



How Much Insurance Is Enough?

If something were to happen to you, would your family have enough life insurance to continue living the way they do today? Experts say many families need 70%-90% of their current gross income¹ if something were to happen to the breadwinner. It's not a fun topic, but one that is very important and can help your family in a time of need.

Check your life insurance needs as your financial situation changes. Examples include:

- Family grows
- Education funding
- Career advancement
- Salary increases
- Change in mortgage expenses

What you need to consider

Your financial advisor can help you with a strategy designed to help you anticipate the many options if you were to die. You'll want to consider immediate expenses, income replacement and available assets.

Think of your life insurance in terms of the income it can provide.

Immediate expenses

As a starting point, the average cost of a funeral in 2014 was \$7,181². There might also be probate fees or other funeral costs.

If your family will keep your home, you will need to figure in the remaining cost of your mortgage, insurance, taxes and maintenance. If your family will sell, think about the cost to rent or what a new mortgage would be. Remember, selling a home may trigger capital gains taxes. Consult your tax advisor regarding your circumstances.

Next, take a look at your credit card debt, car loans, education loans, and other outstanding liabilities. Think about unexpected emergency costs like income lost due to work absence, medical expenses or home repair.

Income replacement

You will want to replace the income you would have been earning for your family. You will need to take a look at how many years your family will need support and the average rate of return on investments.

Retirement savings

If your retirement savings can be liquidated, it might provide cash flow for your family. These can include an IRA, 401(k), annuities, and other retirement accounts. If your retirement plan allows, your survivor may receive a single payment of the entire balance (fully taxable to the survivor) or roll over the entire balance into a traditional IRA to continue to the potential of tax-deferred growth.

Contact your Financial Advisor and tax advisor for more information.

Social Security

For most families, Social Security provides only temporary benefits. Become familiar with how long your family would be eligible for benefits. The time and the amount of benefit might be so small it is not worth including in your calculations.

Available assets

Take a close look at what your family could choose to liquidate, including any stocks, bonds, savings accounts, etc.

What other assets do you have, including inheritance, commodities, rental property, etc.?

If you own rental property or a vacation home, your family might keep it or sell it. If kept, all related expenses will need to be calculated just as with a primary residence, including mortgage payments, insurance, taxes, and maintenance. If sold, there will be selling expenses and taxes due upon sale.

Other considerations

Your financial advisor can help you take a look at your current standing and develop a strategy for planning for your family. This is just a starting point for discussion and planning of life insurance needs.

You will want to analyze the costs and assets for each spouse to plan for a variety of possibilities.

² 2014 National Funeral Directors Association, <http://nfd.org/about-funeral-service-/trends-and-statistics.html>