2021 Insurance Barometer Study

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2021
Insurance Barometer Study

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Methodology

The *Insurance Barometer* is an annual study that tracks the perceptions, attitudes, and behaviors of adults (aged 18 – 75) in the United States. The study objectives are to measure financial concern among American consumers and relate these findings to financial behaviors with a particular focus on life insurance.

In January 2021, LIMRA and Life Happens engaged an online panel to survey adult consumers who are financial decision makers in their households. The survey generated 3,007 responses, including an oversample of Black Americans.

Models used in the sample development include a propensity model to adjust for sample selection error and weighting models to adjust for sample response error. In addition, please note:

- Some consumers do not participate in online panels, creating selection bias in survey samples. A propensity-score adjustment corrects for selection biases inherent in internet panels.
- A weighting adjustment was applied to the response sample along the dimensions of age, gender, race, region, and income. The weight helps the demographic characteristics of the response sample to align with the general population.
- The margin of error in this study is +/- 3 percentage points.
- Black Americans are those respondents who self-identify as Black only, respondents self-identified as Hispanic may also be members of any race (e.g., White, Black).
- Respondents include retired and unemployed adults.

Table 1 profiles generational categories in this report.

Table 1

Survey Sample, by Generation

Generation	Ages in Sample	U.S. Population Size[1] (in thousands)	Sample Size (weighted)	Percent of Sample
Gen Z (1999 – 2002)	18 to 21	17,313	143	5%
Millennials (1981 – 1998)	22 to 40	85,413	1033	34%
Generation X (1965 – 1980)	41 to 56	66,473	864	29%
Baby Boomers (1946 – 1964)	57 to 75	69,032	967	32%

[1] U.S. Census Bureau, Population Division, *2020 Demographic Analysis* (December 2020 release).

Key Findings

The 2021 study period marks the 11th edition of the annual *Insurance Barometer.* Surveying American consumers during this difficult time provides critical insights for the industry on the impact that COVID-19 is having on financial attitudes and behaviors.

COVID-19 Lifts Purchase Intent

- Life events, such as births, marriages, job changes, and deaths of family and friends prompt people to purchase life insurance.[2] The COVID-19 pandemic is a life event that all Americans are experiencing at the same time, and over an extended period. This event is lifting the likelihood to buy life insurance for many consumers, almost 1 in 3 (31 percent) say they are more likely to buy because of the pandemic.
- One in 10 (11 percent) of these survey respondents has tested positive for COVID-19, slightly higher than the overall national average reported by John Hopkins University at time of publication.[3] Among respondents who have tested positive for COVID-19, 42 percent say they are likely to purchase life insurance in 2021.

Life Insurance Ownership Declines

- Just over half (52 percent) of American adults own some form of life insurance coverage (e.g., individual, employer-sponsored), a decline of 2 points from 2020. This marks the lowest level of ownership to date in this study and continues a slow decline that began in 2017.
- Overall life insurance market penetration is now 11 points below the 2011 high of 63 percent.

Financial Concerns

- Overall financial concern rose 20 percent over the past two years, including a 4 percent rise in 2021.
- Concern rose in all four categories (i.e., health expenses, living expenses, life insurance, and saving goals); yet, concern for life insurance rose faster than in the other categories. Historically, life insurance was the lowest priority in this four-tier hierarchy. However, a rise in concern over the past two years has moved the life insurance category up into the third tier, suggesting a significant shift in consumer financial prioritization.
- The pandemic has significant impact on the living expenses of some consumers. Concern over monthly bills rose 8 percent over the past two years; currently 1 in 3 (32 percent) consumers express concern on this item.

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[2] *The Purchase Funnel,* LIMRA, 2017.

[3] Johns Hopkins University of Medicine, Coronavirus Resource Center, https://coronavirus.jhu.edu/, (March 20, 2021).

Race and Life Insurance

- The *Insurance Barometer* is an annual study that aims to serve as a critical resource for the industry to understand the financial behaviors of all Americans. In turn, this insight supports the industry in its awareness to meet the needs of all communities today.
- This year's study was developed in 2020 and fielded in early 2021 and includes a particular focus on Black Americans.
- This year's study found that compared with the general population, a higher proportion of Black Americans owns life insurance, but over half say they wish they had purchased sooner. Two thirds (66 percent) of Black insureds cite final expenses as a major reason for ownership.
- Black Americans are much more likely to say the reasons they do not own any (or more) life insurance are procrastination, not knowing how much to buy, or how to start the process of buying it.
- On average, about a quarter of Black American respondents accept five common myths and misconceptions about life insurance and a large majority greatly overestimates the cost of a $250,000 term life policy.
- Financial Concerns — "Having enough money" for retirement is the top concern for Black Americans, just as it is for most segments. However, a smaller proportion of Blacks cites this than the total population, and having money for an emergency fund is more important than it is for other groups in the study.

Later in this year, LIMRA and Life Happens will publish a report detailing more findings on Black Americans.

The Life Insurance Need Gap

- Consumers who "need" life insurance but do not "have" it live with a life insurance need gap. Life insurance owners who want more coverage also have need gaps.
- Among non-owners (48 percent of the sample), 59 percent "need" life insurance, which suggests consumers living with an uninsured need gap represent 29 percent of the population (73 million adults).
- Among life insurance owners (52 percent of the sample), 22 percent "need more" coverage, which suggests consumers living with an underinsured need gap represent 11 percent of the population (29 million adults).
- Together, consumers living with an uninsured or underinsured need gap represent 40 percent of all consumers (102 million adults). This provides the life insurance industry with an estimate of unmet consumer demand in its marketplace.

LIMRA and Life Happens are collaborating to address the life insurance gap in America. Learn more about the "Help Protect Our Families" program by visiting this page, which provides information on events and tools: https://www.limra.com/en/newsroom/help-protect-our-families/

HOT TOPIC: Life Insurance and the Pandemic

Each year, the *Insurance Barometer* examines "Hot Topics" in the industry. Understanding consumer attitudes and behaviors relative to emerging trends and events enables the industry to remain up-to-date on the mindset of American consumers.

The COVID-19 Pandemic and the *Insurance Barometer*

The COVID-19 pandemic affects all Americans. Therefore, the 2021 *Insurance Barometer* reflects the attitudes and behaviors of consumers during a difficult and challenging period.

For historical context, the 2019 data reflect pre-pandemic mindsets. The 2020 data reflect mindsets just as the pandemic was reaching American shores — a point at which many consumers were aware of the growing threat, but before they experienced direct impacts. The 2021 data reflects mindsets as the pandemic is passing its zenith and vaccinations are reaching the most vulnerable consumers — a point at which infections and deaths are still occurring, but at a decreasing rate.[4]

COVID-19 in the Survey Sample

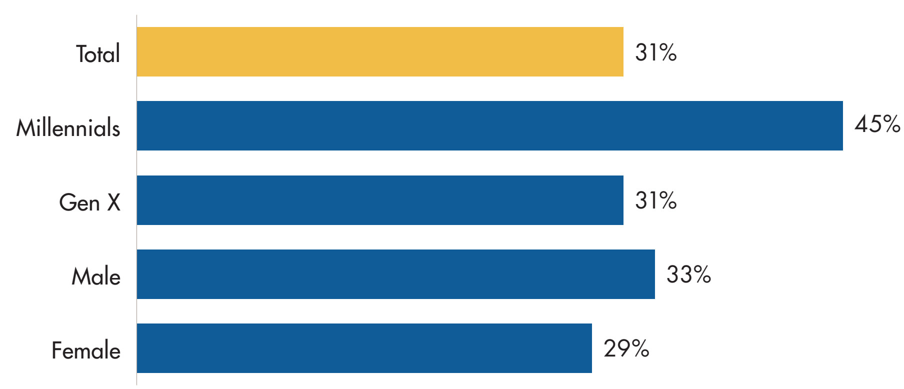
- One in 10 respondents (11 percent) reported they have tested positive for COVID-19, which is slightly above the infection rate (positivity rate) in the US adult population.[5]
- Two thirds of the respondents indicate they personally know someone who had tested positive for COVID-19, which shows the pandemic has closely affected most of the survey sample.

COVID-19 and Likelihood to Buy Life Insurance

- Three in 10 (31 percent) consumers say they are more likely to buy life insurance because of the COVID-19 pandemic.
- The impact is highest among males, Millennials, Blacks and Hispanics, higher income households, couples, and life insurance owners (Figure 1 and Figure 2).

Figure 1

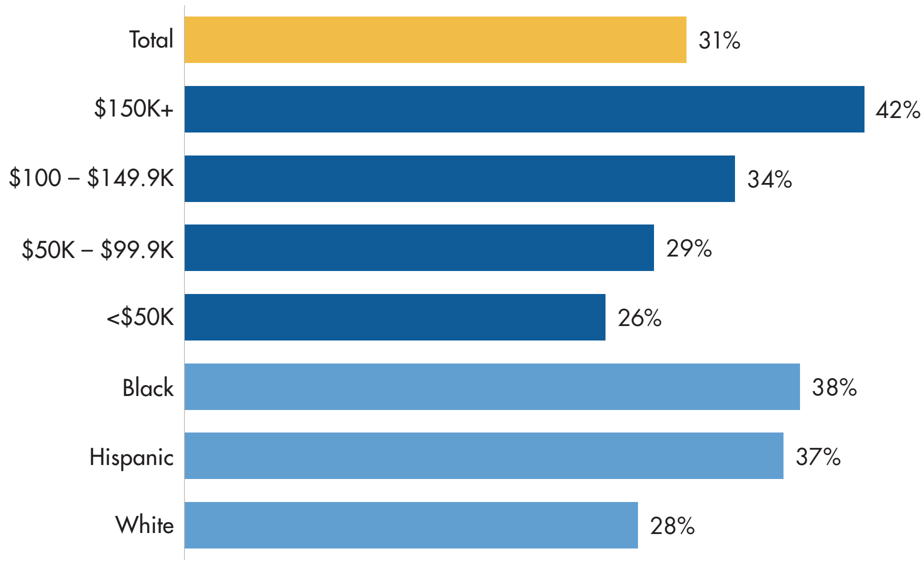
More Likely to Buy Life Insurance due to COVID-19, by Generation and Gender



[4] Johns Hopkins University of Medicine, Coronavirus Resource Center, https://coronavirus.jhu.edu/, (March 20, 2021).
[5] Ibid.

Figure 2

More Likely to Buy Life Insurance due to COVID-19, by Income, Race, and Ethnicity



Effect of COVID-19 on Likelihood to Buy

Life events prompt consumers to buy life insurance.[6] Marriages and births are often associated with life insurance purchases, but so are many other life events, such as job changes and the deaths of family and friends. The COVID-19 pandemic is a life event that all Americans are experiencing at the same time. It is the catalyst behind disruptions in the economy, employment, and the unexpected loss of loved ones.

The 2021 survey data show that respondents who personally contracted the virus are more likely to buy life insurance:

- Two in 5 (42 percent) of those who tested positive for COVID-19 say they are likely to purchase life insurance in 2021.
- Only one third (33 percent) of those who had not tested positive, but knew someone who did, say they are now more likely to buy coverage.

