SHOW ALL WORK!

$$R = mS \qquad P(E) = \frac{m}{n} \qquad E = P_1v_1 + P_2v_2 \qquad P = R - B - C \qquad A = \frac{p[(1+r)^n - 1]}{r}$$

1. Phoebe is 25 years old and is earning $30,000 annually. Use the Multiples-of-Salary Chart to find the amount of life insurance she should buy if she would like to replace 60% of her income.

smelly cat...

1. _____

2. Rachel Green's father is 50 years old and is comparing premiums for different types of life insurance.

   a) How much would a $250,000 term insurance policy for cost Mr. Green per year?

   a. _____

   b) How much would the same amount of whole life insurance cost him?

   b. _____

   c) In one year, how much would he save by buying term insurance instead of whole life?

   c. _____

3. What is the break-even premium for 27-year-old Ross' one-year $200,000 term insurance policy? Assume the direct and indirect expenses for issuing the policy are $25.

3._____

4. What profit does an insurance company expect to make for a one-term insurance policy for 100,000 23-year-olds? The face value of the policy is $45,000 with an annual premium of $100. Let the cost of each policy be $30.

4._____

5. At 25-years-old, Monica began contributing $1,300 a year to an annuity paying 9.5% annually. How much will she have in the account when she is 40-years old?

5._____

6. If Monica began contributing when she was 20 instead of when she was 25, how much <u>more</u> would have been in her account at age 40?

6._____

FRIENDS

Chandler is comparing term insurance and whole life insurance. He wants to know if he could be better off financially if he buys terms insurance instead of whole life insurance and investing money in an IRA.

7. How much money would Chandler save each year if when he is 35-years-old he buys a term policy instead of a whole life policy?

7._____

8. What would the cash value of a $100,000 whole life insurance policy for a 25-year-old person have after 15 years?

8._____

MULTIPLES-OF-SALARY CHART								
	Current Age							
	25 Years		35 Years		45 Years		55 Years	
Current Gross Earnings	75%	60%	75%	60%	75%	60%	75%	60%
$ 7,500	4.0	3.0	5.5	4.0	7.5	5.5	6.5	4.5
9,000	4.0	3.0	5.5	4.0	7.5	5.5	6.5	4.5
15,000	4.5	3.0	6.5	4.5	8.0	6.0	7.0	5.5
23,500	6.5	4.5	8.0	5.5	8.5	6.5	7.5	5.5
30,000	7.5	5.0	8.0	6.0	8.5	6.5	7.0	5.5
40,000	7.5	5.0	8.0	6.0	8.0	6.0	7.0	5.5
65,000	7.5	5.5	7.5	6.0	7.5	6.0	6.5	5.0

USE THE FOLLOWING TERMS FOR QUESTIONS #9-16

A. Term Insurance	F. Whole Life Insurance
B. Premiums	G. Annuity
C. IRA	H. 401(k) Plan
D. Beneficiary	J. Tax Shelter
E. Dependent	

9. A person designated to receive the death benefit in a life insurance policy.   9._____

10. An investment that legally reduces the payment of taxes.   10._____

11. Investment plan that provides income upon retirement   11._____

12. An account in which money is invested for retirement and taxes are deferred   12._____
    until retirement.

13. An amount of money paid on a regular basis for an insurance policy   13._____

14. Life insurance that pays death benefits for a stated number of years;   14._____
    one of 2 major kinds of insurance

15. Life insurance in which premiums are paid for your entire life   15._____

16. A pension plan approved by the IRS through which an employer can make   16._____
    tax-sheltered contributions

BONUS: In what year was the ROTH IRA introduced?   BONUS:_____

COMPARISON TABLE FOR TERM AND WHOLE LIFE PREMIUMS			
Policy face value is $100,000			
Age	Five-Year Renewable Term	Whole Life	First-Year Difference
20	$205	$ 775	$ 570
25	207	918	711
30	218	1112	894
35	254	1374	1120
40	363	1729	1366
45	562	2127	1565
50	878	2689	1811

EXPECTED DEATHS
PER 100,000 ALIVE AT SPECIFIED AGE

Age	Expected Deaths Within 1 Year	Expected to be Alive in 1 Year
15	63	99,937
16	79	99,921
17	91	99,909
18	99	99,901
19	103	99,897
20	106	99,894
21	110	99,890
22	113	99,887
23	115	99,885
24	117	99,883
25	118	99,882
26	120	99,880
27	123	99,877
28	127	99,873
29	132	99,868

ACCUMULATED CASH VALUE OF $100,000 WHOLE LIFE POLICY
AGE OF ISSUE: 25

Year	Person's Age	Cash Value	Year	Person's Age	Cash Value
1	25	$ 0	11	35	$10,187
2	26	700	12	36	11,501
3	27	1500	13	37	12,860
4	28	2300	14	38	14,246
5	29	3100	15	39	15,667
6	30	4020	16	40	17,094
7	31	5158	17	41	18,555
8	32	6349	18	42	20,014
9	33	7538	19	43	21,563
10	34	8898	20	44	23,197