

How much life insurance is enough?



Too many people lack sufficient life insurance. They may have bought a policy years ago and paid next to no attention to it since then. However, as we age and take on more responsibilities, our need for life insurance grows. The big question is how much life insurance is sufficient? In order to know how much coverage you should buy, you'll want to consider several factors.

✓ Determine how much income you will need to replace

Who relies on you for financial support? If, like most people, you have dependents such as a spouse, children, or elderly parents, you'll want to have enough life insurance to replace your income. Without your income coming in, you want to be sure that your loved ones can pay for day-to-day living expenses, such as mortgage payments, utilities, child care, and more. Even if your spouse is employed, you want to be certain that the loss of your income would not have a serious impact on your family's standard of living.

✓ Put a value on your employee benefits

Typically, employers provide a menu of valuable benefits in order to attract and retain key employees. Health insurance and retirement account contributions may be among the most valuable. Unfortunately, your family would lose these benefits if you were to pass away while still employed. That's why you need to factor the cost of replacing lost benefits into the amount of life insurance coverage you require.

✓ Look to the future

If you have younger children, you may have hopes that they will enjoy a college education. The cost of attending college is high, and it is unlikely to fall in price in the future. You'll want to factor in the cost of your children's future educations when deciding on the amount of insurance you will need.

✓ Determine the cost of final expenses

Depending on the size and the type of assets you own, the legal bills to settle your estate could be substantial. Moreover, your funeral expenses could be costly. These and other numerous miscellaneous expenses can be paid for with life insurance proceeds. Figure these expenses into your planning.

✓ Review other policies

You may already have life insurance through an employer or through a professional group. Look at the benefit amounts and deduct them from your total projected needs to figure the amount of coverage you should secure on your own.

✓ Decide on term or permanent

Once you have determined how much insurance coverage you will need, your next step is to decide what type of life insurance policy you should buy. **Basically, life insurance comes in two varieties: term and permanent.**

TERM LIFE	PERMANENT
Term life policies provide coverage for a certain number of years (the term) and generally pay a death benefit if you die during the policy's term. Generally, term life costs less than permanent life, although premiums may increase over time. Term insurance doesn't build cash value. If you outlive the term, the policy lapses and your beneficiaries do not receive anything. Term life may be a reasonable option if you want life insurance to ensure your family's financial well-being for a finite number of years until your children are out of college or your mortgage is paid off, for example.	Permanent life insurance provides a death benefit and builds cash value, which you can borrow against to help pay expenses. A permanent life policy typically costs more than term life. There are three basic types of permanent life insurance. 1 Traditional whole life offers minimum guaranteed cash values and death benefits. 2 Universal life is similar, but premium payments can vary from year to year. 3 Variable life typically has a guaranteed minimum death benefit, but cash value depends on investments you select for your policy.

It may be very helpful to talk things over with a financial professional. Together, you can determine exactly how much life insurance coverage you need and what type of policy best meets your requirements.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.

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