Financial Concerns During the Pandemic

The COVID-19 pandemic caused disruptive job losses across the United States, and families became less financially secure. The *Insurance Barometer* has tracked the financial concerns of consumers for 11 years, and, in 2021, respondents were asked how the pandemic affected those concerns. (See Financial Concerns section for more details.)

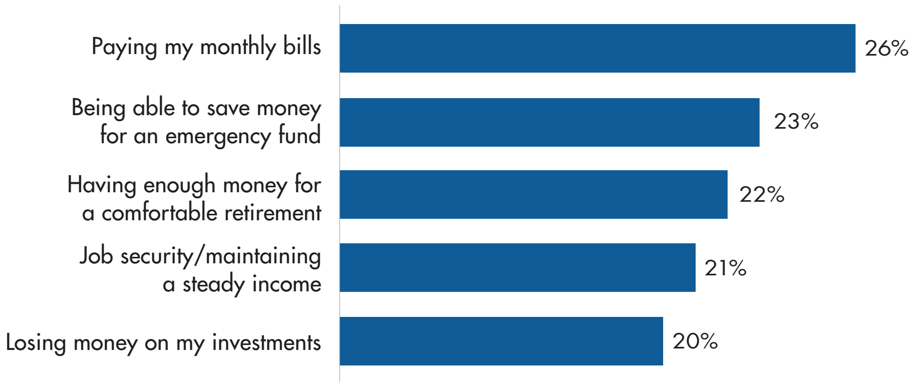
- General levels of concern rose slightly, less than might be expected during the pandemic.
- More than 4 in 5 (83 percent) say the pandemic impacts their degree of financial concern.

[6] *The Purchase Funnel,* LIMRA, 2017.

- The item with the largest rise in concern is paying monthly bills (Table 3). This item saw a spike of 8 percent over the past year; currently one third (32 percent) of consumers are very or somewhat concerned about paying their monthly bills.
- Millennials and Blacks were even more concerned during the pandemic than others about the ability to pay monthly bills, at 44 and 36 percent, respectively.
- When asked without the pandemic qualifier, one third of the respondents noted job security/maintaining a steady income as a concern in 2021, the first time this item was included in the survey. This outlook may inhibit consumers from purchasing coverage they feel they need; at the same time, it is a reason to buy individual life if they only have employer-sponsored coverage.

Figure 3

Top 5 Financial Concerns Impacted by COVID-19



Obtaining Coverage During the Pandemic

The pandemic shows an impact on consumer behaviors as well as mindsets. One in eight (13 percent) life insurance owners indicate they obtained their coverage for the first time in 2020 (Table 2).

- About half of these new life insurance owners obtained individual policies, and half were from employer-sponsored benefits.
- Those most likely to be first time buyers include males, Millennials, Blacks, higher income households, and couples.

Table 2

Obtained Life Insurance for First Time in 2020

Total	Gender		Generation				Race/Ethnicity		
	Male	Female	Gen Z (age 18 – 21)	Millennials (age 22 – 40)	Gen X (age 41 – 56)	Baby Boomers (age 57 – 75)	White	Hispanic	Black
13%	16%	11%	11%	24%	14%	2%	13%	14%	17%

Table 3

Impact of COVID-19 on Financial Concerns

Financial Concerns of	Male	Female	Millennials (age 22 – 40)	Gen X (age 41 – 56)	Baby Boomers (age 57 – 75)	White	Hispanic	Black
Paying my monthly bills	22%	29%	31%	30%	16%	24%	29%	31%
Being able to save money for an emergency fund	19%	26%	27%	23%	18%	22%	23%	24%
Having enough money for a comfortable retirement	22%	23%	22%	25%	22%	22%	23%	22%
Job security/maintaining a steady income	21%	21%	26%	25%	10%	19%	23%	19%
Losing money on my investments	21%	18%	17%	20%	25%	22%	17%	14%
Paying for medical expenses in case of illness or injury	18%	20%	23%	19%	16%	20%	20%	16%
Being able to support myself if I am unable to work due to a disabling illness or injury	16%	18%	19%	22%	10%	17%	16%	18%
Paying off or reducing credit card debt	16%	18%	19%	19%	14%	17%	17%	17%
Paying my mortgage or rent	15%	18%	20%	18%	11%	15%	18%	20%
Paying for long-term care services if I become unable to take care of myself	15%	17%	19%	14%	17%	16%	19%	13%
Leaving dependents in a difficult financial situation should I die prematurely	14%	14%	17%	16%	9%	14%	16%	15%
Burdening others with my burial/funeral expenses	11%	14%	14%	12%	12%	12%	16%	15%
Leaving an inheritance for my heirs	13%	11%	16%	13%	7%	11%	18%	11%
Paying for a child's schooling/ college	11%	9%	15%	12%	2%	10%	10%	9%
Paying off or reducing student loan debt	9%	6%	11%	7%	2%	7%	7%	9%
None of these	18%	16%	10%	17%	27%	19%	14%	14%

HOT TOPIC: Focus on Black Americans

The *2021 Insurance Barometer* includes a special focus on Black Americans; a larger sample size enables a closer examination of this segment's attitudes and behaviors. The objective of this analysis is to help the industry better understand this community and better serve their life insurance and financial security needs.

Financial Concerns Among Black Americans

Overall, the financial concerns of Black respondents are slightly higher than the national average, but not significantly higher on most items.

Saving Goals

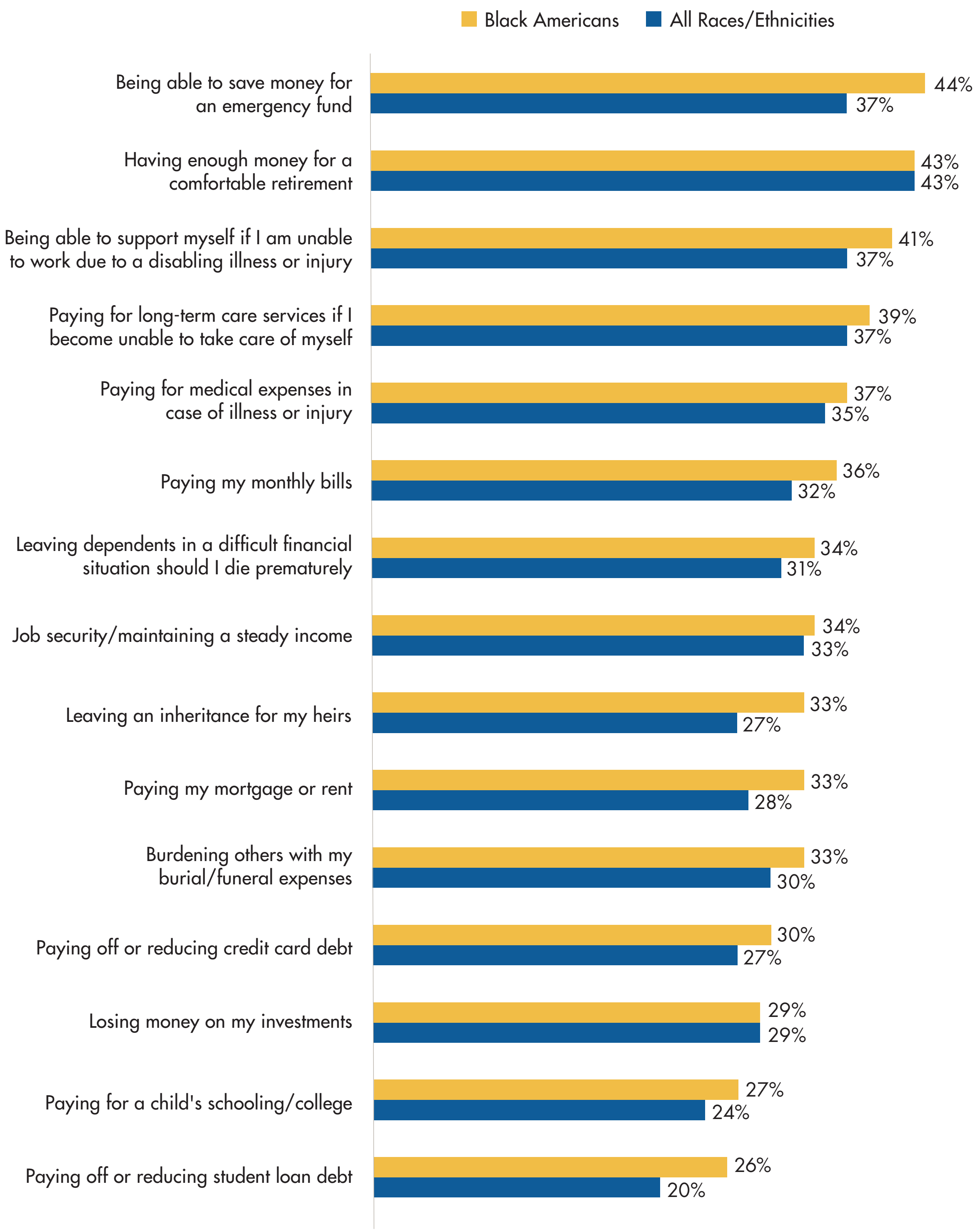
- In general, Black respondents show higher levels of concern over their long-term saving goals (Figure 4).
- Having "enough money for retirement" is the item many say is their "top concern," which is commonly true among all demographic segments. However, only 11 percent of Blacks say it is their "top goal," versus 16 percent of the overall sample.
- One area where Black respondents show a significantly higher level of concern is on "leaving an inheritance." This is of particular interest for the industry as it speaks to reasons to purchase individual life insurance coverage beyond income replacement and final expenses.

Living Expenses

- Black respondents express more concern than the general population about "paying off student debt."
- "Paying off monthly bills" is another "top concern" for some, which may inhibit life insurance purchasing, but may be addressed by emphasizing the cost of coverage can be very affordable.

