



## **How Much life insurance is Right for Me?**

**By Steven Gallo**

In our last blog, we outlined the different types of life insurance available to most consumers today, along with the benefits and (potential) drawbacks of each. As Part Two of our Life Insurance series, today I want to talk about the second important factor when purchasing life insurance: how much life insurance is right for me to provide an adequate income stream for my family?

So, you've made the decision to purchase life insurance. This is a great way to help insure that your family's financial needs are taken care of in the event of your death. You may have even evaluated all of the different types of life insurance policies on the market today (term life, permanent life, whole life, universal life, variable life), and have decided which policy is right for you. Now, the question becomes, how much coverage should you purchase?

As I said in my last post, one of the things I think about most as a husband and father is how I can take care of my family beyond my lifetime. For most of us, we spend our lifetime with a single goal in mind: to be able to provide for our families, and every day we work toward that goal.

Determining the amount of life insurance coverage you need can be a daunting task. It's really not as difficult as it seems, particularly once you've decided on the type of policy that is right for you. And the cost doesn't need to be an issue. In a 2013 LIFE Foundation study, more than 80 percent of respondents cited financial reasons for not having enough life insurance coverage to meet their needs. Yet they overestimated the cost of life insurance by nearly three times the actual price.

Taking cost out of the equation, when considering what type of insurance to purchase and how much you need, ask yourself what would happen to your family without you and what type of legacy you would like to leave behind. Do you want to ensure that your children's college expenses will be taken care of in your absence? Would you like to leave a sizable donation to your favorite charity? Do you want to ensure that the funds will be sufficient to pay off the mortgage as well as achieve other goals? Life insurance may be able to help you meet these objectives and give you the confidence that your family will be taken care of financially.

According to Nationwide Insurance, there are two commonly accepted methods for calculating the amount of life insurance you need. The Lump Sum Need method calculates the amount of life insurance needed to pay: outstanding debts, funeral expenses, taxes, household expenses, emergency needs and educational costs. The Income Replacement Method calculates the amount needed to replace a percentage of your income for a specific number of years, usually until your youngest child is out of college or until your mortgage is paid off.

In addition to these two methods, you may also want to consider other needs. For example, would you want to provide the financial means so your spouse wouldn't have to work for the first year after your death?

Factoring in the questions above will go a long way towards helping you determine the amount of coverage you need. In addition, you will find on our web site a calculator that can help you determine the amount of life insurance that will meet your specific needs. We also work with a wide range of carriers and can tailor policies to individual clients. For more information or to set up an appointment, please call us at 336-766-0464.

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