

## How Much Life Insurance Do I Need

If someone will suffer financially when you die, chances are you need life insurance. Life insurance provides cash to your family after your death. This cash (known as the death benefit) replaces your income and can help your family meet many important financial needs like funeral costs, daily living expenses and college funding. What's more, there is no federal income tax on life insurance benefits. The answer isn't really how much life insurance you need, it's how much money your family will need after you're gone.

### Ask yourself

How much money will my family need after my death to meet immediate expenses, like funeral expenses and debts? How much money will my family need to maintain their standard of living over the long run?

Life insurance proceeds can help pay immediate expenses including uncovered medical costs, funeral expenses, final estate settlement costs, taxes and other lump-sum obligations such as outstanding debts and mortgage balances. They can also help your family cover future financial obligations like everyday living expenses, money for college or your spouse's retirement, and so much more.

But how do you know if you need \$100,000, \$500,000, \$1 million or more? The most common way to determine your life insurance needs is by conducting what's called a Capital Needs Analysis.

Here's how it works. Start by evaluating your family's needs. Gather all of your personal financial information and estimate what your each of your family members would need to meet current and future financial obligations. Then tally up all of the resources that your surviving family members could draw upon to support themselves. The difference between their needs and the resources in place to meet those needs is your need for additional life insurance.

This may look simple enough, but calculating one's life insurance needs can actually get pretty complicated. To make it easy for you to get a general sense of your needs, check out our life insurance needs calculator. It'll walk you through the process and provide you with an estimate of your insurance needs in a matter of minutes.

But remember, our calculator (or anyone else's for that matter) is no substitute for the guidance and assistance you'll get by meeting with a qualified insurance agent or other financial professional. So if you're serious about protecting your family's future, contact an insurance professional in your community.