Dynamic Chiropractic

YOUR PRACTICE / BUSINESS

How Much And What Kind?? Part 2

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Back in July, 1988, the first part of this series dealt with disability protection. This time we will tackle the question of life insurance. This is like trying to solve the riddle of the sphinx in five minutes, but we will give it a try!

We will start with the first part of the equation, "How Much?" Unfortunately, there are no good rule-of-thumb answers. Each of us has different wants, needs, and desires, but there is a quick way to examine this and arrive at an approximate answer.

When death occurs, there will be some "immediate needs" that need to be taken care of:

1. Final expenses, such as attorney/executor fees, taxes, funeral, outstanding bills.	$________________________
2. Loans, such as GSL, HEAL, & banks.	$________________________
3. Emergency fund for unexpected bills, medical, savings, etc. Requires @ 50% of net annual income.	$________________________
TOTAL IMMEDIATE NEEDS (1 + 2 + 3)	$________________________
If you are single, that's it, unless you want to leave enough for your relatives and friends to get together to "toast you off!" If you are married, the list continues:	
4A. Leaving a spouse with no children a "transition fund" which is @ one year's income. (Skip to #6)	$________________________
4B. Leaving a spouse with children. Family income per year and for how many years.	$________________________
Times the number of years needed.	X________________________
Total family income needs.	$________________________
5. Educational needs per child.	$________________________

Times number of children.

X________________________

Total educational needs.

$________________________

6. Cash bequest to others, such as charity, parents, in-laws, schools, etc.

$________________________

TOTAL FAMILY NEEDS.

$________________________

Now let's see what current assets you have to satisfy these needs. This list should include cash, stocks, equipment, personal belongings, accounts receivables, life insurance, and any other assets that can and will be turned into cash at your death.

$________________________

Subtract this number from your total needs and you will see if there are any shortages or surpluses. $

$________________________

That completes the first part of this exercise. Now let's take a look at "What Kind?"

There are many types of policies available on the market today. If your needs are "short-term" needs, then use a short-term product. Term insurance is such a product if the need will be totally gone in no more than seven years. If it won't, or if it will be a reoccurring need, then a short-term product will cost you more money in the long run and may not be there when you need it the most. For long-term needs you need a product that will hang around if you want it to, and if you don't die will accumulate your money in one of the few legal tax shelters left on the face of the earth, tax deferred. I would recommend using a permanent life contract, which gives you both flexibility in coverage and payments. No one wants to be paying for insurance for the rest of his life, and you won't have to with the new breed of whole life policies, and universal life policies. Don't forget to take a close look at the new variable life policies. You can select the "investments" that your cash will go into, and it still accumulates on a tax-deferred basis.

You should never just buy a policy and stick it away and forget about it. Your needs should be reviewed at least every two years, and if the needs are less, lower the amount of coverage. Don't carry and pay for protection you don't need.

By the way, I would suggest that you shop carefully for a company and take a very close look at the products. There is a difference and you should be an educated consumer. It is projected that by the year 2000, only 500 of the current 1,500-plus life insurance companies will still be around. Make sure you pick a winner!

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