

Name \_\_\_\_\_

**Financial Math**

**Life Insurance Review Packet**

**Figuring Out How Much Life Insurance to Buy**

**Maria is married with two children. She has a mortgage balance of \$310,000. Between Maria and her spouse they have \$115,000 outstanding in student loans and \$58,000 in car loans. The property taxes on Maria's house are \$11,000 per year. Her spouse makes \$72,000 per year in salary from her job.**

**Step 1 – Total Big-Ticket Bills:**

- Mortgage Balance \_\_\_\_\_
- Student Loans Balance \_\_\_\_\_
- Car Loans Balance \_\_\_\_\_
- 3 year Property Tax Cushion \_\_\_\_\_
- Kid(s) College Fund \_\_\_\_\_

**A. Total Amount of Big-Ticket Bills to Pay Off \_\_\_\_\_**

Step 2 – Do you need interest income from the life insurance over a period of many years?

B. Recurring Monthly Bills (LIPA/Oil/Car Insurance, Groceries, etc) \_\_\_\_\_

C. Spouse's Yearly Income \_\_\_\_\_

D. Spouses Monthly Income (Line C ÷ 12) \_\_\_\_\_

E. Monthly Interest Income Needed (Line B – Line D) \_\_\_\_\_

F. Yearly Interest Income Needed (Line E x 12) \_\_\_\_\_

**G. Investment Amount of Life Insurance Needed (Line F ÷ .065) \_\_\_\_\_**

Step 3 – Spending Money

**H. Amount of Spending Money/Basic Savings \_\_\_\_\_**

Total Life Insurance Needed (Line A + G + H) \_\_\_\_\_

Name \_\_\_\_\_

**Financial Math**

**Life Insurance Review Packet**

Part I – Fill in the Blank Answers:

1. When does it become “necessary” for a person to have life insurance?
  
2. Why are life insurance premiums higher for a 40 year old than a 30 year old?
  
3. True or False: A smoker pays more for life insurance?
  
4. Explain why life insurance is a bet
  
5. If your spouse dies, do you have to pay taxes on the life insurance payout?
  
6. True or False: Your life insurance will not pay out to your beneficiary if you commit suicide.
  
7. What are some things the life insurance company will test for before they finalize your policy?
  
8. True or False: Everyone should have life insurance
  
9. Reasons for your answer to #8?