Figure 4

Financial Concerns of Black Americans



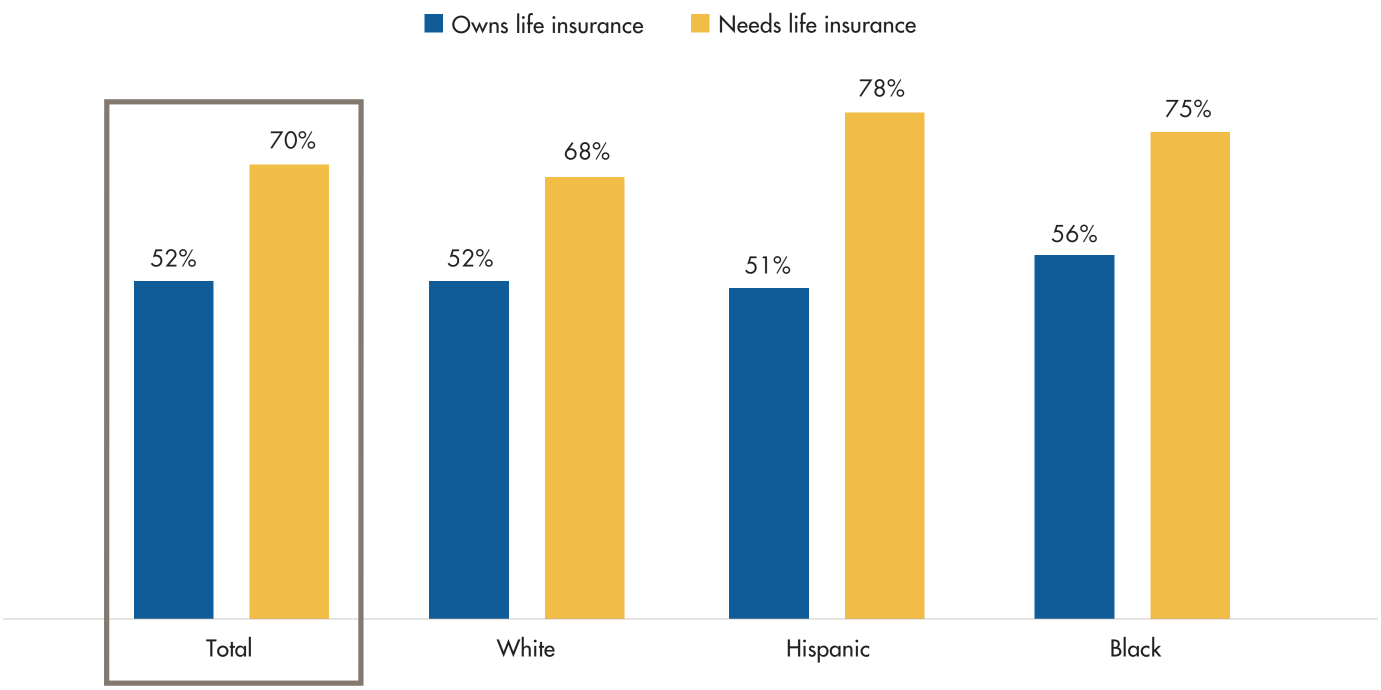
Life Insurance Ownership and Attitudes

Black Americans have historically owned life insurance products at higher rates than other racial and ethnic groups, and that is true again according to the 2021 data. Additionally, a higher percentage of Blacks believes that they need life insurance when compared to the total respondent group, and that stated need is significantly higher than for White Americans (Figure 5).

- The proportional gap between "needing" and owning life insurance is most pronounced among Hispanics.
- The proportional gap between "need" and own life insurance among Black respondents is almost the same as the total of all Americans (19 percent versus 18 percent).

Figure 5

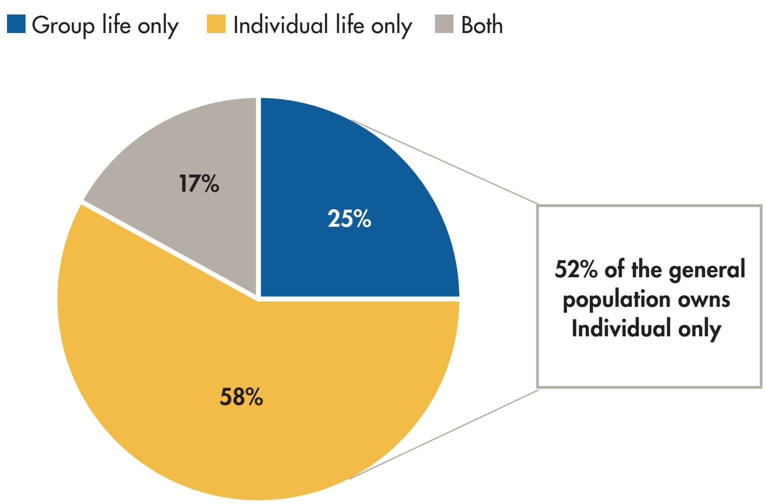
Needs and Owns Life Insurance, by Race and Ethnicity



The percentage of Black American life insurance owners who own individual policies is on par with all Americans. However, a higher percentage of Blacks own only individual policies than do the total population (Figure 6).

Figure 6

Black Life Insurance Ownership



- Of those who own individual life, 46 percent own term policies, and 68 percent own permanent policies.
- Regarding the cash value of those permanent policies, the percentage of Blacks who say they plan to use it for final expenses is nearly equal to that of the total population. However, fewer view the payout as a way to help with retirement savings, and a higher percentage plan to use it for financial emergencies.

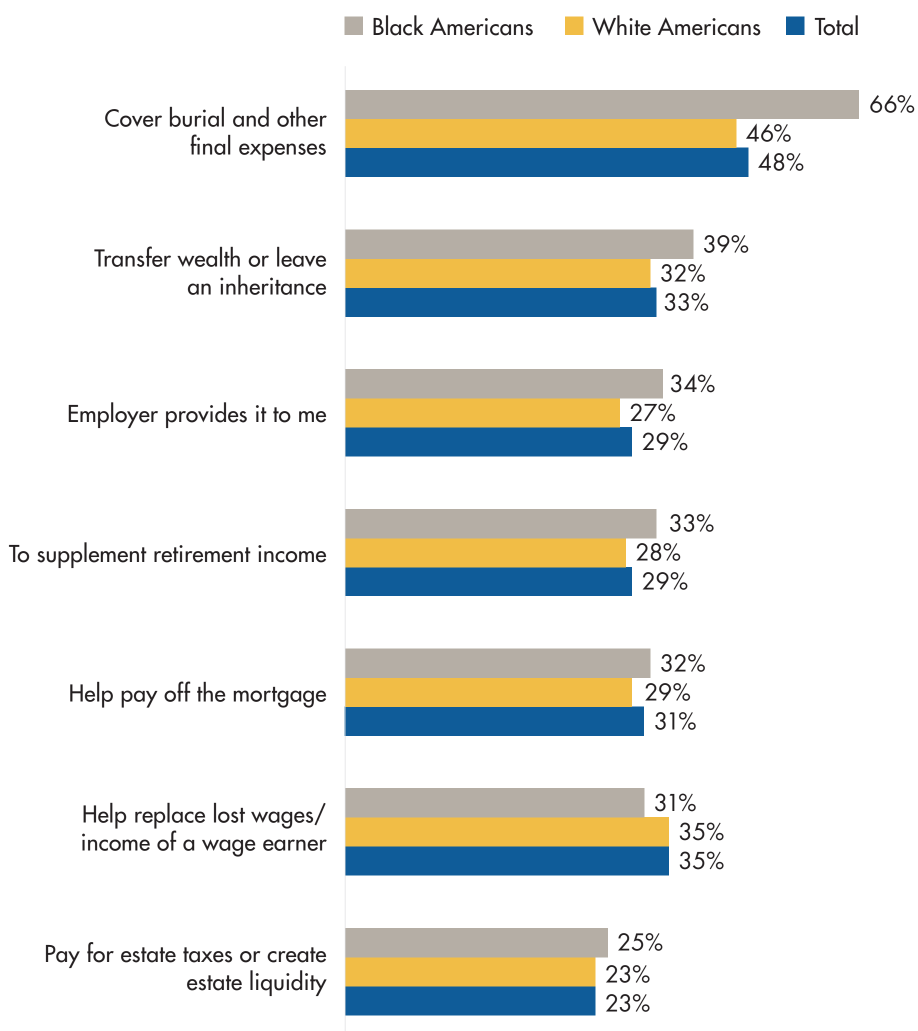
Reasons to Own Life Insurance

The *Insurance Barometer* data seem to indicate some differences among cultural and racial groups regarding reasons to own life insurance. While overall ownership rates are similar among groups, the reasons for owning show significant differences (Figure 7).

- Two thirds of Black Americans who own permanent policies stated that covering burial and final expenses is a major reason for ownership, significantly more than comparable groups do.
- Transference of wealth and supplementing retirement income is also a major reason for owning life insurance for Black Americans.
- Despite a slightly lower ownership rate of worksite or group life insurance, Black Americans show a greater tendency to cite the fact that their coverage was provided by employers as a major reason for life insurance ownership.

Figure 7

"Major" Reasons to Own life insurance

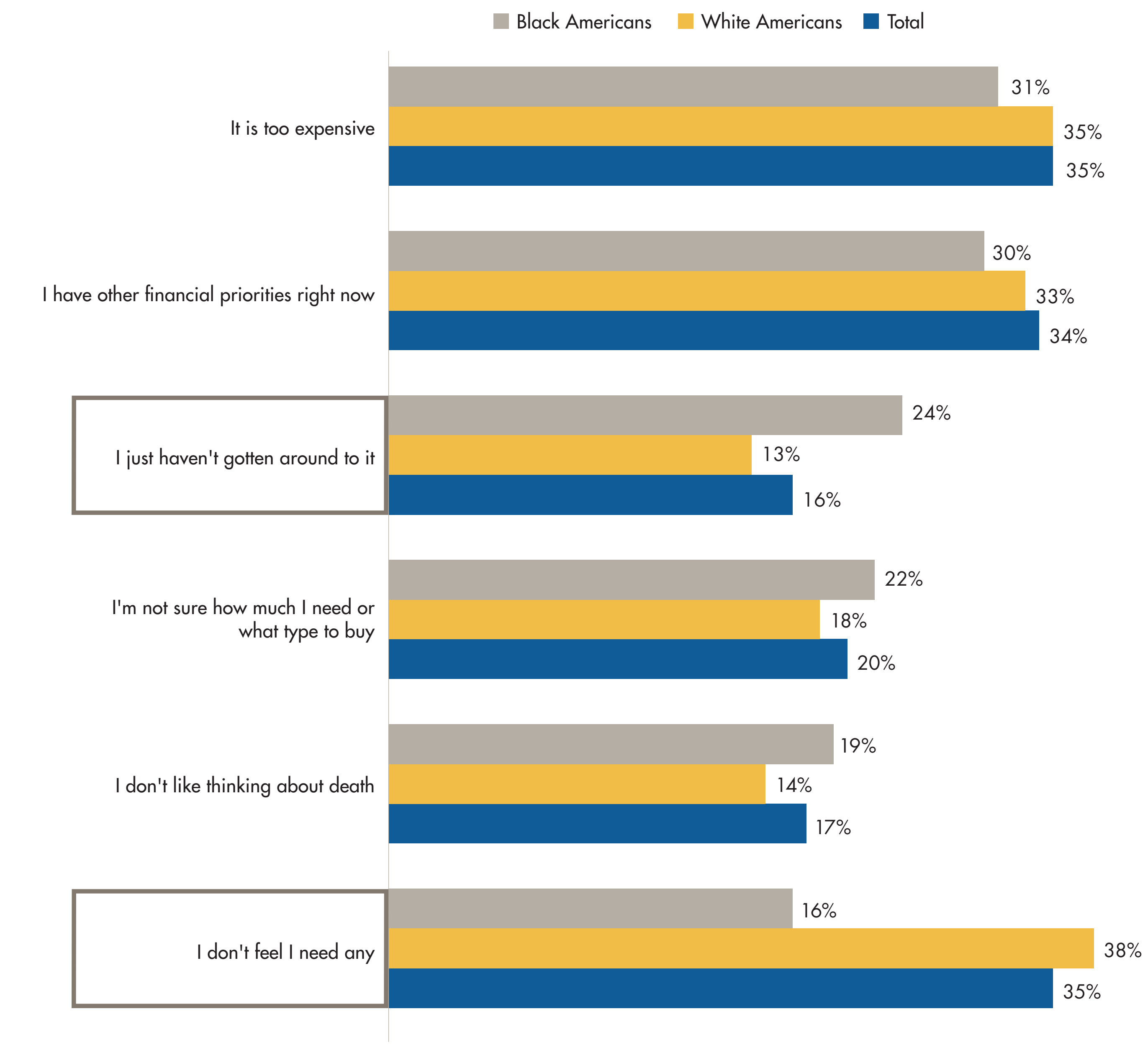


The data suggest that Black Americans feel that life insurance ownership is important, but many view its benefits as fairly limited in scope, with a focus on covering funeral and burial needs. The industry is beginning to look inward as to why this racial trend has developed. One place to begin is to assess if the Black American market is being served by the same level of agents and advisors, offering the same product opportunities as in other communities.

