

Name _____

Financial Math

Life Insurance Worksheet #3

Figuring Out How Much Life Insurance to Buy

Steve is married with three children. He has a mortgage balance of \$250,000. Between him and his spouse they have \$35,000 outstanding in student loans and \$47,000 in car loans. The property taxes on Steve's house are \$11,000 per year. His spouse makes \$25,000 per year in salary from her job. Steve's family has \$4000 per month in recurring monthly bills.

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. Spouse's Monthly Income (Line C ÷ 12) _____

E. Spouse's Monthly Net Income (After Taxes: Line D*.70) _____

F. Monthly Interest Income Needed (Line B – Line E) _____

G. Yearly Interest Income Needed (Line F x 12) _____

H. Investment Amount of Life Insurance Needed (Line G ÷ .065) _____

Step 3 – Spending Money

I. Amount of Spending Money/Basic Savings _____

Total Life Insurance Needed (Line A + G + H) _____