

Life Insurance Reality Check: Do You Have Enough?

Life insurance is something that no one likes to think about. All the same, 93 percent of Americans believe that life insurance is something most people need, and most of us have some.¹ That's the good news.

The bad news is that most Americans don't have enough. Nearly 70 million adult Americans have no life insurance at all, and those who are insured have coverage equal to just four times their annual income.² Most experts believe that coverage equal to 10 times one's annual income is a more reasonable rule of thumb.

Do you really need \$250,000, \$500,000, \$1 million or more? Sounds like a lot of money, but imagine if one of those amounts had to pay for a funeral, retire credit card balances and other debts, support your loved ones for many years to come, and help cover college costs. Would it be enough? How would you know?

Doing the Math

To start, estimate what your family members would need after you're gone to meet immediate (e.g., funeral), ongoing (e.g., rent or mortgage, other everyday bills) and future financial obligations (e.g., college and

retirement). Then, add up the resources your surviving family members could draw upon to support themselves. These would include things like a spouse's income, accumulated savings, life insurance you may already own, etc. The difference between the two is your need for additional life insurance.

This mathematical equation may seem simple enough, but coming up with all the inputs can get tricky. Fortunately, there are plenty of resources you can turn to for assistance. A first step would be to visit an online Life Insurance Needs Calculator like the one offered by the nonprofit LIFE Foundation (see above). Then, seek professional advice. An insurance professional in your community can conduct a thorough analysis of your needs, and then help you determine the right amount and type of life insurance for your specific goals and situation.

Calculate Your Needs



For a general sense of your life insurance needs, visit the online calculator offered by the nonprofit LIFE Foundation at www.lifehappens.org/lifecalculator.

¹ LIFE Foundation and Kelton Research, 2008

² LIMRA International, Trends in Life Insurance Ownership, 2005