Busi 2060 personal finance

Finance

Personal Finance Question I agree because both ments from the life insurance agent are true. First, term insurance policies are very cheap for a healthy individual up to the age of about 50 years. Afterwards, the policy starts to get more expensive. The same applies for a whole life insurance policy and the golden rule is that whenever an individual reaches the age of 60 and beyond, then they must buy a whole life policy (Brown, Chambers & Currie, 2001). This means that the earlier she signs for a whole life policy, the better for her given that she does not yet have a dependant. Second, a whole life policy combines a term policy with a cash investment component. The cover will remain relevant even when she changes employers unlike the group policy.

Question 2

I disagree because a large amount right would mean that she pays higher premiums. This is almost impossible because she has four dependants and her job would not provide adequate income to cover for all the living expenses including the insurance policy (Brown, Chambers & Currie, 2001). A whole life insurance policy is the best guarantee because a percentage of the premium can be used in creating a cash value. Afterwards, the cash value can be used to pay off the entire policy after a few years. A whole life cover is also desirable given that it ensures that a policy holder saves on taxes. Generally, a whole insurance policy would have a high cash value in the event of death and this could mean that dependants will have enough to support them.

Question 3

I disagree with the young couple because the insurance cover is almost half the combined income of the household but does not spread risk. The two couples earn an annual combined income of $57, 000 and incur $25, 000 as insurance expense. The amount of insurance does cover most of the risks but does not cover for the death of the head of the family (Brown, Chambers & Currie, 2001). Should the man die, the mother of the children will be forced to cover for both her insurance expenses and that of the children. She earns an annual income of $12, 000 while the combined insurance expense for the survived family members is $15, 000. This means that she will be forced to renegotiate the insurance cover of which it will expose the family members to additional risks.

Question 4

I agree with the retired couple because the surrender value is less than half of the whole life policy. The two do not have dependents and can survive on their pension income as well as their investments. They have reached a late stage in their life and cashing in $12, 200 would mean that they would not have any protection against risks. It is important to that once a person reaches the age of sixty; there is no other insurance policy apart from a whole life policy (Brown, Chambers & Currie, 2001). Therefore, it would be prudent to continue with the whole policy for the sake of covering for risks. The other advantage of maintaining the whole life cover is that the man will continue receiving medical cover.

References

Brown, H. K., Chambers, F. T. & Currie, J. E. (2001). Personal Finance for Canadians. Toronto: Prentice-Hall.