- Black Americans reported that they currently have a professional financial advisor at the same rate as the total population (43 percent).
- A greater percentage of Black Americans stated that they are currently looking for a financial advisor (30 percent) than White Americans (21 percent) and the total population (25 percent).

Figure 8

"Major" Reasons Not Owning Any/More Life Insurance



To get a fuller picture of Black American attitudes and behaviors regarding life insurance, and perhaps begin to unravel and address some of the differences that prevail across racial groups, the *Insurance Barometer* asked some key questions regarding purchasing behavior and product knowledge.

Focusing on the three highlighted reasons for not owning any or more life insurance (Figure 8), Black Americans stated with much higher frequency the fact that they "just haven't gotten around to it," and are also unsure of how much or what kind they should own. Yet, far fewer Blacks stated that they do not feel that they need any. The industry should seek and implement solutions to provide more and better options for their Black clients and community.

- Fifty-one percent of Black life insurance owners stated that they "wished they'd purchased their life insurance policy at a younger age," compared to only 39 percent of White owners (and 39 percent of owners in aggregate).
- Black Americans stated that they are significantly more likely to purchase life insurance because of the COVID-19 pandemic (38 percent) than White Americans (28 percent) or Americans in aggregate (31 percent).

The desire for life insurance ownership in the Black community certainly exists. The industry needs to ask itself why the propensity for final expense policies only is so prevalent. Moreover, it must challenge itself to find ways to educate the Black consumer more effectively and at a younger age about the full range of benefits of life insurance, including living benefits.

HOT TOPIC: Life Insurance Need Gap

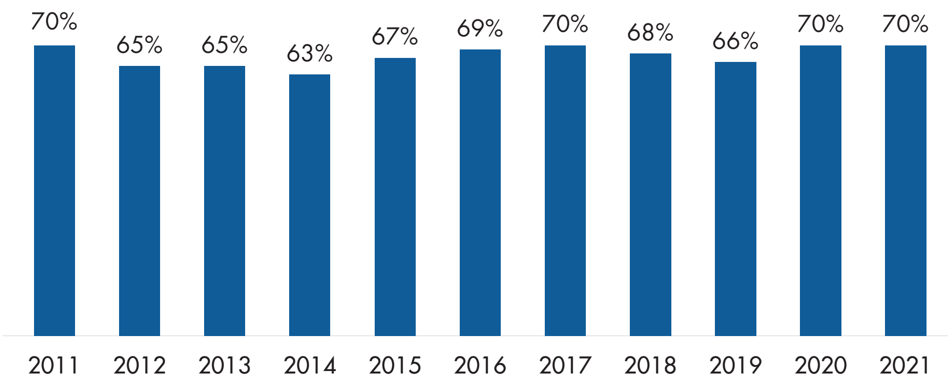
This study tracks life insurance ownership to provide a pulse on overall market share for the industry. Ownership rates do not reflect the business opportunity in the market, as they do not reflect an understanding of non-owners who feel they need coverage or insureds who feel they need **more** coverage.

The Perceived Need for Life Insurance

In 2021, the perceived need for life insurance is at a high point; 7 in 10 Americans say they personally need life insurance coverage. This degree of market awareness varies slightly from year to year, falling as low as 63 percent in 2014 and 66 percent as recently as 2019. Perceived need jumped to 70 percent in 2020 and remains at this high point for consecutive years (Figure 9).

Figure 9

"I Personally Need Life Insurance," 2011 to 2021

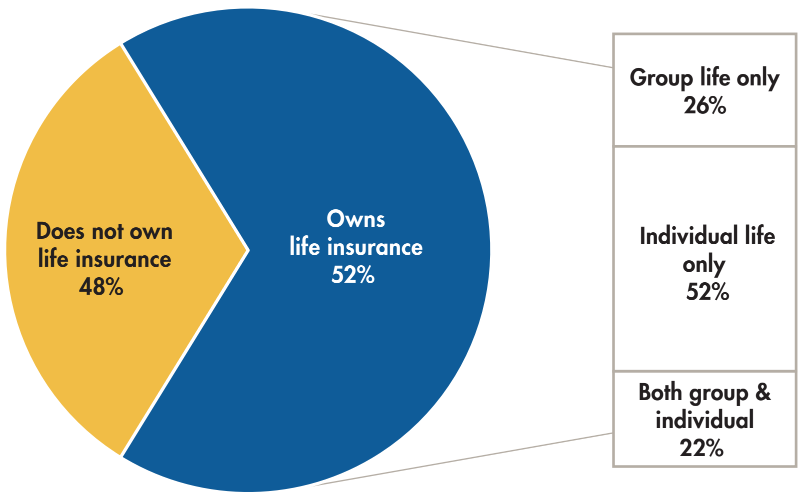


Life Insurance Ownership

Despite the high level of perceived need for life insurance among consumers, only half (52 percent) of American adults have some type of life insurance coverage (Figure 10). Among **insureds**, 1 in 4 (26 percent) have only group/employer-sponsored coverage, half (52 percent) have only individual coverage, and 1 in 5 (22 percent) have both individual and group/employer-sponsored coverages.

Figure 10

Life Insurance Ownership, by Types, 2021



The Life Insurance Need Gap

The *Insurance Barometer's* historical data consistently demonstrates that more people "need" life insurance than "have" life insurance. The difference between "need" and "have" suggests the presence of a life insurance "need gap" among non-owners. Additionally, among consumers who have life insurance, some say they need more coverage. In both these segments, the need for coverage is not satisfied, which makes them of particular interest to the industry.

By profiling consumers who live with a life insurance need gap, the industry can see the volume of unmet consumer demand in the market. This information is essential for understanding growth opportunities in this sector of the financial services industry. Table 3 profiles the life insurance need gap along its attitudinal (i.e., need, need more) and behavioral (i.e., have, do not have) dimensions.

Table 4

The Life Insurance "Need Gap," by Segment

Life Insurance Ownership	&	Life Insurance Need	=	Life Insurance Need Gap	Estimated Population [millions]
Non-owners (48%)	->	Need life insurance (59%)	->	Need Gap, Uninsured (29%)	73
Owners (52%)	->	Need more life insurance coverage (22%)	->	Need Gap, Underinsured (11%)	29
Total (100%)				**Need-Gap Overall (40%)**	**102**

The largest volume of consumers in the need gap are uninsured; non-owners represent 48 percent of the overall population, and 59 percent of non-owners say they need life insurance. This suggests the uninsured need-gap segment represents 29 percent of the population. Given an adult population of 258 million,[7] the analysis suggests there are 73 million American in the uninsured need-gap segment.

Life insurance owners represent 52 percent of the population, and 22 percent of these insureds feel they need more coverage. Thus, the underinsured need-gap segment represents 11 percent of the total population, which projects to 29 million American adults.

Together, the non-owners who need life insurance and owners who need more coverage represent 40 percent of the survey sample. This suggests more than 100 million consumers are in the market for life insurance, which reveals significant business opportunities for the life insurance industry.

[7] Total U.S. Resident Population by Age, Sex, and Series, U.S. Census Bureau, Population Division, *2020 Demographic Analysis* (December 2020 release).

Need-Gap Segment Profiles

By profiling these segments, the industry can see the different consumer segments that live with a life insurance need gap. Since the total need-gap segment represents 2 in 5 Americans, these consumers look a lot like the overall population, but some differences are evident (Table 5).

Table 5

Life Insurance "Need Gap" Segment Profiles

Respondent Characteristics	Uninsured Need-Gap Segment	Underinsured Need-Gap Segment	No Need Gap	Overall Sample
Generation				
Gen Z*	7%	1%	4%	5%
Millennials	43%	24%	32%	34%
Gen X	29%	39%	27%	29%
Baby Boomers	20%	36%	37%	32%
Race/Ethnicity				
Asian*	4%	4%	7%	6%
Black	13%	14%	10%	12%
Hispanic	19%	20%	14%	16%
White	61%	59%	65%	63%
Annual Household Income				
Less than $35K	26%	10%	12%	16%
$35K to $99.9K	46%	40%	37%	40%
$100K to $149.9K	19%	38%	33%	30%
$150K or more	9%	12%	18%	14%
Total	**100%**	**100%**	**100%**	**100%**

*Small sample size

Generational Profile

- The Gen X and Millennial generations are in their family-formation and prime-earning years; thus, they have many needs for life insurance such as income replacement, debt repayment, final expenses, and inheritances. It is not surprising to see these generations have the highest level of perceived need.
- Millennials are overrepresented in the uninsured need-gap segment (43 percent). This suggests that 31 million Millennials are non-owners who need coverage.
- Gen X are overrepresented in the underinsured need-gap segment (39 percent). This suggests 9 million Gen X own life insurance but need more coverage.
- Baby Boomers represent just 20 percent of the uninsured segment, yet they comprise 36 percent of the underinsured segment. This suggests 25 million Boomers are in the market for life insurance.

Race/Ethnicity Profile

- The distribution of race/ethnicity across need-gap segments is like the national average in many instances. The most significant differences are the overrepresentation of Hispanics in both need-gap segments and the underrepresentation of Whites in the underinsured need-gap segment.
- Those identifying as Black are not overrepresented in the need-gap segments, suggesting a degree of need that is in line with the national average.
- Respondents identifying as Asians are slightly underrepresented in the need-gap segments, which suggests a slightly lower incidence of perceived need.

