

## How Do I Choose the Right Amount of Life Insurance?

Purchasing life insurance is a personal decision that only you can make. You should first consider the funds your survivors will need for immediate expenses, such as: uninsured medical costs, funeral expenses, lawyers' fees to settle an estate, debts and taxes. Young single people, who often don't buy life insurance because they have no dependents, should consider that funeral expenses can amount to thousands of dollars and should be provided for in some way.

Here are some very general guidelines that may help you. Not everyone will need the same amount of life insurance. Fill in the blanks to estimate your family's needs. If a particular line doesn't apply, or you think it is too much coverage, just skip it. These are just rules of thumb. For a complete analysis of your needs, you may want to consult a financial planner.

### Life Insurance... How Much Do I Need?

1. Multiple of your annual income (in dollars) that you wish to provide your family if something were to happen to you.*	\$ _____ (1)
2. Annual expenses above and beyond daily living costs for you and your dependents (e.g., tuition, care for a disabled child or parent)	+ _____ (2)
3. Emergency funds (3 to 6 months of living expenses)	+ _____ (3)
4. Estimated amount for your funeral expenses (U.S. average is \$5,000 to \$10,000)¥	+ _____ (4)
5. Total the estimate of your family's needs (add lines 1 through 4)	= _____ (5)
6. Your total liquid assets ( e.g., savings accounts, CDs, money market funds, existing life insurance)	- _____ (6)
7. Subtract line 6 from line 5 and enter the difference here:	= \$ _____ (7)

*The net result (line 7) is an estimate of the shortfall your family could face upon your death. Remember, these results are just rules of thumb. For a complete analysis of your needs, you may want to consult financial planner. The maximum coverage on your life available through FEGLI is about six times your salary (or about seven times for enrollees age 35 or under), though a combination of basic, the Extra Benefit, Option A (\$10,000), and Option B (maximum of 5 times your salary). See the enclosed brochure for details.*

\*Most life insurance consultants recommend at least five times your annual income.

Source: Kiplinger's (Kiplinger.com, January, 2003).

¥ Source: AARP Funeral and Burial Costs, 2002.

### Consider the Way Things Are...

In addition to completing the calculation above, there are some other situations you might want to consider when determining how much life insurance you need. Remember to take into account whether you have:

- A spouse and/or dependent children;
- An aging parent and/or a disabled relative who depends on you for support;
- Savings and/or accumulated debt;
- A sizeable estate and/or a business.

**Once you determine how much life insurance you need, please refer to the OPM's FEGLI Open Season website <http://www.fegli2004.opm.gov/> and click on FEGLI Basics and FEGLI Rates for information on Coverage and costs.**