

Area –Consumer and Family Resources
Problem – Disability Insurance

Standards

SD FACS Standard

FCS 7.3.3

Apply management principles to decisions about individual and family insurance.

SD Mathematics Standards

Math 8.N.3.1

Use various strategies to solve multi-step problems involving rational numbers.

Math 9-12.N.2.1

Add, subtract, multiply, and divide real numbers including integral exponents.

Problem

Josh Davidson works as a store manager for Computer Wiz. His monthly salary is \$3500. He is the primary breadwinner for his household and has three children. Josh has decided that he should probably have disability insurance to help protect his family in case of an accident.

Best Insurance Company will issue Josh a policy with 60 percent of his monthly earned income. The insurance will also cover Computer Wiz's contribution to his pension plan, which comes to 7 percent of his monthly salary.

Calculate how much disability insurance Josh can purchase.

Monthly salary = a. _____

Pension plan contribution = b. _____

Monthly disability payments from Best Insurance = c. _____

Now assume the Josh becomes totally and permanently disabled in a skiing accident. In this case, the federal government, through Social Security Administration, will pay Josh \$1600 a month for life after a 3 month waiting period. Josh's disability policy contains a clause that states that his benefits from the insurance company will be reduced by the amount of any Social Security benefits he receives. How much will the insurance company pay Josh on a monthly basis once Social Security benefits take effect?

D. _____

What will you need?

Calculator
Answer Key

How will you be evaluated?

Answer key

Resources

Adapted from *Next Generation-Insuring Your Future*, Life and Health
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