



The \$12 Trillion Opportunity

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Situation: Typically, this monthly publication focuses on the technical side of life insurance. In honor of Life Insurance Awareness Month, we are taking a slightly different path to report on the dismal state of affairs concerning life insurance ownership in the United States.

Overall, 41% of Americans say they don't have sufficient life insurance coverage. Many underserved markets have even greater insurance needs, including:

- 44% of women believe they have a life insurance coverage gap
- 45% of Asian Americans say they need more coverage
- 47% of Millennials live with a life insurance coverage gap
- 48% of Black Americans acknowledge they don't have enough life insurance
- 50% of LGBTQ+ Americans say they need (or need more) coverage

This bleak finding is especially disturbing when you consider that 4 in 10 families say they would face financial hardship within six months if the primary wage earner died. For 1 in 5 families, it would be within just one month. The coronavirus has emphasized this financial vulnerability, making it even more critical to educate Americans about the important role life insurance plays in a family's financial security.

If there is a silver lining to these dismal statistics it's that according to LIMRA's 2022 Insurance Barometer study¹, 106 million Americans believe they don't have sufficient life insurance coverage. This is a 4% increase from 2021. So why don't they buy it? One obstacle is advisors are not talking about life insurance. According to LIMRA, today more households who believe they need life insurance say the reason they haven't purchased is because they haven't been approached by a financial advisor. Almost 8 in 10 U.S. households admit they do not have a personal life insurance agent to turn to and most say they never did. In fact, a study conducted by Saybrus Partners found that 56 percent of financial advisors will not talk about life insurance even if the client brings it up². No wonder we find ourselves in such a sorry state!

Solution: A financial advisor can build a plan whose sole design is to accumulate dollars toward every goal a client has. It can be creative, tax-efficient, and even leave the client with a comfortable lifestyle as they save toward their life goals. But what happens if the client dies prior to achieving his/her investment goals? The best investment plan in the world isn't

worth much if it doesn't take this risk into account. That is why life insurance is generally considered the backbone of a financial plan. Neglecting to include this can actually make an advisor vulnerable to a lawsuit, especially if they are holding themselves out as a fiduciary.

Unfortunately, the rise of easy money in the mutual fund business displaced life insurance sales as the way to make money. Today it is about assets under management.

Life insurance is the "ugly duckling" of the financial service industry. Consequently, no one wants to talk about it.

Talking about life insurance is hard because it involves a very personal discussion. It is different from investment products that benefit the purchaser. Life insurance benefits others when the purchaser is no longer there. This discussion touches emotional nerves for the buyer and seller, so it can be tough to even initiate the discussion. So, how do you transition from an investment conversation to a life insurance discussion? Here's a suggestion:



TRY THIS:

"Up until this point, most of our conversations have focused on minimizing portfolio risks to help you reach specific financial goals, so we've talked about things like diversification and asset allocation. It is also important to spend a little time addressing risks that can prevent you from reaching those goals.

As you age, one of three things will likely happen: you'll die too soon, get sick along the way, or live too long. Insurance is key to protecting yourself and your important family goals at each of these stages.

To help me generally determine the types of life insurance you may need, I just need to ask you: do you want your life insurance to provide protection if you die or when you die, or both? If you can give me a few minutes, this suitability fact finder can help us determine the amount and type of life insurance you should have."



¹ The Insurance Barometer is an annual study that has been conducted by LIMRA and LifeHappens since 2011; it tracks the perceptions, attitudes, and behaviors of adult consumers in the United States. ¹

² *businesswire.com*



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Here are some questions to get you started:

Have you ever wondered how long you could afford to live on your savings? That's the deal you're leaving your family if you have no or little life insurance. Asking this question reminds people of the realities of life and that may be all it takes to answer this difficult personal question.

How important is it that your family continue to live in the world you created, even if you are not here?

Sometimes you just need to ask the hard question. Again, asking this question reminds people of the realities of life, and that may be all it takes to answer this difficult personal question.

Do you know anyone whose family circumstances deteriorated after the death of a parent?

It seems there are so many stories just like this. Maybe a little somber, but it's a way to get prospects to think. Life insurance allows your clients to grieve without financial pressure.

What plans have you made for the orderly transition of your business if you can't stay involved anymore? This question can get the business succession discussion started for your business owner client.

Do you know if your life insurance will last as long as you will? Have you outlived your temporary life insurance solutions yet? Another great question for a client with existing life insurance. Many clients purchase term insurance when they are in their 30s and 40s, falling for one of the great lies we tell ourselves, "By the time I'm in my 60s I'll have so much money I won't need any life insurance." However, divorces, second families, rampant consumerism, and long-term care expense concerns have changed all of that.²

Has anyone reviewed your life insurance portfolio lately?

Since people aren't talking about life insurance as much anymore, life insurance policy reviews are rarely discussed. Helping your client understand the value of their existing coverage, regardless of where it is and from whom, gets them thinking the right way about what they really want and should do today.

Do you know the determining factor whether you can buy life insurance?

Most people think that if they have enough cash, they have access to buy all the life insurance they might want. Of course, that's not true. A client's health buys it. Money only pays for it.

Have you insured your most valuable asset?

Most people will point to their house, but earning power is actually the most valuable asset. Insure a person's earning power and you've insured their lifestyle.

If you were selling your business and I were buying, how big of a check would I have to write to convince you to leave?

This amount is not likely what the business is worth, but a good way to open the door to getting an informal business valuation which can lead to discussion of using life insurance to help fund a buy-sell arrangement.

What do you want your life insurance to do for you? Is yours doing it?

A recent study found that most people didn't believe that their life insurance is doing what they wanted it to do. Therefore, this question can be asked with confidence knowing that you have a good chance of getting into the discussion of their existing life insurance and opening an opportunity for a policy review.

² DBS has developed a 4-step life insurance product selector fact finder that not only helps to establish the amount of life insurance coverage an insured should purchase, but also the type of coverage.

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In Summary: It is ironic – and unfortunate – that life insurance is usually not on the ‘front burner’ when people review their financial affairs. Investment products and retirement plans get far more interest and attention than life insurance, yet these financial products can take decades to reach the point where they begin to fulfill their purpose. The sad truth is, many people run out of time and die too soon before plans are complete.

No accumulation plan can solve the problem of premature death. Only life insurance can provide funds when ‘people at work’ is no longer an option. Life insurance proceeds can help replace lost income to make mortgage payments, cover living expenses, and pay bills. Only life insurance can provide the funds when ‘money at work’ is an unrealized dream cut short by a premature death. Life insurance proceeds can help provide funds to pay tuition bills, fund buy-sell arrangements, equalize inheritances and provide the liquidity to pay estate taxes. Only life insurance can help rescue a business, the jobs of its employees, and the lives of the owner’s family if the business owner, in the words of Ben Feldman, “walks out the door in the morning and never comes back.” No one needs to buy life insurance, but as financial advisors at the end of the day, we need to ask ourselves: can we honestly say that we have taken care of our clients if we have not asked about this important financial product?



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Count on DBS to help you initiate a better life insurance conversation.

DBS is proud to offer our own in-house advanced case resources to support your complex underwriting situations. We have the knowledge to dig deeper and ask follow-up questions to find the best fit from our many available carriers and products.