Income Profile

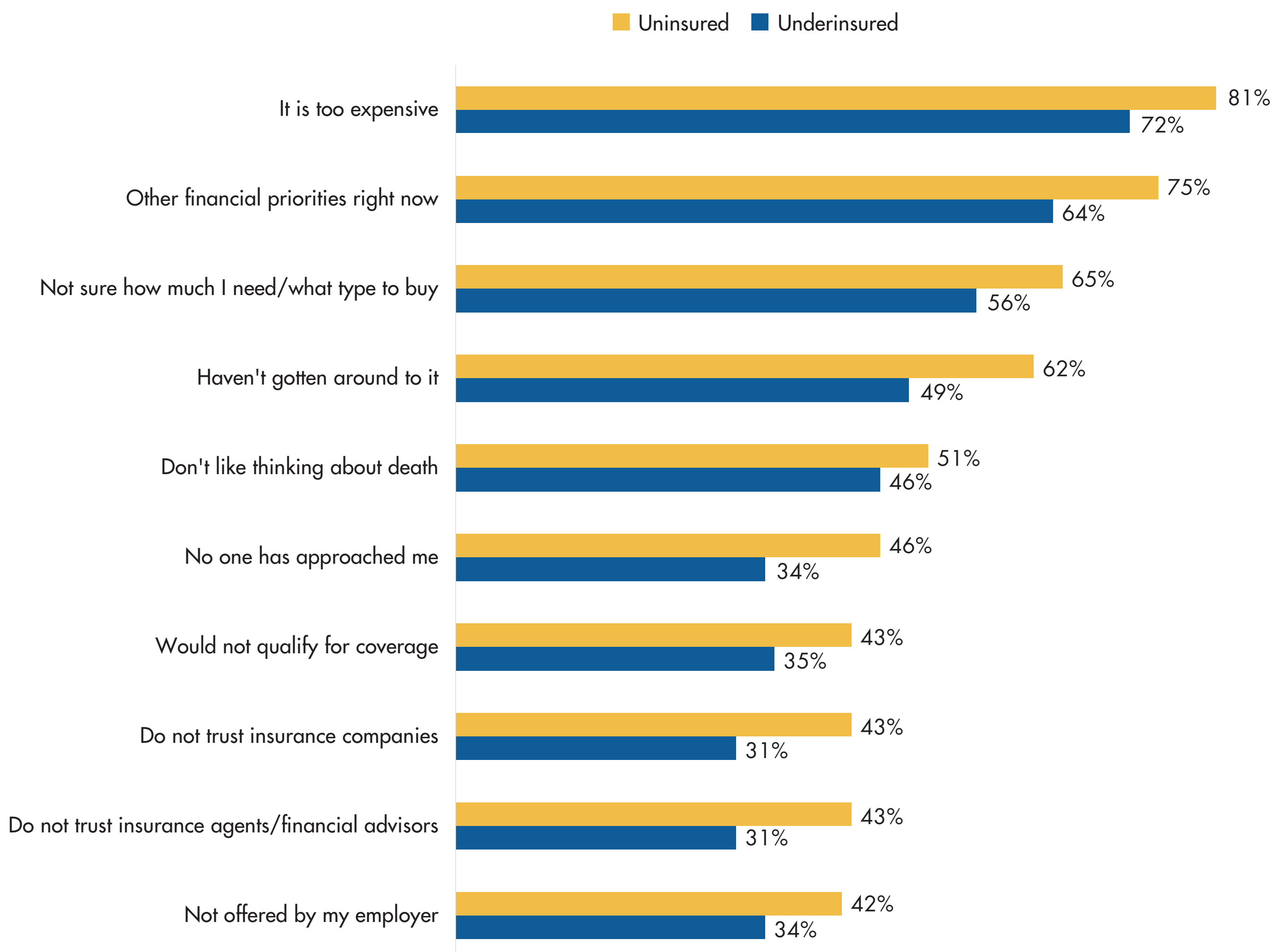
- Those earning under $35,000 per year represent 16 percent of the sample but comprise 26 percent of the uninsured need-gap segment. This identifies a significant disparity and identifies a market challenged to justify expenses for life insurance when they may have many competing financial needs.
- Middle-income households ($35,000 to $99,999) are somewhat overrepresented in the uninsured segment (46 percent) compared to their overall presence in the sample (40 percent). This identifies another large subset of consumers with coverage needs and more financial resources to address those needs.
- The higher income categories show underrepresentation in the uninsured need-gap segment but are overrepresented in the underinsured segment. Almost 2 in 5 (38 percent) of the underinsured segment earn $100,000 to $149,999 per year. This identifies an attractive segment of consumers who have coverage, recognize the need for more, and have financial resources to address that need.

Reasons Consumers Have a Life Insurance Need Gap

The 40 percent of consumers who live with a life insurance need gap have many reasons why. More than half identify five reasons why they do not have the coverage they need (Figure 11). The top-five reasons for having a life insurance need gap are the same for both the uninsured and underinsured segments: 1) too expensive, 2) other financial priorities, 3) not sure how much I need/what type to buy, 4) have not gotten around to it, and 5) do not like thinking about death.

Figure 11

Reasons* For Not Having (More) Life Insurance, by Need-Gap Segment



*"Major" or "minor" reason for not having (more) coverage.

As might be expected, members of the uninsured need-gap segment cite more reasons why they do not own any life insurance; there is a higher proportion of the uninsured in all 10 categories. While there is a lot of overlap in reasons for having a life insurance need gap, the reasons that most distinguish the **uninsured** segment are:

- Life insurance is not offered by my employer.
- I have not gotten around to it.
- I do not trust insurance agents/financial advisors.
- No one has approached me.
- Do not trust insurance companies.

Uninsured consumers who live with a need gap appear to want more convenience in obtaining coverage (i.e., through work, to be approached, have not gotten around to it). They also express more skepticism towards the industry (i.e., do not trust agents or companies). This helps the industry understand the thinking associated with an uninsured need gap. It suggests the industry needs to be proactive with these consumers and to focus on developing trust during the sales process.

Insurance and Financial Product Ownership

The *Insurance Barometer* asks consumers about the financial products they own to reveal the wallet-share of insurance and related financial products across consumer segments. Ownership of life, disability, and long-term care coverages has been tracked for the past 11 years (Figure 12), while annuities and other financial products were added in 2019.

Insurance Product Ownership Trends

Life Insurance

Just over half (52 percent) of American adults own some form of life insurance coverage (e.g., individual, employer-sponsored). This marks the lowest level of ownership to date in this study and continues a slow decline that began in 2017. Overall life insurance market penetration is now 11 points below the 2011 high of 63 percent. (See the Life Insurance in Focus section for more details.)

Annuities

Annuity ownership has the second-highest level of ownership of these products, rising to 21 percent in 2021. This continues a two-year rise from 12 percent in 2019. There may be a trend that the rise in annuity ownership mirrors the gradual fall in life insurance ownership. As consumers age, their perceived need for life insurance declines relative to retirement savings.

Over the past 10 years, the population of Americans age 65 and older grew by more than 13.7 million, an increase of 34 percent.[8] This suggests a growing opportunity for annuity sales and a call to educate older consumers on the continuing need for life insurance in retirement years (e.g., final expenses, inheritances, charitable gifts).

Disability Insurance

In 2021, ownership of disability insurance fell to 14 percent, marking a two-year decline from 20 percent in 2019. Overall market penetration for disability is now 17 points below the 2012 high of 31 percent.

Data on consumer financial concerns suggest concern over a potential disability has grown among Millennials and Gen X generations. This aligns with the loss in overall ownership rates and points to a significant business opportunity for the individual disability insurance sector.

Long-Term Care Insurance

In the current study period, 18 percent of respondents indicated they own some form of long-term care (LTC) coverage. This is the same level as reported in 2020 and marks a plateau in overall market penetration, which grew from 13 percent in 2015. The market for LTC will continue to grow as the population of older consumers continues to increase.[9]

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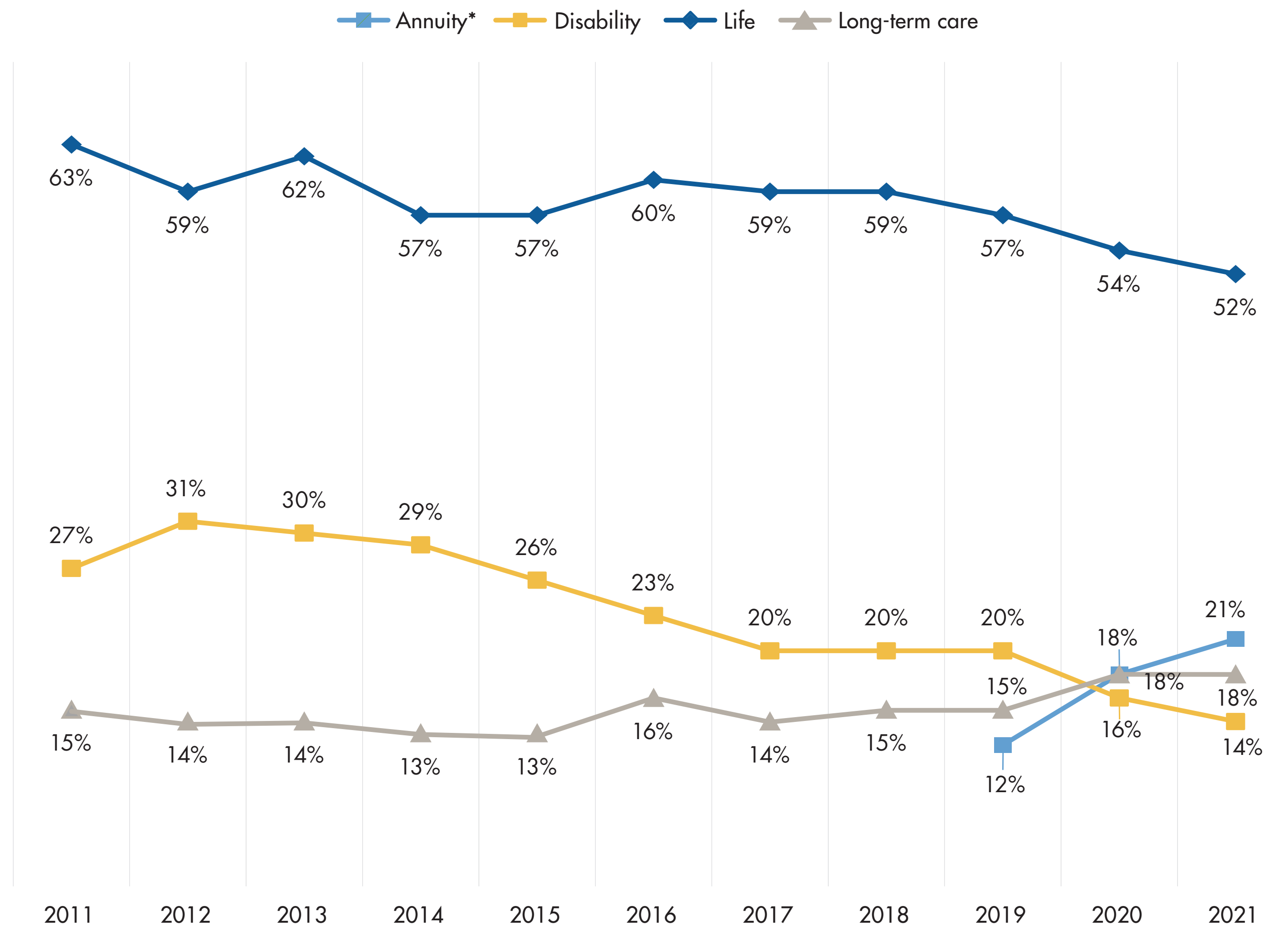
[8] United State Census Bureau, *65 and Older Population Grows Rapidly as Baby Boomers Age*, https://www.census.gov/newsroom/press-releases/2020/65-older-population-grows.html (March 20, 2021).

[9] Ibid.

Figure 12

Insurance Product Ownership Trends, 2011 to 2021



*Annuity ownership was not tracked prior to 2019.

Savings and Investment Product Ownership Trends

According to the data in Figure 13, the market penetration rate of many saving and investment products has remained stable over the past year.

