

How much life insurance do I need?

Life insurance is about providing for your family so they can live comfortably in your absence. By working through four areas of need, you can get a sense of how much life insurance you may want in place.

1. Would your loved ones need income to live on?

Your annual income x Years of income replacement needed (Typically 5 to 10¹) =

2. Do you want to pay off debts?

Mortgage debt + Credit debt + School loans + Car loans + Other debts =

3. Are you planning to pay for your kids' college education?

Number of children x Estimated annual cost per student (see below) =

Estimated Costs for Four-Year Colleges ²		Today	In 5 yrs.	In 10 yrs.	In 15 yrs.
		Public College	\$89,521	\$108,814	\$138,877
Private College		\$202,360	\$245,970	\$313,927	\$400,660

4. Do you want to leave some money behind for funeral expenses?

Desired funeral savings (The average funeral costs between \$7,000 and \$10,000³) =

5. Total Amount of Life Insurance Needed (add subtotals in sections 1 - 4) =

6. How much existing life insurance do you have? (personal and group plans) -

7. How much do you have in savings? -

Solution: Amount of Additional Life Insurance Needed =

1. Life Happens "Do you really need 10x your salary in life insurance?" April 1, 2015. <http://www.lifehappens.org/blog/do-you-really-need-10x-your-salary-in-life-insurance/>

2. Costs reflect tuition, fees, room and board from Trends in College Pricing 2017, The College Board. Assumes a 5% college cost inflation recommended in estimating costs by The College Board.

3. Parting, "Funeral Costs: How Much Does the Average Funeral Cost?" September 14, 2017. <https://www.parting.com/blog/how-much-does-the-average-funeral-cost/>

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