How Much Life Insurance Do You Really Need?

There are two common methods for determining an individual's life insurance requirement, the "Multiple Earnings" approach and the "Needs" approach.

Multiple Earnings Approach: Under this model, the required amount of life insurance is a direct function of the insured's annual income level. One version of this approach multiplies current earnings by a factor of 5 to 8 and increases that amount by the value of the unpaid home mortgage plus $50,000 for each child living at home.

Example: A member with a wife, two children in high school, $150,000 outstanding mortgage, monthly gross income of $5,000.

Required Insurance		
Salary:	$5,000 x 12 x 5	**$300,000**
Outstanding Mortgage Balance:	(If Renting: Annual Rent x 15)	**$150,000**
Children:	$50,000 x 2	**$100,000**
Total Insurance Requirement:		**$550,000**

Your Insurance Requirement		
Salary:	**___ x 12 x ___**	$ 0
Outstanding Mortgage Balance:	(If Renting: Annual Rent x 15)	
Children:	**$50,000 x ___**	$ 0
Your Total Requirement:	→ →	$ 0

Needs Approach: This technique of estimating insurance requirements examines the financial situation of the insured and considers other resources that may be available. While it takes more effort than the multiple earnings method, it will produce an estimate that is specifically tailored to an individual's situation. To obtain a worksheet that provides an outline for developing insurance requirements under the "Needs" approach, contact me direct.

Get The Simple Secret For Saving Hundreds On Life Insurance, Most Will Never Know!

Notes:

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