



How Much Life Insurance Do I Need?

A large part of choosing a life insurance policy is determining how much money your dependents will need. Choosing the face value—the amount your policy pays if you die—depends on a few different factors.



What To Consider...

Your Current Debt

- You want to plan for your current debts to be paid in full, including car loans, mortgages, credit cards, other loans, etc.
- Don't forget the interest. You should take out a little more to settle any extra interest or charges as well.

Income Replacement Needs

- One of the biggest factors for life insurance is to replace income.
- If you are the sole provider for your dependents, you will need a policy payout that is large enough to replace your income plus a little extra to guard against inflation.

Insuring Others

- Obviously, there are other people in your life who are important to you, and you may wonder if you should insure them.
- As a rule, you should only insure people whose death would mean a financial loss to you.
- The death of a child, while emotionally devastating, does not constitute a financial loss because children cost money to raise.
- The death of an income-earning spouse, however, does create a situation with both emotional and financial losses.
- Don't forget to consider business partners with whom you have a financial relationship.

General Calculations (To Help Keep It Simple)

- A rule of thumb for life insurance is 6 to 10 times the insured's annual salary.
- Another way to calculate the amount of life insurance needed is to multiply the insured's salary by the number of years left until retirement.
- The standard-of-living method is based on the amount of money survivors would need to maintain their standard of living if the insured party dies. You take that amount and multiply it by 20.
- Here's an interactive resource that can help you calculate your needs: <https://lifehappens.org/life-insurance-needs-calculator/>*

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