

The “Daily Plan-It™”

Davis Schilken, PC

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Can't Sell Anyone New Life Insurance? Here's Why:

A number of financial advisors are struggling in this economy. One of the biggest challenges they face is a decline in life insurance sales to middle class families. Fewer middle class Americans are buying it, and there are several reasons why.

This drop was recently highlighted in a Wall Street Journal article that used information from a study conducted by LIMRA about the alarming number of U.S. households with no life insurance coverage.

The article (<http://tinyurl.com/2crkalq>) stated that about 35 million U.S. households neither own life insurance policies nor are covered under employer-sponsored plans, up from 24 million, or 22% of households, without coverage in 2004. It's the highest rate in four decades.

What Is Causing This?

I see three contributing factors behind this trend:

1. A bad economy. Life insurance sales have been affected by tight household budgets and loss of employer-provided coverage due to cutbacks. Half of the survey respondents said they needed more life insurance but were choosing to pay down debt.
2. Fewer agents. The industry has seen a decline in the number of agents who sell to middle-class families. Many agents are focusing on high-income families that can afford policies that pay higher commissions, shifting more to sales of investment and retirement income products like variable annuities.
3. A shift in buying habits. Younger clients are more willing to buy an insurance product over the Internet than through a face-to-face meeting. Many survey respondents said they didn't know where to get help buying life insurance. Almost eight in 10 don't have an insurance agent or broker.

What Does This Mean?

Now more than ever, there is a huge need for advisors to educate families on the importance of life insurance. Sadly, more families are living paycheck to paycheck, and too many are without the safety net that life insurance provides.

According to LIMRA's study, four in 10 respondents with children under 18 said they would immediately have trouble meeting living expenses if a primary wage earner died, and another three in 10 would have trouble keeping up with expenses after several months.

What Can You Do?

My advice is to encourage your clients to think of life insurance as a need and not as a want. Life insurance is a necessity, not a luxury.

Take advantage of face-to-face meetings with your clients to discuss using life insurance to eliminate debt, provide asset protection, and protect a family when a breadwinner has died. It's a powerful tool.

As always, I hope this article has helped you and your clients. If you have any questions or concerns, please contact our office.

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