- Educational saving accounts showed a 3-point increase in ownership over last year, a jump of 30 percent.
- Savings accounts showed a small drop in ownership, continuing a slow decline in overall market penetration since 2019.

Retirement Products

- More than 2 in 5 adults (41 percent) reported owning employer-sponsored retirement accounts. This level of market penetration appears stable since 2019.

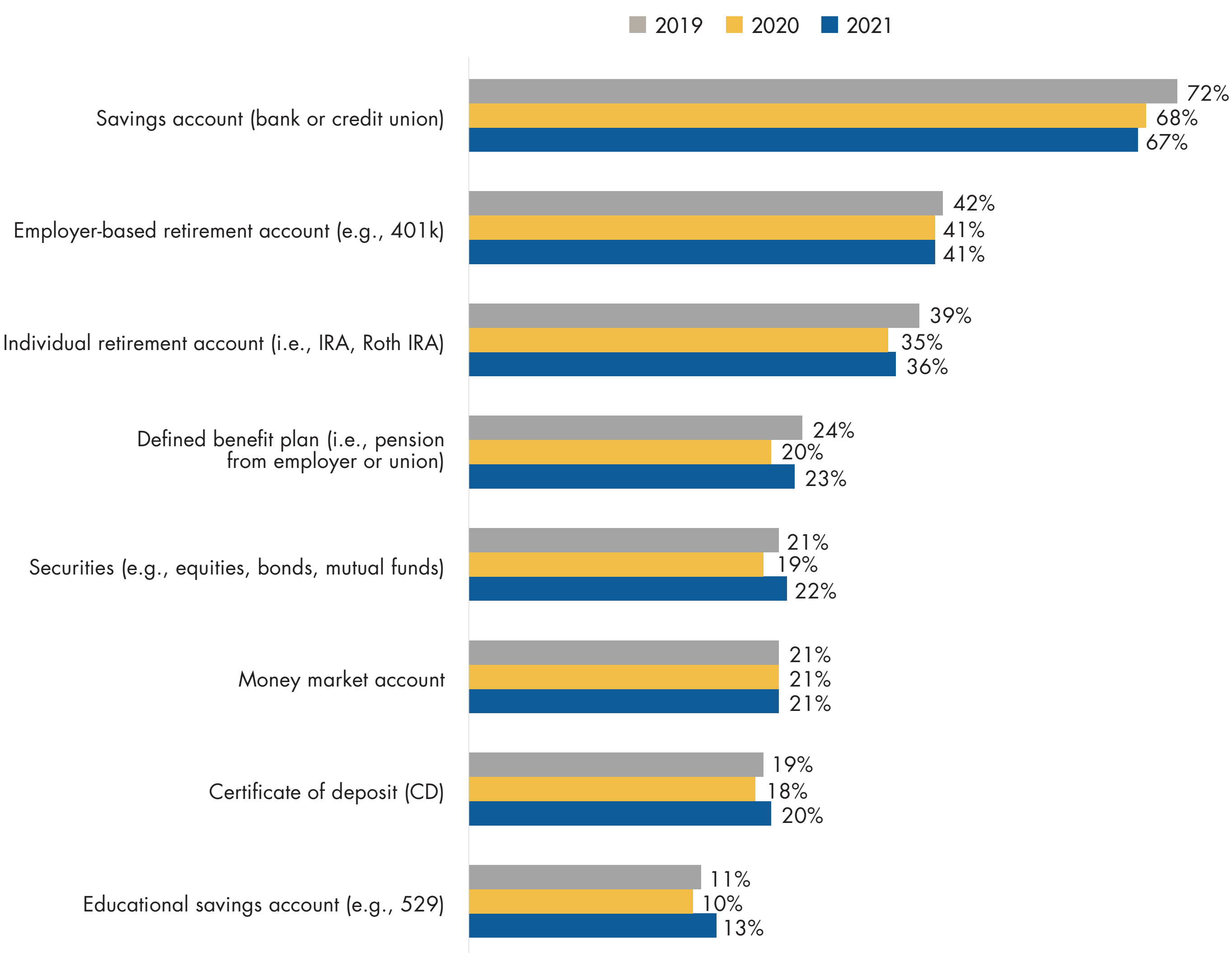
- Just under 2 in 5 adults (36 percent) reported owning an individual retirement account (IRA). The level of market penetration for IRAs has fluctuated, but not changed significantly since 2019.
- Almost 1 in 4 adults (23 percent) reported having a defined benefit plan. This level of ownership has not changed dramatically in the past three years.

Investment Products

- One in 5 adults reported owning some type of securities. This level of market penetration is consistent over the past three study periods.
- Exactly 21 percent of adults reported owning a money market in each of the past three study periods, a remarkably consistent level of market penetration.
- One in 5 adults (20 percent) reported owning certificates of deposit (CDs). The market penetration rate of these products appears stable.

Figure 13

Saving and Investment Product Ownership, 2019 to 2021



Life Insurance in Focus

The *Insurance Barometer Study* has a particular focus on life insurance, due to its critical role in the financial security of American households. This section examines the types of coverage owned by insureds, as well as the attitudes of the public regarding life insurance.

Life Insurance Ownership by Type — Insureds

Among the 52 percent of adult Americans who own some form of life insurance, 74 percent own individual life coverage, and 48 percent own group/employer-sponsored coverage. In the 2011 study period, 68 percent of insured owned individual life, and 60 percent owned group/employer-sponsored coverage.

The percentage of insureds with group/employer-sponsored coverage has gradually declined as the country's population becomes older.[10] A larger proportion of the population is now "retired" from the workforce and no longer qualifies for employer-sponsored benefits. Recent disruptions in the labor market, associated with the COVID-19 pandemic, also impacts 2021 results.

The association between age and type of life coverage owned is clearly visible in Table 6, which profiles insured by generation. The oldest (Baby Boomers) and youngest (Gen Z) have the lowest level of group/employer-sponsored coverage. This is because Baby Boomers are retiring from the workforce, and many in the Gen Z cohort are just entering the workforce. Roughly half of the consumers in the Millennials and Gen X cohorts have group coverage, as they are in their prime earning years.

Table 6

Type of Life Coverage Owned, by Generation, 2021 (Insureds)

	Generation				
Type of life insurance owned	Total	Gen Z* (age 18 – 21)	Millennials (age 22 – 40)	Gen X (age 41 – 56)	Baby Boomers (age 57 – 75)
Individual life	**74%**	71%	73%	75%	74%
Group life	**48%**	32%	55%	49%	43%

*Small sample size

Individual life ownership rates do not fluctuate as broadly among insureds of different ages. Over 70 percent of insureds have individual coverage, regardless of their generations. This provides strong evidence that the individual life market extends to consumers of all ages, not just those in their prime earning or family formation years.

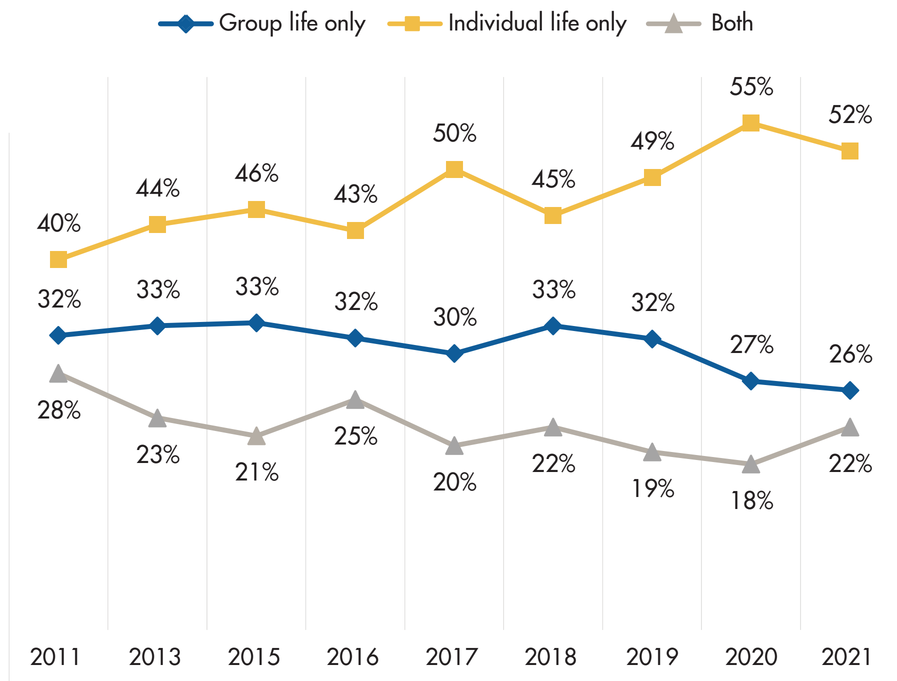
[10] US Census Bureau, *65 and Older Population Grows Rapidly as Baby Boomers Age*, https://www.census.gov/newsroom/press-releases/2020/65-older-population-grows.html (March 20, 2021).

Overlapping Coverage

The data in Figure 14 illustrate the overlap in coverage types among insureds. This view of insureds is important for its ability to show how many insureds may be at risk for losing coverage due to changes in employment benefits (e.g., job change, job loss, benefit plan change). Insureds who own both individual and group coverages generally have higher levels of coverage adequacy and are less vulnerable to disruptions in the labor market.[11]

Figure 14

Life Insurance Ownership, by Type, 2011 to 2021 (Insureds)



In 2011, 28 percent of insureds owned both coverage types. That proportion gradually declined to a low of 18 percent in 2020. In the current study period, this proportion jumped to 22 percent. This is a positive change among insureds but occurs at a time with the overall level of life insurance ownership is declining. The proportion of insureds owning group only has gradually declined to 26 percent, from a high of 33 percent in 2018.

Over the past 11 years, the proportion of insureds who own individual coverage only has gradually increased, rising from 40 percent to 52 percent. The proportion with only individual life coverage increased 12 points (33 percent) in the past 11 years, and this trend may increase as the population continues to age.

[11] *Life Insurance in Focus,* LIMRA, 2016, Life Insurance Ownership in Focus (2016) at limra.com).

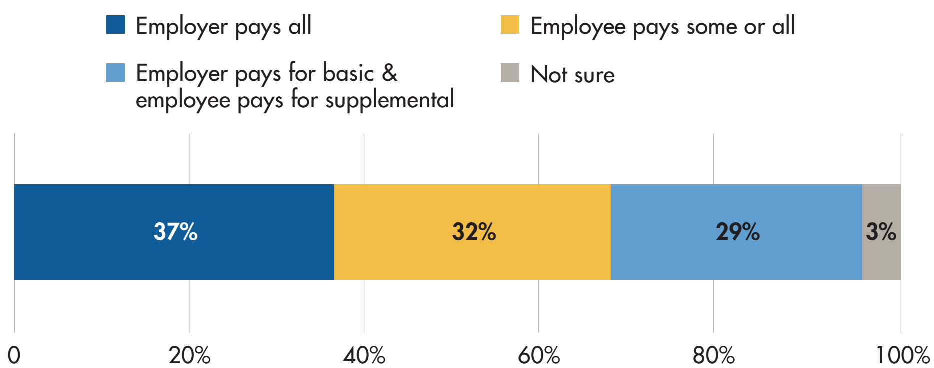
Who Pays for Employer-Sponsored Coverage?

