

# Why adding financial planning could triple your life insurance production

Consumers who work with financial planners tend to buy significantly higher levels of coverage than those buying from an agent who does not offer planning services. By Joe Morrin, CFP



The business of selling life insurance has evolved considerably in recent years, expanding beyond the exclusive territory of the traditional agent into the worlds of banking and the Internet.

But even as the number and variety of life insurance outlets have increased, many families still do not own this economically necessary and viable product. According to LIMRA International's 2005 Trend in Life Ownership study,

financial Services, Inc., reveals that families who have set up a financial plan through a financial planner own more life insurance than the average family, and this higher level of coverage provides an emotional lift and increases feelings of financial security.

Our research began with two-year study assessing the financial behaviors and attitudes of 9,300 American families interviewed between 2006 and 2008. The data represents the feelings

and behaviors of the American public.

First Command's research indicates that about half (52%) of consumers perceive life insurance to be a critical component of a financial plan. This compares favorably to some of the investment vehicles more typically associated with financial plans, including bonds (51%) CDs (41%) and 529/Coverdale accounts (30%).

Interestingly, families who have set up a financial plan through a financial planner carry nearly three times as much life insurance through personal policies as families who do not have a financial planner (\$290,000 vs. \$97,000). This significant difference in behavior becomes even more important when we consider the impact that life insurance has on a family's feelings of financial security, especially when the level of insurance is determined to be appropriate to the long-term needs of the family.

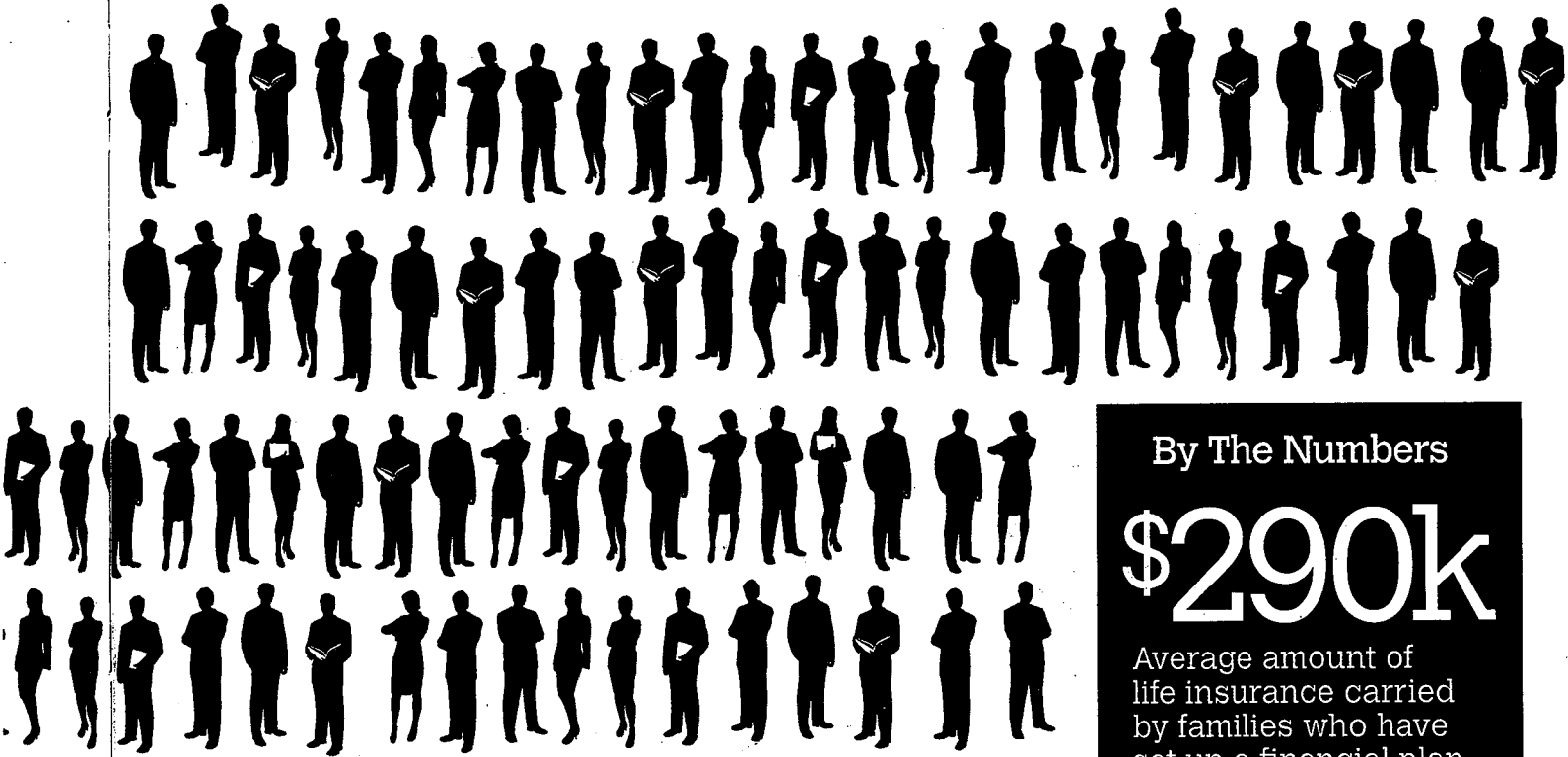
In the early years of our company in the 1960s, we recognized the need to broaden our initial focus on long-term investments to include life insurance. Four decades later, life insurance remains one

**“The ratio of life insurance to debt and household income until retirement is twice as high among families with a financial plan.”**

nearly 68 million Americans have no life insurance coverage.

This situation offers significant untapped opportunities for life insurance agents, specifically those who integrate financial planning services into their practice. A landmark research initiative commissioned by First Command Fi-

and behaviors of individuals between the ages of 25 and 70, with a household income of at least \$50,000. We have continued to survey U.S. consumers through the First Command Financial Behaviors Index, a quarterly report of monthly tracking surveys designed to understand the changing financial be-



By The Numbers

**\$290k**

Average amount of life insurance carried by families who have set up a financial plan through a financial planner. Those who do not have a financial planner carry on average just \$97,000 in life insurance.

of the cornerstones of our business.

Through our extensive experience and ongoing research, we have found that it is not simply having life insurance that provides feelings of financial security. Rather, it is critically important to have the right amount of life insurance relative to a family's financial goals and current levels of debt. A financial plan that includes the amount of life insurance necessary to meet such important goals as college tuition and a comfortable standard of living for survivors serves a family better than one that does not include life insurance as a cornerstone component.

Our research indicates that families who have enough life insurance to replace the household income from today until retirement feel significantly more secure than those families who have not planned to cover household income over that same period of time. Furthermore, these families feel that they are doing the right thing in planning for their financial future and report significantly higher levels of satisfaction with their levels of life insurance.

Families with a financial plan report

significantly higher levels of financial security and greater satisfaction with their life insurance coverage. In addition, families who have a financial plan have more appropriate levels of life insurance coverage. The ratio of life insurance to debt and household income until retirement is twice as high among families with a financial plan.

These findings suggest that, when integrated into a comprehensive financial plan, life insurance provides a significant lift in feelings of financial security. In particular, having enough life insurance to cover both a family's debt and the family income necessary to meet other family financial goals has the strongest positive impact on feelings of security. 