,349
This monthly income left for 30 years.	\$132	\$396	\$1,188	\$2,508	\$5,147

Assumes 5% interest on lump sum. 28% tax bracket.

Commercial Insurance

Employee Benefits

Personal Insurance