Life insurance provided as a benefit of employment is an important part of employer benefits programs and is growing in importance due to COVID-19. One in 4 employers indicated life insurance is now more important and they are considering changes to their plans, such as adding supplemental life.[12]

Currently, over one third (37 percent) of those who have group/employer-sponsored coverage indicated their employer pays the entire cost (Figure 15). Another third (32 percent) indicated they pay some or all the cost, and just under a third say their employer pays for their basic coverage, while they pay for additional/ supplemental coverage.

Figure 15

Cost Sharing of Employer-Sponsored Life Coverage, 2021

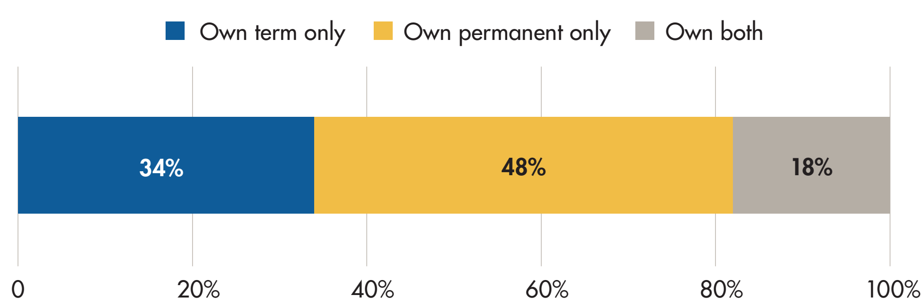


Type of Individual Life Coverage Owned

Among owners of individual life coverage, almost half (48 percent) own permanent coverage only (Figure 16). One third (34 percent) of these insureds have term coverage only, and just under 1 in 5 (18 percent) own both term and permanent policies.

Figure 16

Individual Coverage Owned, by Type, 2021 (Insureds)



[12] LIMRA, *Will Employers Make Changes to Workplace Benefits Due to COVID-19?*, https://www.limra.com/siteassets/research/research-abstracts/2020/impact-of-covid-19-on-employers-approaches-to-workplace-benefits/2020_insurancebenefitchanges_infographic.pdf (March 21, 2021).

Overall, owners of individual coverage are more likely to own permanent coverage (66 percent) than term coverage (52 percent). Table 7 profiles owners of individual life by type of coverage and generation. It reveals that Baby Boomers are most likely to own permanent coverage (75 percent,) while Millennials are most likely to own term coverage (62 percent).

Table 7

Type of Individual Coverage Owned, by Generation, 2021 (Insureds)

	Generation				
Type of individual coverage owned	Total	Gen Z* (age 18 – 21)	Millennials (age 22 – 40)	Gen X (age 41 – 56)	Baby Boomers (age 57 – 75)
Permanent	**66%**	50%	62%	61%	75%
Term	**52%**	58%	62%	55%	38%

*Small sample size

The association between age and type of individual coverage owned is clear from these data. The likelihood of insureds owning permanent coverage jumps as consumers reach working age and jumps again as they approach retirement age. Nonetheless, half of those in the youngest insured cohort own permanent coverage. This clearly shows the permanent life market extends to consumers of all ages.

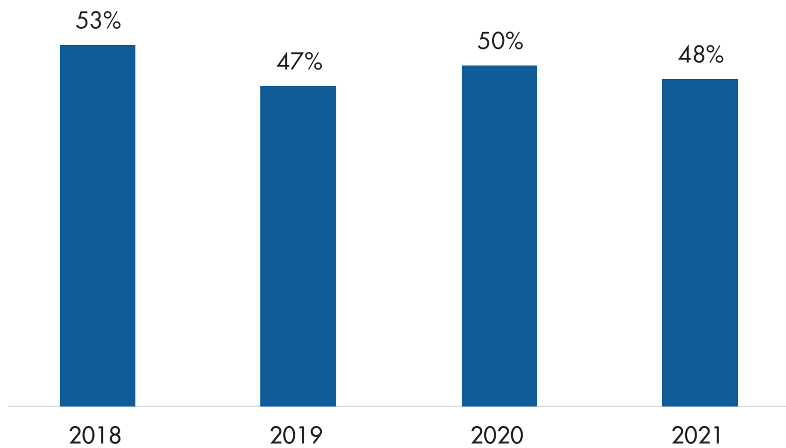
For term life coverage, the association with age is different. Baby Boomers are least likely to own term coverage (38 percent), while Millennials are most likely to own it (62 percent). This follows expectations around the need for income replacement. Millennials and Gen X are in their family-formation and prime-earning years; thus, they have greater need for income replacement, a purpose for which term coverage is well suited.

Life Insurance Buying Influencers

The process of simplified underwriting (SUW), or simplified-issue systems, has a strong influence on the consumer's likelihood to buy coverage. Given the need to buy coverage, almost half (48 percent) of consumers would prefer to buy through a simplified underwriting process. This degree of influence has declined 5 points since 2018 but remains a significant influence on potential buyers (Figure 17).

Figure 17

More Likely To Buy via Simplified Underwriting



The influence of simplified underwriting persists across age cohorts (Table 8). The highest level of influence occurs among Gen X (52 percent), while the lowest influence appears among Gen Z (32 percent). This suggests the market for simplified-issue systems extends to all age groups but has a more profound impact on consumers as they get older. This influence declines slightly among older consumers.

Table 8

Influence of Simplified Underwriting on Purchase Intent, by Generation, 2021

	Generation				
	Total	Gen Z (age 18 – 21)	Millennials (age 22 – 40)	Gen X (age 41 – 56)	Baby Boomers (age 57 – 75)
More likely to buy via SUW	**48%**	32%	47%	52%	48%

The many benefits of simplified issue systems have strong appeal. Since 2018, “fast and easy” has been the top benefit of these systems; 2 in 3 consumers find this benefit appealing (Table 9).

Table 9

Relative Appeal of Simplified Underwriting Benefits

Benefits	2018	2019	2020	2021
Is fast and easy	72%	63%	66%	64%
Avoid medical exam, blood and urine samples	65%	55%	56%	56%
Avoid face-to-face conversation	45%	40%	44%	55%
Avoids the need to see a doctor	63%	56%	55%	55%
Provides transparent explanations of risk and pricing	65%	57%	58%	55%
Is unbiased and objective	65%	57%	66%	55%

In the current study period, the relative appeal of these assorted benefits has evened out. While “fast and easy” is clearly the most appealing benefit, the appeal for all other benefits is roughly equivalent. This was not the case in prior years, when one or two benefits appeared more appealing than others. The normalization of these ratings may indicate consumers are familiar with these features and simply place the most value on saving time.

Insurance Attitudes and Behaviors

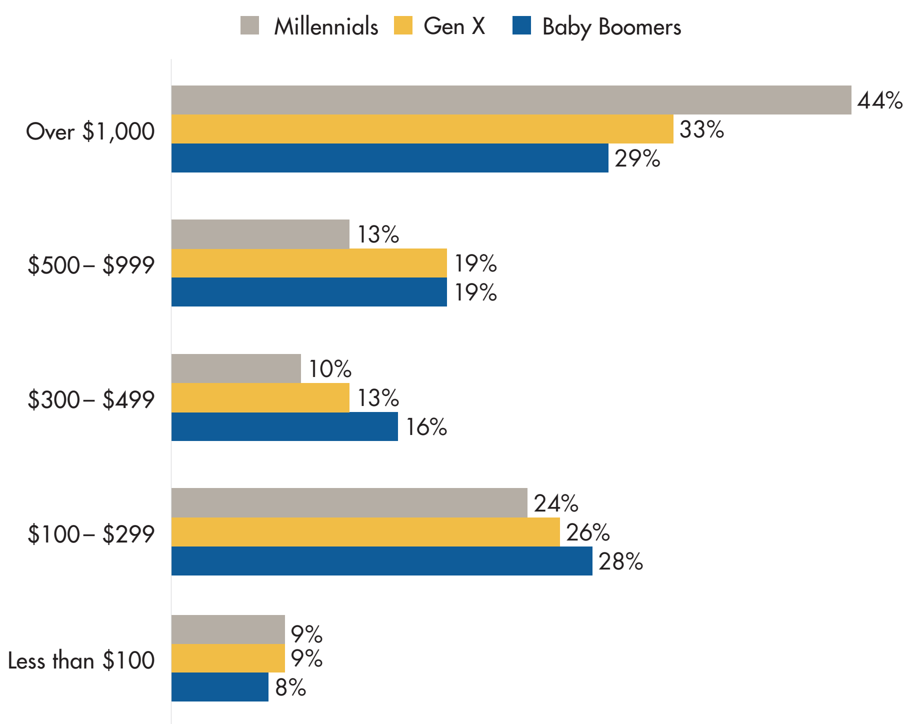
Expected Cost of Term Life Insurance Coverage

The *Insurance Barometer* has surveyed Americans on what the expected annual cost of a $250,000 term life policy for a healthy 30-year old would cost. As with every year prior, respondents greatly overestimate the cost (Figure 18).

Just as in 2020, over half of the respondents say the policy would be $500 per year or more. The average cost of such a policy is closer to $165 per year, suggesting more than half the population thinks term life insurance is over three times more expensive than it is.

Figure 18

Estimated Annual Cost of Term Insurance*



*Estimated yearly cost for a $250,000 20-year term-life policy for a healthy, nonsmoking 30-year old

Hispanics and Millennials were the least likely groups to select an amount between $100 and $200, despite both saying they need life insurance more than most other cohorts did. Only 12 percent of all respondents chose an amount between $100 and $200.

Forty-four percent of Millennials estimated the annual cost to be over $1,000. There are few other products that consumers overestimate by such a large margin, representing a major stumbling block to overcome for the industry.

Common Misconceptions

In addition to consumers' overestimating life insurance cost, the life insurance industry often faces an uphill battle concerning pervasive misconceptions about its products. More men than women agreed with every common misconception presented. For one in particular, "I have life insurance through my job, and I feel it is enough for me," men agreed 13 percentage points more than women. This "myth" may be true for many respondents, but it is more often not.

There are generational differences as well, with Baby Boomers being less prone to the misconceptions than the younger generations (Figure 19). Millennials accept as true all five misconceptions more readily than any other group for any of statements. More than 2 in 5 (43 percent) believe that no one should get richer from a life insurance policy and should simply work hard instead. Again, Millennials are perhaps the most important market for new life insurance policies, and it is evident that education about life insurance products is paramount.

