FREE WORKSHEET

How Much Life Insurance Do You Actually Need?

The 15-minute DIME worksheet that replaces guesswork with a number you can defend

Why the Rules of Thumb Fail

"Buy 10x your income" is the most repeated advice in life insurance — and it's wrong for most households. A 28-year-old renter with no kids and a 45-year-old parent with a mortgage, two children, and a single income both earn $80,000, but their real coverage needs differ by hundreds of thousands of dollars. Multipliers ignore debt, childcare years remaining, a spouse's income, and what you already have through work. This worksheet replaces the guess with a 15-minute calculation you can actually defend.

The DIME Method, Done Properly

DIME stands for **D**ebt, **I**ncome, **M**ortgage, **E**ducation. Work through each line with real numbers from your accounts — not estimates from memory.

D — Debts (excluding the mortgage)

Credit cards: _____
Auto loans: _____
Student loans (note: federal loans are discharged at death; most private loans are not — check your promissory note): _____
Personal/medical debt: _____
Final expenses (funeral median runs $8,000–$12,000): _____
Subtotal D: _____

I — Income Replacement

Multiply your annual after-tax income by the number of years your household would need support. Common anchors: until the youngest child turns 18 (or 22 if you plan to support through college), or until your spouse's expected retirement. If your spouse earns enough to cover the household alone, you may only need 2–3 transition years.

Annual income to replace: _____ × years:
_____ = **Subtotal I:** _____

M — Mortgage

Current payoff balance (from your servicer's portal, not the original loan amount): **Subtotal M:** _____

E — Education

Per-child anchors: 4-year public in-state currently averages roughly $110,000 all-in; private roughly double. Use your own number if you have a target school in mind, and subtract anything already in a 529.

Number of children: _____ × per-child target:
_____ − existing college savings:
_____ = **Subtotal E:** _____

Now Subtract What You Already Have

- **Existing individual policies** — face amount, not cash value.
- **Group life through work** — count only 50% of it. Job changes end it, and most group coverage is 1–2x salary with limited portability.
- **Liquid savings and investments** your family could actually spend (not retirement accounts they'd drain at penalty).
- **Spouse's Social Security survivor benefits** if you have young children — this is real money many calculations ignore.

> **Your number:** (D + I + M + E) − existing coverage − usable assets = the coverage gap to fill. Round up to the nearest $50,000 — pricing bands make $500K often barely more than $450K.

Reality-Check the Result

Situation	Typical calculated need	Common mistake
Dual income, no kids, renting	$100K–$250K	Over-buying because "10x income" said $800K
Young family, one income, mortgage	$750K–$1.5M	Under-buying a $250K policy because the premium on the right amount felt high — term makes the right amount affordable
50s, mortgage nearly paid, kids grown	$100K–$400K	Renewing a big 30-year term instead of right-sizing down
Stay-at-home parent	$250K–$500K	Buying zero because there's "no income" — childcare replacement costs $25K–$40K/yr

Five Questions Before You Buy

1. **Term length:** match it to your longest obligation. 25 years left on the mortgage and a 2-year-old usually means a 25–30 year term, not 20.
2. **Laddering:** two smaller policies (e.g., $500K/30yr + $500K/15yr) can cut total premium 20–30% versus one $1M/30yr, since your need shrinks as debts retire.
3. **Conversion option:** can the term policy convert to permanent without a new medical exam, and until what age?
4. **Riders worth reading:** waiver of premium (disability), child rider, accelerated death benefit for terminal illness.
5. **Who owns the policy and who's the beneficiary?** Name contingent beneficiaries; never name your estate by default.

Worked Example: The Ramirez Household

Maria, 38, earns $85,000 after tax; her spouse earns $40,000 part-time. Two kids, ages 4 and 7. Mortgage payoff $310,000. Credit cards and an auto loan total $22,000. They want college help of $60,000 per child and hold $35,000 in savings. Maria has 2x salary group life ($170,000) at work.

Line	Amount	Reasoning
D — Debts + final expenses	$32,000	$22,000 debts + $10,000 funeral
I — Income replacement	$850,000	$85,000 × 10 years (until the youngest is self-sufficient enough for spouse's income + survivor benefits to carry the rest)
M — Mortgage	$310,000	Current payoff balance
E — Education	$120,000	$60,000 × 2, no 529 yet
Gross need	$1,312,000	D+I+M+E
Less group life at 50%	−$85,000	Job-dependent coverage discounted
Less usable savings	−$35,000	
Coverage to buy	**$1,200,000** (rounded)	e.g., laddered as $700K/30yr + $500K/15yr

A healthy 38-year-old typically prices that ladder in the range of a modest monthly streaming budget — which is the point: the right amount of term is almost always affordable; the wrong product at the right amount is what breaks budgets.

Six Mistakes That Undo Good Math

1. **Counting group life at face value.** It ends with the job, and you can't take health declines with you to the next employer's plan.
2. **Ignoring the stay-at-home spouse.** Childcare, transport, and household management replacement costs are real, insurable, and routinely $25K–$40K/yr.
3. **Setting term length to the cheapest option.** A 10-year term for a newborn's household protects exactly the wrong decade.
4. **Naming a minor child as beneficiary.** Insurers can't pay minors directly; proceeds get tied up in court-appointed custodianship. Use a trust or adult custodian arrangement.
5. **Letting the policy lapse in a tight month.** Most carriers offer a 31-day grace period — set premiums on autopay from an account with a buffer.
6. **Never revisiting the number.** New house, new baby, new business, or a divorce each changes every line of DIME. Recalculate at each event.

FAQ

Should both spouses be insured? Almost always yes — run DIME separately for each, including non-income contributions.

Is employer supplemental life a good deal? Sometimes for guaranteed-issue amounts if you have health issues; for healthy applicants, individual term is usually cheaper and portable.

What if I'm declined or table-rated? Don't accept the first offer as final — carriers underwrite the same condition very differently, and a year of improved health metrics can re-open better classes.

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