

Product Spotlight: What is the Correct Amount of Life Insurance?

When we gaze into our children's eyes, we see millions of reasons to own life insurance. However, like many of the great questions posed upon humanity, there is not one correct answer for the proper amount. There are several ways to calculate the amount of life insurance needed.

- **Income replacement:** Multiply your current income by the number of years needed to provide that income, add in large expenditures (college education, mortgage), and factor in inflation.
- **Expense analysis:** Multiply your current expenses by the number of years to cover the family's lifestyle, and factor in inflation.
- **Economic Value:** This considers earnings potential, age, occupation adjusting for inflation and investment returns to determine the total financial impact.

Insurance premiums vary based on the type of policy as well as age, sex, and health of the applicant. In general, younger, and higher earning applicants can get more insurance, which is consistent with the three determining methods above.

Incorrect methods to determine the "correct" amount of insurance:

- Selecting a coverage amount because it sounds high enough.
- Selecting a coverage amount that is not high enough to entice your spouse to kill you, but large enough that will make them stay.
- Selecting a coverage amount with the plan that your spouse will remarry well.
- Avoiding the topic.

There are several types of life insurance, but the most practical and inexpensive way to provide a death benefit is term insurance. Term insurance lasts for a specific pre-determined period, and the death benefit is paid if the insured dies within that time. Insurance can do many things. Permanent life insurance, in addition to the death benefit offers cash value accumulation and are appropriate products for retirement, estate and special needs/ dependent care planning.

Triathlon Partners' consultative approach means understanding your concerns and evaluating potential solutions. The process's goal is to provide you with the knowledge to make the decision that best fits your objectives. Purchasing life insurance can be difficult as it intertwines emotions and economics. Contact Triathlon Partners for a life insurance consultation today.

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