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How Much Life Insurance Do I Need? (Life Insurance Awareness Month: A Late Part 5)

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We missed a week during Life Insurance Awareness Month because of Hurricane Irma! Here is a belated Part 5 to our series on life insurance, by Tom Grey.

Despite the common assumption that life insurance is only for older people, it turns out that 70% of Millennials own some type of life insurance¹. As the generation that grew up during the Great Recession, they likely recognized that a stable income isn't guaranteed to last forever. Have you recognized your own need to plan ahead with life insurance?

Figuring out your life insurance needs is not as complicated as it might seem. You just have to determine how much money your beneficiaries will need, how long you need them to be covered for, and what type of insurance product best fits your needs. The following questions will get you going in the right direction:



1. Does anyone rely on me?

Unless you are responsible for no one but yourself, you need to have life insurance. This doesn't mean that only parents need life insurance—elderly or disabled parents, siblings, and other relatives can count too.

You should also consider getting life insurance if you have family or friends as cosigners on your loans, as they will be responsible for your debt if you pass away.

2. How much will they need?

The **DIME** formula can help you determine this.

Debt Aside from a mortgage, do you have other debt like student loans or auto loans?

Income Does your family depend on your income for monthly expenses?

Mortgage Will your family be able to keep their home if you are gone?

Education Do you have children who want to go to college?

When determining how much insurance to buy, it is better to overestimate how much you will need rather than underestimate. Remember, replaceable income, expenses and general cost of living will rise over the years, so building in a cushion helps to make sure your loved ones can maintain their lifestyle.

3. Do I have enough savings for retirement?



If you are like me, saving is something that you agree with in principal but do not actively practice. Most of us have a 401k or some other retirement account and a skeptical hope that Social Security will still be around when we retire.

Life insurance is designed to provide a death benefit to your loved ones when you die; so, what does it have to do with retirement? Life insurance is not a retirement or saving product but some life insurance accumulates value and provides avenues to access your money, usually on a tax-free or tax deferred basis. This can be an important factor when

calculating how much life insurance to buy.

4. What kind of insurance fits into my budget?

The key is to find a product that provides the coverage that you need for a price that fits into your budget. Term insurance tends to be cheaper than permanent life products and will protect your family from loss of income while whole life and universal life are better options for estate taxes after death and protection for a business.

A licensed insurance professional can help you answer these questions. Alternatively, you can use Sagicor's life insurance [needs calculator](#)², or contact us if you have specific questions about our portfolio of products.

¹[LIMRA: Nearly 5 Million More U.S. Households Have Life Insurance Coverage](#)

²Although the calculator is available to everyone, currently only residents of AZ, FL, and TX can buy life insurance from SagicorNow.