

MY LIFE (INSURANCE) DESIGN



There are basically two things you need to determine when planning your life insurance policy provisions:

1. **How much do I really need to meet all my families (and business) financial obligations should I die tomorrow?**
2. **How long do I need the policy to remain in force, with the same level premium (as long as I pay my premiums)?**

In re to **“how much”** (this is referred to as the “face amount” or death benefit) it is suggested that you should *take your annual income and multiply it by “10”* (replacing 10 years of income that would have been there, had you not died pre-maturely)

A wage earner making \$50,000 a year would then need \$500,000.

*Another thought is getting a **large enough face amount** that , assuming the entire face amount, once paid out, were *invested* by the beneficiaries, in a secure investment, that the interest income would be large enough for the beneficiary to live off of, *without reducing/invading the principal:*

For example a 1 million dollar life insurance death benefit, invested with a conservative return of 8.5% would generate annually \$85,000 !! Now you do not have to worry about the beneficiary spending all of the proceeds from your life insurance! (and there’s money for the next generation as well!!)

*In reference to **How long do I need the policy to remain in force, with the same level premium (as long as I pay my premiums)** that is actually rather easy to determine.*

For example assuming you have children; take the age of the youngest child, and then decide at what *age that child would no longer need financial support from you*

For example your youngest is 13. You determine that at age 25 she would be on her own financially. That would require a policy of at least 15 years in term duration (10 years would not be in force long enough)

WORKSHEET

YOUR ANNUAL INCOME \$ _____ x TIMES 10 = \$ _____ FACE AMOUNT
YOUNGEST CHILD AGE _____ AGE THAT CHILD ON OWN _____

SUBTRACT *YOUNGEST CHILDS AGE* FROM THE AGE THAT CHILD ON OWN
= _____ TERM DURATION NEEDED

Face Amount that I need \$ _____
Term duration I need the coverage to be in force at a level premium _____ years