

How Much Life Insurance Do You Need?

Determining how much insurance to buy

How Much Life Insurance Do You Need?

Life insurance has become a popular investment vehicle, as well as a way of protecting family members on the death of the breadwinner(s). As vital as life insurance is to a family's overall financial plan, people commonly give it insufficient attention - perhaps because they are put off by the confusing array of available products, or simply because they are too busy.

How much life insurance coverage do you need? Determining how much insurance to buy requires you to invest some time in calculating, first, your current annual household expenses, and then your assets, debts, and other sources of income. Fulbright Financial Consulting, PA can assist you in this computation.

The ideal amount of coverage is the amount that would allow your dependents to invest it after your death and maintain their desired standard of living without touching the principal. Although the old rule of thumb - to buy five, six or seven times your annual salary - may serve as a starting point, it is no substitute for making the calculations to find out how much you really need.

It's important to be as accurate as possible in estimating your family's needs, since an underestimation could lead to your being underinsured, and an overestimation will lead to money wasted on unnecessary coverage.

TIP: To accurately estimate your family's annual income needs, it's helpful to have the following documents with you: A checkbook register for one year, a year's worth of credit card statements, and last year's tax return.