

# **A Life Cycle Model with Joint Decisions for Household Life Insurance Demand**

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## **Abstract**

A life cycle model of utility maximization is built to analyze life insurance demand for heterogeneous households. The model contributes to explore individual life insurance demand and indicates a positive wage shock increases one's life insurance demand while decreases the spouse's. Life insurance demand by age in the model demonstrates a timing puzzle and shows single-parent households peak earlier than couples. The model suggests life insurance demand is positively related to income and number of children and ambiguously related to wealth. It is also implied that financial vulnerability, financial supports needed and premium dominate life insurance demand in different stages.

*Keywords:* life insurance demand; life cycle model; heterogeneous households; joint decision.