

# Protecting Your Human Life Value



When thinking about your personal finances, your focus might be on getting out of debt, saving for retirement, or paying for a child's education. But before you address those objectives, it's worth thinking about protecting the asset that's necessary for the realization of your goals: your ability to earn an income.

The income you earn throughout life is the asset that generates cash flow to pay your current expenses, and gives you the resources to save for the future. Without it, your financial dreams can never become realities. That's why it makes sense to insure your income potential – and not just to meet today's needs, but from a perspective that appreciates your lifetime economic value.

## Calculating Your Human Life Value

Your lifetime income potential – what you're earning now, and what you expect to earn in the future – can be represented as a single number, which is sometimes referred to as your Human Life Value. This is a present-value calculation of your potential lifetime earnings, based on factors such as age, occupation, projected working years, current benefits, etc.

Human Life Value calculations are often used in wrongful death lawsuits, where plaintiffs seek compensation for the financial loss of a primary wage earner. But the Human Life Value concept is valid for any circumstance. Because an untimely death, whether caused by a drunk driver, a one-car accident or a fatal illness, inflicts the same financial damage.

You could derive your own Human Life Value by using the same statistical methods that apply in a courtroom. Or you could opt for a simpler approach that's usually just as effective: Ask a life insurance company.

A basic insurance principle is that coverage should reflect the value of the asset being insured. For life insurance, maximum underwriting guidelines indicate how much life insurance a company is willing to offer. These maximums, typically based on age and current income, are essentially an insurance company's estimate of one's human life value. Here's a table from a leading American life insurance company, with maximum life insurance amounts "equal to the present value of potential future earnings which would be lost at the death of the insured:"

Age	Maximum Life Insurance
<b>18-40</b>	<b>30 times income</b>
<b>41-50</b>	<b>20 times income</b>
<b>51-60</b>	<b>15 times income</b>
<b>61-65</b>	<b>10 times income</b>
<b>66-70</b>	<b>1 times net worth</b>
<b>71-80</b>	<b>1/2 times net worth</b>
<b>81+</b>	<b>case by case</b>

## Why Insure for Human Life Value?

Some consumers and financial professionals, because of an over-emphasis on minimizing insurance costs, can end up shortchanging income protection. Instead of fully insuring one's economic value, they focus on determining the *minimum* amount of life insurance needed for the economic survival of beneficiaries. But there are compelling reasons to fully insure your *maximum* Human Life Value:

- 1. You are worth it.** We regularly insure other assets, like homes and automobiles, for their full replacement value. Considering the essential nature of cash flow in your financial life, it is logical to have an amount of life insurance that reflects the replacement value of your lifetime earning potential.
- 2. Your beneficiaries deserve it.** In a wrongful death suit, should plaintiffs ask only for what's needed for their immediate financial survival? No. Beneficiaries deserve to be fully compensated for their loss, regardless of the external circumstances.
- 3. Future insurability is not guaranteed.** An applicant's health is a critical factor in obtaining life insurance. But both health and insurability decline with age. Better to secure protection now, instead of taking the risk of not being able to get it later.
- 4. Any lesser calculation will be inaccurate the day after it is made.** Everyone – you, your beneficiaries, the insurance company – anticipates your death will occur *in the future*, not today. So determining your life insurance protection based on *today's* perceived needs is pointless. The only practical decision you can make about the future is to secure maximum financial protection today.

## Don't Under-estimate Your Human Life Value (Or What You Can Afford)

Many consumers are surprised when they see an insurance company's assessment of their Human Life Value, especially in light of the often much-smaller amount of life insurance they actually have. And shortly thereafter comes the thought: "*That's a big number. Can I afford to insure my lifetime economic value?*"

Yes, you can. Term insurance, graduated premiums, even financing options, can all be used to maximize current life insurance protection. A life insurance professional can not only provide the policies, but also offer guidance on how to pay the premiums. Instead of thinking you can't afford to protect your human lifetime value, you should find out how much you can insure.

The full value of a human life certainly can't be quantified in a mathematical calculation. When a death occurs, no amount of money can replace the love, values, support and memories that are lost. However, a life insurance program that reflects your Human Life Value can at least ease the financial concerns for beneficiaries transitioning to a new and perhaps uncertain future. Because so much of our shared human experiences are irretrievably lost at death, there is a great sense of satisfaction and security in knowing your economic Human Life Value can be preserved.