

Life

HOW MUCH LIFE INSURANCE DO YOU NEED?

When you buy life insurance, you need to decide how much, for how long, and what you can afford to pay. Keep in mind the major reason you buy life insurance is to cover the financial effects of untimely or unexpected death. It also can be an investment tool for the future.

When asked how much life insurance they need, most people have no idea. However, you can get a good estimate by answering this list of questions from the National Association of Insurance Commissioners.

- How much of the family income do I provide? If I were to die early, how would my survivors – especially my children – get by? Could my spouse repay existing debts? Does anyone else depend on me financially? (See the worksheet on the next page.)
- Do I have dependent children who may have college expenses or require specialized care?
- How will my family pay my final expenses (e.g., funeral costs, legal fees)?
- Do I want to leave money to family members or charitable organizations?
- Will there be estate taxes to pay after my death?

As you consider those questions, you'll want to keep in mind the life insurance you have now, including any group insurance where you work, veteran's insurance, Social Security benefits, and pension benefits. Add other assets like savings, investments, real estate, and personal property. Which assets would your family sell or cash in to pay expenses after your death?

Once you've established your needs, you're ready to find the right life-insurance plan.

(continued)



NAME _____ DATE _____

HOW MUCH LIFE INSURANCE SHOULD YOU OWN?

Use this sheet to help you determine how much life insurance protection you may need.

SETTLEMENT FUND

Final expenses - These include funeral costs (the average funeral in America runs \$6,500.00) and a readjustment fund (money to help your family through those first critical months following the loss of a loved one).

How much do you think is necessary? \$ _____

Debt payment - Unsecured obligations such as your portion of medical and hospital bills, personal loans, and credit card balances must be settled before your heirs can receive any inheritance. In addition, you may want to eliminate any payments for vehicles or other secured property.

How much would be required to pay your current obligations? +\$ _____

MORTGAGE FUND

Rent or home fund - Your home can be the largest liability left behind. A mortgage fund can provide money to pay off the mortgage or continue to fund the cost of your family's residence.

What is your current mortgage balance? +\$ _____

or

What amount do you want to set aside to purchase or rent a residence? +\$ _____

EDUCATION FUND

College and training funds - Statistics show the average tuition exceeds \$26,000 for four years at a state college. Room and board can double that amount. Private colleges and out-of-state schools can cost many times more. Another consideration may be job training for those left behind to enhance their employment prospects.

How much do you think should be available for education funding? +\$ _____

CONTINUANCE OF INCOME

Living expenses - A continuation of your income can make certain that your family's standard of living is not drastically reduced after your passing. Money would still be needed for food, clothing, household expenses, insurance, and taxes. How much monthly assistance would you want for the support of your family? Every family situation is different. How long do you want this income to continue?

Monthly income _____ x 12 x _____ years +\$ _____

Total dollars needed =\$ _____

Existing insurance/liquid cash -\$ _____

New dollars needed (life insurance) =\$ _____

