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How much life insurance do I need?

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Answer:

To answer this question, you must first answer several related questions. How big a financial burden would your death leave for others to deal with? How much of your salary is devoted to current expenses and future needs? How long would your dependents need support if you were to die tomorrow? How much would it cost to pay all of your final expenses?

When determining your life insurance need, you'll need to consider your life stage and circumstances. Marital status, number of dependents, size and nature of financial obligations, career stage, and your intentions to pass on your property are all important factors you'll want to think about. Your need for life insurance changes as the circumstances of your life change. For example, you may be able to reduce the amount of life insurance coverage that you have once your children have grown and are on their own.

There are several methods you can use to calculate the appropriate level of insurance for you and your situation. Although they all share common features, some methods strive to be more simplistic, such as the income replacement method and rules of thumb. Others, such as the family needs approach and the capital needs method, involve more sophisticated calculations. You may want to investigate these methods and do some preliminary calculations to provide a basis for possible discussions with your financial planner.

Keep in mind that the worst mistake you can make concerning life insurance is to have a need and not have the insurance to cover that need. Having too little (or even too much) insurance can also be a problem. Proper insurance planning can provide peace of mind for you, as well as protection for those you care about.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. There are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely there may be surrender charges and income tax implications. Any guarantees are contingent on the claims-paying ability and financial strength of the issuing insurance company.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

The information provided is not intended to be a substitute for specific individualized tax planning or legal advice. We suggest that you consult with a qualified tax or legal professional.

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