



ACTION GUIDE

HOW MUCH LIFE INSURANCE DO YOU NEED?

Life insurance is an incredibly necessary safety net to have for the family. Because one never knows what's going to happen in the future, ***having a good life insurance policy in force is a great way to ensure your family will be provided for***, should something unforeseen occur down the road.

A question you may have is, "How much life insurance do I need?" There are a number of calculators online to assist you in determining this information. Take a look at some of the following websites: Smart Money, Yahoo Finance and Cash Money Life to explore various methods to calculate your life insurance needs.

Here's one simplified method that provides a conservative estimate of the amount of life insurance you need.

Calculate Your Family's Living Expenses Needed in the Event of Your Death

Funds Required by Your Family Should You Die	Yearly or One-Time Expenses	Balance Needed for Life Insurance
Your Income	\$	
Your Family's needs for next ___ years	___ years x \$ = \$	\$
College for ___ child(ren)	\$	+
Mortgage Balance	\$	+
Your Funeral Costs	\$	+
Total Overall Costs		\$

Example:

Funds Required by Your Family Should You Die	Yearly or One-Time Expenses	Balance Needed for Life Insurance
Your Income	\$50,000	
Your Family's needs for next ___ years	<u>3</u> years x \$50,000 = \$150,000	\$150,000
College for <u>2</u> child(ren)	\$65,000	+ \$65,000
Mortgage Balance	\$170,000	+ \$170,000
Funeral Costs	\$8,000	+ \$8,000
Total Overall Costs		<u>\$393,000</u>

In the event of your untimely death, don't forget your spouse will also have some assets.

From your balance on the above worksheet, subtract any savings you've already accumulated. The final balance will indicate how much life insurance you'll need to protect your family should you die.

Determining the amount of life insurance you need is a very worthwhile exercise. Use this worksheet and other life insurance calculators to figure how much money you need to protect your family.

Upon completing this exercise, you'll be better educated about the amount of life insurance coverage to obtain.