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FINANCIAL PERSPECTIVE:

The Value of Life Insurance

Strategies to help financial professionals incorporate life insurance into the planning conversation

Generational attitudes about life insurance are changing. Gen Z and Millennials each have unique perspectives on why they do—or don't—need life insurance. And even among those that already have some life insurance coverage, **LIMRA's 2024 Insurance Barometer Study** found a steady climb in perceived "need-gap"—with 42% of consumers surveyed saying that they should have more life insurance coverage, up from 35% in 2019. The Covid-19 pandemic has clearly influenced the perceived need for life insurance, especially for younger people.

Given the current atmosphere of uncertainty—global conflicts, political instability, rising inflation— it's understandable that many consumers are worried about their financial futures. Here are some insights, perspectives, and data points to help you have deeper client conversations about the important role life insurance can play when planning for a secure financial future.

PROTECTING YOUR BIGGEST ASSET: YOU

If you ask clients what their biggest financial asset is, they might say their home or their investment portfolio. But according to a report from Zippia, the average American with at least a bachelor's degree earns roughly $2.8 million over their lifetime, making cumulative income the most valuable financial asset for most people. For higher earners, this number can easily exceed $5 million. Yet ironically, most clients have likely never considered their lifetime income a financial asset.

In this sense, life insurance becomes income insurance, as that cumulative income stream over the years adds up. When you help clients see their income stream as an asset to be protected, life insurance can make more sense as part of a broader financial planning strategy.

Help clients re-think the value of a life insurance policy by framing life insurance as its own unique asset class; one whose value is not impacted by inflation or market fluctuations.

GENERATIONAL CHANGES

Every generation brings its own perspective to financial matters, often shaped by personal, economic, and even political changes.

Let's take a deeper dive into how different generations vary in their attitudes and approaches to buying life insurance, based on LIMRA's Barometer Study.

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Generation Z (ages 12 to 26)

Many Gen Z individuals are just starting to enter the workforce and contemplate their financial futures. According to LIMRA, 49% of eligible Gen Z consumers recognize the need for life insurance, yet many do not yet have the income to justify the monthly expense. Interestingly, Gen Z's concern about the financial future has increased 11% over the past two years, the most of any generation.

Key considerations for prospects:

- Premiums will likely never be cheaper
- Health issues are likely to be minor
- Student loan debt is likely top of mind
- Very likely to self-educate through social media on the value and need for life insurance

Millennials (ages 27 to 43)

Millennials are typically in the midst of planning their financial futures, starting families, or buying homes, with 46% of Millennials recognizing the need for life insurance—up 43% over the last decade, according to LIMRA.

Key considerations for prospects:

- Career trajectories and income are on the rise
- Families are growing
- Many buying first homes
- Paying off college debt
- Saving for a child's college education

Generation X (ages 44 to 59)

According to LIMRA, 45% of the GenX population see the need to have life insurance, or more of it. Among this group, LIMRA highlights prevalent issues such as divorce, estate planning, long term care and final expense considerations in creating a comprehensive life insurance plan.

Key considerations for prospects:

- Retirement savings
- Long-term health care
- Saving for a college education
- Mortgage payments

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Gender Differences

LIMRA's 2024 Insurance Barometer Study also contains some interesting statistics when it comes to owning life insurance by gender.

- Overall, 49% of women own life insurance, compared to 55% of men
- Just 2 of 5 single mothers, or 40%, own life insurance
- 54 million women in the U.S. have a need for life insurance, or more of it. That compares with
- 39% of men, marking the largest gender gap in the 14 years of the LIMRA study
- Since 2016, life insurance has decreased from 59% to a decade-low 46%

Although women make up 48% of the U.S. workforce, income disparity may play a role in their decision to purchase life insurance. Women are also more likely to work part-time or stop working to stay at home and raise children. These factors can make it harder for women to afford life insurance. However, life insurance premiums tend to be lower for women, since their average life expectancy is longer.

Another key reason often cited for lower policy ownership by women is a lack of financial literacy, presenting a unique opportunity to reach out to female clients—especially single mothers—to discuss the value of life insurance.

Q & A

Below are excerpts from a roundtable discussion with several highly experienced Sales Directors in direct-to-financial professional support roles. We asked for their insights on how to strategically position life insurance with clients and prospects and overcome some common challenges.

Specific discussion topics include:

- Ways to position life insurance as a unique asset, and how to play better defense for your clients
- How top financial professionals build multi-generational relationships with their clients, using life insurance as a bridge between generations
- Tax advantages and various estate planning strategies

How impactful is life insurance to a financial professional?

We think life insurance is very valuable, yet often overlooked by financial professionals. When you look at a client's holistic wealth, it's important not just to grow that wealth, but to also protect it. And if financial professionals aren't discussing life insurance with their clients, others will be. That's another relationship for the client, potentially at a competitive firm, with someone that now has their ear on financial issues. Why take that risk?

Also, life insurance is designed to act as a bridge between generations, so it's a great opportunity for financial professionals to start conversations that include children of their clients. Over the years, studies have indicated that anywhere from 66% to a staggering 98% of children leave their parents' financial professionals upon receiving an inheritance, so developing trusted relationships with the next generation can be extremely valuable.

We understand some financial professionals don't want to "rock the boat" and have more personal discussions about health and lifestyle, but those discussions can also deepen relationships and build trust. It's not altruism—it's an important part of making sure your clients' financial futures are protected. For those with fiduciary obligations, are you doing your duty if you ignore a major asset that can greatly help your clients? What's the downside of having these conversations?

Why do you think some financial professionals don't prioritize selling life insurance?

It most often comes down to priorities and processes. Many agencies simply don't prioritize the proactive selling of life insurance, and many financial professionals we hear from often feel like they lack the operational support to make selling life insurance easy. And if the administrative process for the financial professional isn't streamlined—too much paperwork, too many status emails and calls—then it just tends to get put off.

Many financial professionals shy away from playing financial defense for clients and see life insurance as too risky, too personal, and ultimately more of an altruistic approach than focusing solely on investments. But the reality is, in the age of robo-advisors, anything a financial professional can do to deepen client relationships will benefit their practice in the long run.

What do you mean by playing "financial defense"?

Many financial professionals think in terms of gathering as many Assets Under Management (AUM) as they can, which is kind of like scoring as many points as you can. It makes sense, as assets are the most obvious indicator of wealth. But as they say, defense wins championships, and we think there are other strategies that help strengthen a client's wealth.

For instance, long-term care insurance is something we're seeing a lot of interest in, as we see an aging, longer-living population facing rising healthcare costs. The majority will need to prepare for the potential costs of critical illness, and in the post-Covid world, there's been increasing interest in long-term care.

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Another strategy we advocate is converting excess IRA assets into a life insurance policy, which may not only help increase your client's rate of return but help them pay fewer taxes and leave more money for their dependents. For example, a client with a $750k IRA that doesn't really need to take required minimum distributions can use their after-tax withdrawal to buy a $500k life insurance policy, creating a large tax-free death benefit that boosts total inheritance for their children. We've seen this IRA strategy increase inheritance by millions of dollars.

With the stock market hitting all-time highs, persistent inflation, and global unrest, we see top financial professionals looking for ways to better protect their clients against uncertainty. We offer solutions, and we try to keep them easy.