

Life Insurance

How much are you worth?

According to a USA Today article, dated April 8, 2003, 2/3 of Americans wish to review and update their life insurance programs. However, only 10% have done so within the last 12 months. How much are you worth economically? The amount of life insurance one should have is dependent on numerous factors. Who do you love that would suffer economically in the event of your death? People, charities, causes and family owned businesses and farms are typical beneficiaries. What is your income? What is your net worth? How liquid is your net worth? Do you want the life insurance to replace assets, pay taxes, equalize your estate for multiple heirs, or replace your income (economic impact)?

Your economic or human life value is a good place to start. Courtrooms throughout the country establish this value in wrongful death cases as the financial contribution you will make to your family or business if you live. This includes income, benefits, services you perform for others, etc... Like most Americans, you probably earn an annual income. In the event of your death, this income would cease. Therefore, how big of a pool of money is needed to replace that income each year? For example, if you earned \$100,000 each year, you would need a pool of money worth about \$2,000,000 earning 5% each year to fully replace your income each year. This is not considering taxes, inflation, etc...

Additionally, you may want to pay off the mortgage, provide care for children (particularly if your spouse is working), provide for college education, and leave a lasting legacy for your favorite charity or cause.

Furthermore, you may want to consider the effects of inflation, social security, group benefits programs, etc... Your spouse's income, current assets, or other family resources may reduce the amount of true economic need.

Today is an excellent time to evaluate and purchase appropriate life insurance amounts. Many insurance carriers have reduced their mortality rates over the last several years, creating a savings for many individuals in the new purchase of life insurance. Additionally, many health risks that would have caused denial a few short years ago, can now be underwritten. Thus, it is very worthwhile to have this evaluated by a financial professional.

To review existing life insurance policies, consider:

- How much coverage should I have? How much am I worth economically?
- What type of coverage is appropriate for me today, given my needs (temporary or permanent)?

- What is my current health status?
- To evaluate older policies, it is wise to request an “in-force illustration” of your policies to better understand the policies’ performance expectations and their internal costs and assumptions. This, along with annual statements, can assist your evaluation.

Your purpose for life insurance will provide the clarity to make important decisions regarding this insurance.

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