

WHY YOU DON'T WANT TO BUY LIFE INSURANCE

By: Chris Ward, Senior Vice President, Financial Advisor, Commerce Brokerage Services, Inc.

It's not that you don't appreciate the value of life insurance. Likely you do. In fact, you might even be in the camp with most people who believe they need additional coverage, but you just don't want to buy it.

According to the 2019 Insurance Barometer Study jointly conducted by LIMRA, a not-for-profit research trade association, and Life Happens, a non-profit educational organization, life insurance ownership declined from 63 percent in 2011 to 57 percent in 2019.¹ "Two-thirds of Americans recognize they need life insurance yet many do not have adequate coverage to protect their families," says James Scanlon, senior research director, LIMRA Market Research.

Furthermore, research shows insufficient coverage has severe consequences for many American families, as four in 10 households without any life insurance would have immediate trouble paying living expenses if their primary wage earner died.¹

The crux of the matter is this—thinking about buying life insurance, talking about buying life insurance, understanding the reasons for buying life insurance—most individuals agree these are all good financial planning considerations. However, one can't take any of these steps without discussing two unpleasant subjects that make most of us feel really uncomfortable: death and our own mortality.

Many people say the very thought of starting the life insurance buying process stresses them out. It's one of the main reasons why millions of Americans put off buying the coverage they know they need to help ensure their loved ones will have enough money to meet future financial obligations after their death.

Here are a few more common reasons why people who need life insurance don't get around to buying it. Perhaps you can relate.

REASON #1: GETTING STUCK IN THE SHOPPING PROCESS

If you're unsure about which type of policy is right for you or how much insurance to buy, join the club. Very few individuals truly understand life insurance: why we need it, what type of policy is best, how much we need to buy, when benefits are paid, how benefits may be taxed, and much more.

That's okay. It's not your job to navigate the complex world of life insurance. That's the job of an insurance professional working in conjunction with your advisors. The right professional team can guide you through the process of selecting the policy best suited for your needs, budget, and financial objectives.

REASON #2: LACK OF UNDERSTANDING ABOUT COVERAGE

According to the study, it's clear that education about life insurance and related products is key to helping people get coverage. "If they don't understand what it is and more importantly why they—personally—need it, they won't be motivated to buy the coverage," says Faisa Stafford, president and CFO of Life Happens.

This general lack of understanding often leads to insufficient coverage. For instance, when asked how much a \$250,000 twenty-year level term life insurance policy would cost for a healthy 30-year-old, the media estimate was \$500 annually, more than three times the actual cost. When you consider the top reason for not purchasing life insurance is that it is too expensive, overestimating the true cost of coverage may deter many from purchasing it.¹

REASON #3: OTHER FINANCIAL PRIORITIES

For many underinsured individuals, it's not that they don't want the life insurance they need. It just may be difficult to find the extra dollars to pay the premiums with all the other financial demands on their budget. Alternatively, as in the example above, they really don't understand coverage costs or know if they can afford even basic life insurance coverage.

The fact of the matter is that buying life insurance you can't afford benefits no one. If it causes your family hardship or requires you to make choices that seem incongruous, you'll eventually discontinue the policy. Then you lose, and your family loses.

That's why it's important to leverage the experience of insurance and financial professionals who can help you consider policies that meet your contingency planning needs as well as fit your budget.

REASON #4: NAVIGATING THE MAZE OF CHOICES

There are many types of life insurance products available. These include term life insurance policies and various types of permanent (cash value) life insurance policies.

Term policies provide life insurance protection for a specific period of time. If you die during the coverage period, your beneficiary receives the policy's death benefit. If you live to the end of the term, the policy simply terminates, unless it automatically renews for a new period.

Permanent insurance policies offer protection for your entire life, regardless of future health changes, provided you pay the premium to keep the policy in force. As you pay your premiums, a portion of each payment goes toward building up the policy's cash value, which may be accessed through loans or withdrawals. (Keep in mind, though, that loans and withdrawals will reduce the cash value and the death benefit, and could cause the policy to lapse, which may result in a tax liability if the policy terminates before the death of the insured). The cash value continues to grow – tax deferred – as long as the policy is in force.

Several different types of permanent life insurance are available, including:

- Whole life insurance
- Universal life insurance
- Indexed Universal Life Insurance
- Variable life insurance
- Variable universal life insurance

THE BOTTOM LINE

It's easy to understand why people tend to put off purchasing the life insurance they know they need. For all the excuses you can think of for not wanting to buy life insurance, here are five good reasons you should do just that:

- To provide continuing income for your family members
- To pay off debts

- To pay final expenses and taxes
- To provide an estate for your loved ones
- To leave money for charity

To help you understand how life insurance can secure your family's financial future and protect your loved ones against the uncertainties of life, contact us today.

¹ Source: Press release, 2019 Insurance Barometer Study, ninth annual consumer study from Life Happens and LIMRA, <https://lifehappens.org/press-releases/2019-insurance-barometer-study-nearly-half-of-americans-more-likely-to-buy-simplified-underwritten-life-insurance/>

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Chris is a financial advisor with Commerce Brokerage Services, Inc. He joined Commerce in 2010 to help clients define their financial goals, develop a strategy to make them a reality, and measure their progress along the way. Chris has 10 years' experience helping clients take a holistic approach to their financial life. He educates his clients about life insurance, annuities, and long-term care, and he specializes in financial planning and risk management. Previously, Chris worked at John Hancock, where he assisted clients with investment management, income planning, and insurance strategies. He holds a Bachelor of Science in psychology from Saint Louis University.



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