

# How Much Life Insurance is Enough?

This formula provides a basic indication of what your life insurance needs may be. There are three primary areas to address:

## Income Replacement

5 times your annual living expenses/annual income. This allows the living spouse to maintain the current lifestyle.

## Loan Protection

Enough insurance to cover all outstanding debts. This prevents debt from decreasing life insurance benefits which are for income replacement.

## Dependent Coverage

One time your annual salary for each dependent, to assist with college funding.

	Borrower	Co-Borrower	Example
1. Annual Family Living Expenses*	\$	\$	\$ 30,000
2. Income Replacement	\$	\$	\$ 30,000
Multiply times five	x 5	x 5	x5
	\$	\$	\$150,000
3. Loan Protection	\$	\$	\$ 70,000
Other Outstanding Debts			\$ 65,000 Home
			\$ 4,000 Auto
			\$ 1,000 Misc.
			\$140,000
4. Children's College Fund	\$	\$	\$ 30,000
Annual Income x # of Children	x	x	x 2
	\$	\$	\$ 60,000
5. Total Life Insurance Recommendation (Add bottom boxes from 2,3&4)	\$	\$	\$350,000
6. Subtract Current Insurance Coverage to Determine Total Risk	\$	\$	\$350,000
	-	-	-200,000
7. Option: Consideration for Liquid Assets Not Intended for any Specified Purpose or Expendable Non-Liquid Assets (Subtract)	\$	\$	\$150,000
	\$	\$	\$
8. <b>Total Recommended Life Insurance</b>	\$	\$	\$

\*Estimated annual living expenses of \$10,000 per adult and \$5,000 per child.

Client \_\_\_\_\_  
 AgStar Team Member \_\_\_\_\_  
 Phone \_\_\_\_\_ Date \_\_\_\_\_

