

Issue Brief: How Much Life Insurance Do I Need?

When determining how much life insurance you should carry on your life, you must first recognize that every situation is unique. Start from the notion that at a minimum, you need enough death benefit coverage to provide for the ongoing obligations that would have otherwise been covered by your salary. Mortgage payments, college tuition for children, and general living expenses are just a few of the expenses that most people examine when determining the appropriate amount of coverage. Many parents strongly feel that in the event that one parent dies, the remaining parent should devote full attention to raising the children, without worrying about a huge debt burden or future income.

Another popular viewpoint is that you should insure the economic value of an individual (if higher than the above), which is most easily quantified as lost earning potential. The argument is that this represents the true economic loss of that individual to the surviving dependents, and this amount of coverage best positions the family for maintaining the same lifestyle that the breadwinner may have spent an entire life establishing.

An entire spectrum of life insurance products is available from pure risk protection products (term insurance) to accumulation-oriented products (super-funded whole life insurance) and everything in between. There are so many different choices available that it is very difficult for a consumer to wade through all of the options.

Seek the advice of a fee-only life insurance advisor to help you objectively determine: the type and amount of insurance that you need; the policy design that optimizes value; and the factors to consider when selecting a company.