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## 2 cents worth

### Answers to your questions

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BY TOM ADAMS

#### Q. How much life insurance do I need?

**A.**Life insurance is a crucial risk-management tool for many people. To determine how much insurance you need (if any), do not use one of the typical rules of thumb, such as multiples of annual gross income. Everyone's situation is unique.

A proper determination of life insurance needs starts with projecting your dependents' future expenses. Keep in mind that dependent expenses will change in the future -- for example, when your children begin supporting themselves.

Next, determine future income that will be earned, if any, by the survivors -- primarily what your spouse will earn until he/she retires. Include estimates of the surviving spouse's future Social Security and pension benefits.

Subtract projected income from projected expenses. To this figure, add the projected future values of any investments. Any resulting shortage (expenses exceeding income plus investments) equals the amount of life insurance needed. Subtracting your existing life insurance from this shortage gives you the amount of additional life insurance that should be purchased.

It might make sense to insure the lives of both spouses, even if one of you is a stay-at-home spouse. The costs of child care should the stay-at-home spouse die must be considered.

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- [Determining our Life Insurance Needs I - Criteria](#)

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