Figure 19

Generational Misconceptions (% Agree)

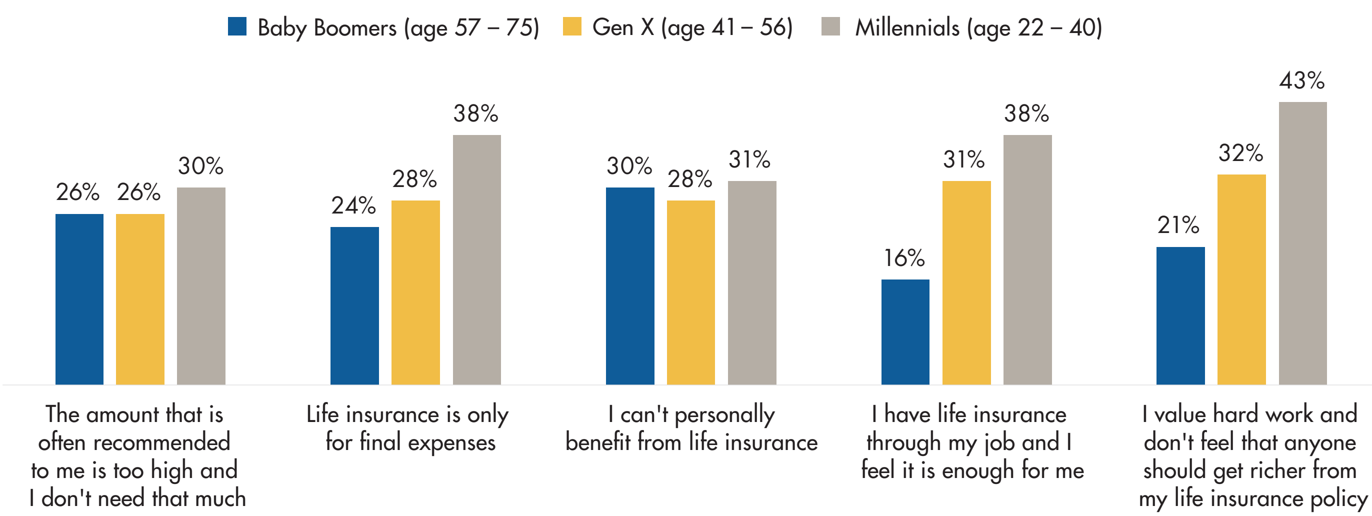
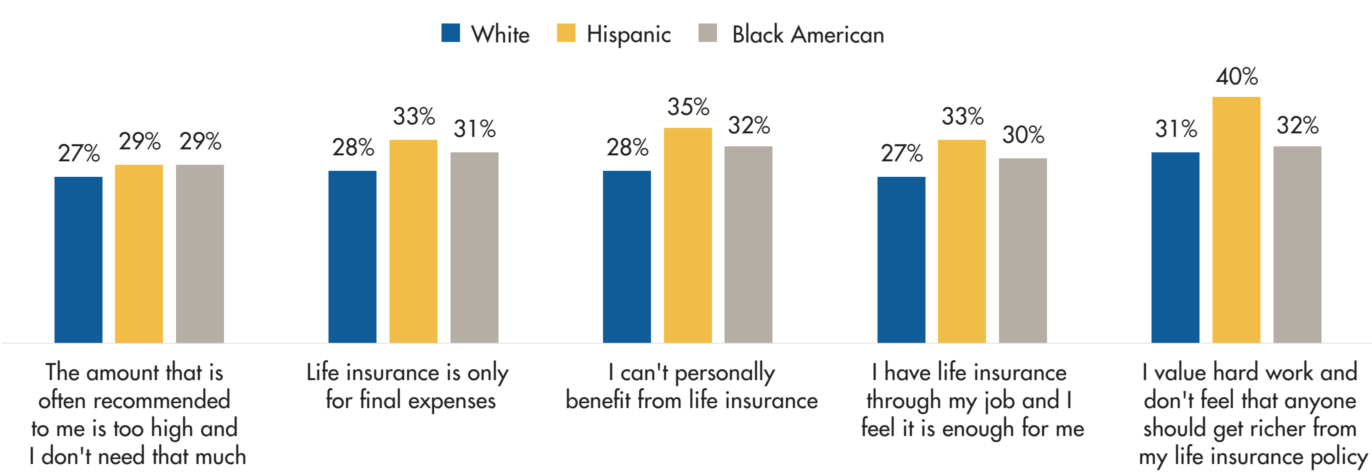


Figure 20

Race/Ethnicity Misconceptions



Hispanics are more likely to accept all five of the misconceptions than Whites and Blacks (Figure 20). Like Millennials, they believe that hard work is the best way to achieve financial success, and life insurance payouts should not benefit anyone else.

One cannot assume that any group is "worse" than others for accepting what the life insurance industry knows are general untruths. These statements have been repeated for many years and have become ingrained. The industry knows that people are often difficult to convince, but to sell policies to those who are often in the most need, they must educate before selling.

Self-Reported Knowledge

For the industry to educate potential policy buyers, not only does it need to dispel some common myths and misconceptions, it also has other obstacles to overcome. When asked to self-assess knowledge of life insurance, the groups with lower ownership, higher propensity to believe common myths, and more inaccurately estimate cost believe they have a better understanding of the product (Table 9).

Table 10

Very or Extremely Knowledgeable About Health and Life Insurance (Self-Reported)

	Male	Female	Baby Boomers	Gen X	Millennials	White	Hispanic	Black
Health/medical insurance	48%	39%	39%	45%	49%	43%	50%	46%
Life insurance	39%	22%	22%	30%	40%	29%	38%	39%

Blacks and Millennials say they are almost as knowledgeable about life insurance as they are regarding health insurance — a coverage that almost everyone has and uses.

Many Americans may only be familiar with basic final expenses life insurance policies and may be under the assumption that that is the only type of life insurance product available. Peace of mind regarding final expenses is an important piece of financial planning, but life insurance owners and non-owners can be made more aware of other available products and policies.

- One third of all respondents say that life insurance should provide enough money to cover only five years or less of income.
- Under one quarter (23 percent) say that a policy should cover exactly 10 years of income, and another quarter say 15 or more years.
- Gen X, Hispanics, and Blacks responded that they would want the most out of life insurance, with about one third of each group looking for 15 or more years of income from a policy.

Very few life insurance policies obtained through the workplace will provide five, 10, or 15+ years of financial stability.

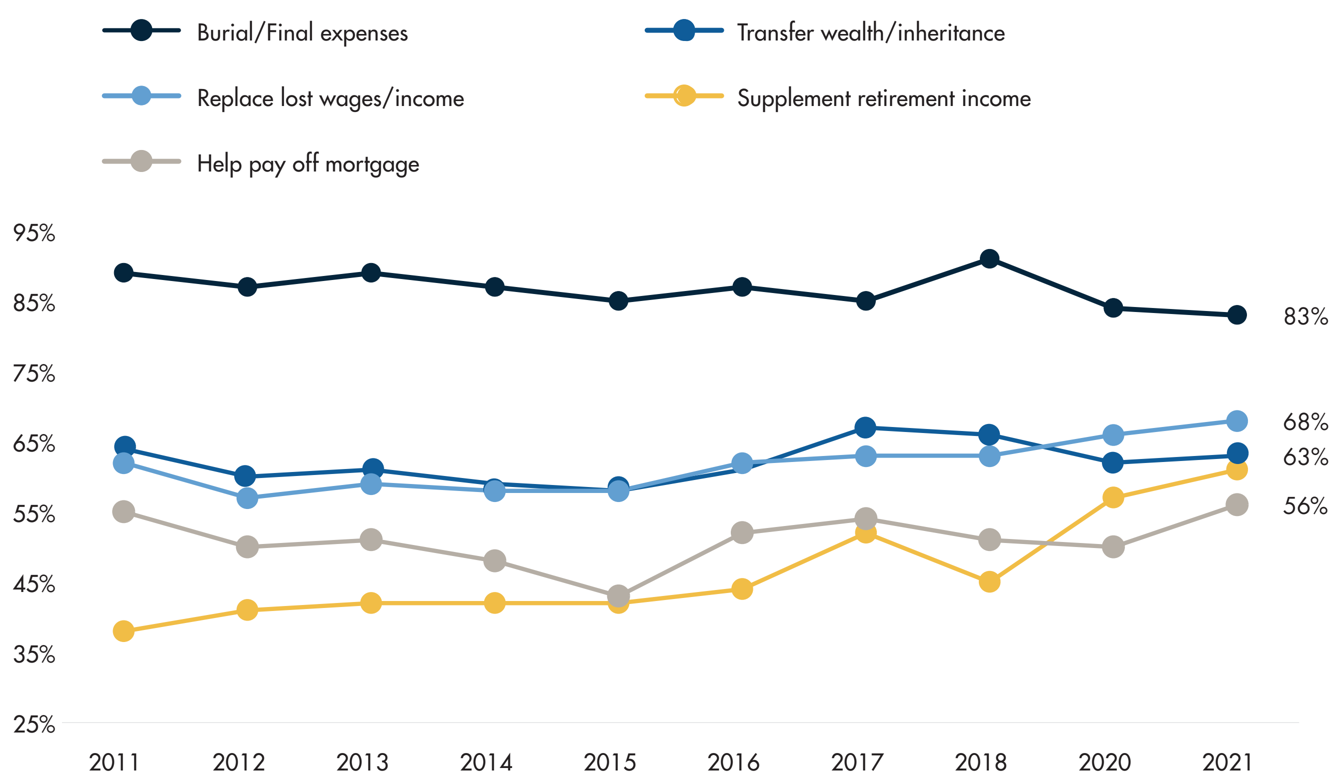
Reasons for Owning Life Insurance

Trends in reasons for owning life insurance illustrate a three-tier hierarchy (Figure 21).

- The top tier is clearly occupied by the goal of paying for one's burial costs and final expenses. This purpose is mentioned by over 80 percent of insureds.
- The goals of income replacement, transferring wealth across generations, and supplementing retirement income occupy the second tier of this hierarchy. These reasons are consistently mentioned by more than 60 percent of insureds.
- Paying off the mortgage occupies the third tier in this hierarchy. Owning life coverage to insure a mortgage payoff was much more common than saving for retirement at the beginning of the decade. In the last three study periods, concern about retirement savings has surpassed paying the mortgage as a reason to own. (This question was not asked in 2019.)

Figure 21

Trends in Reasons for Owning Life Coverage (Major or Minor Reasons)



- Additionally, 57 percent of respondents stated that their employers' "giving it to me" was a reason to own.
- Eighty-seven percent of Black owners cite burial/funeral costs as a reason to own.
- Higher income households are much more likely to say they own life insurance to supplement retirement income.

Between 2018 and 2021, there have been changes in the reasons consumers own life insurance, and these changes occurred at the top and the bottom of this hierarchy. The most common reason for owning (burial/final expenses) shows a sharp decline in 2020 and a further slight decline in 2021. Meanwhile, saving for retirement continues its sharp increase over 2018.

It is too soon to determine if these changes represent long-term changes in the reasons consumers own life coverage. Yet, this is compelling evidence that some changes in reasons for owning have developed over the past few years.

Attitudes on Insureds' Age at Time of Purchase

When asked to reflect on their ages at the time they purchased individual life, exactly half of insureds (50 percent) indicated they bought at the correct age. However, 39 percent of insureds wish they had purchased their policies at a younger age. This is an important lesson that the industry can share with younger consumers. This may be an effective message for consumers who want to save money by making an informed and timely purchase decision.

Younger generations learn from older generations, and that may be a good way to frame this message, i.e., it is a mistake to delay buying life insurance; be smart, buy young. Black owners are the group most dissatisfied with their time of purchase, as over half (51 percent) say they wish they had purchased sooner. Moreover, almost no owners responded that they wished they never purchased life insurance (1 percent). This reflects that those who own life insurance understand and appreciate its value.

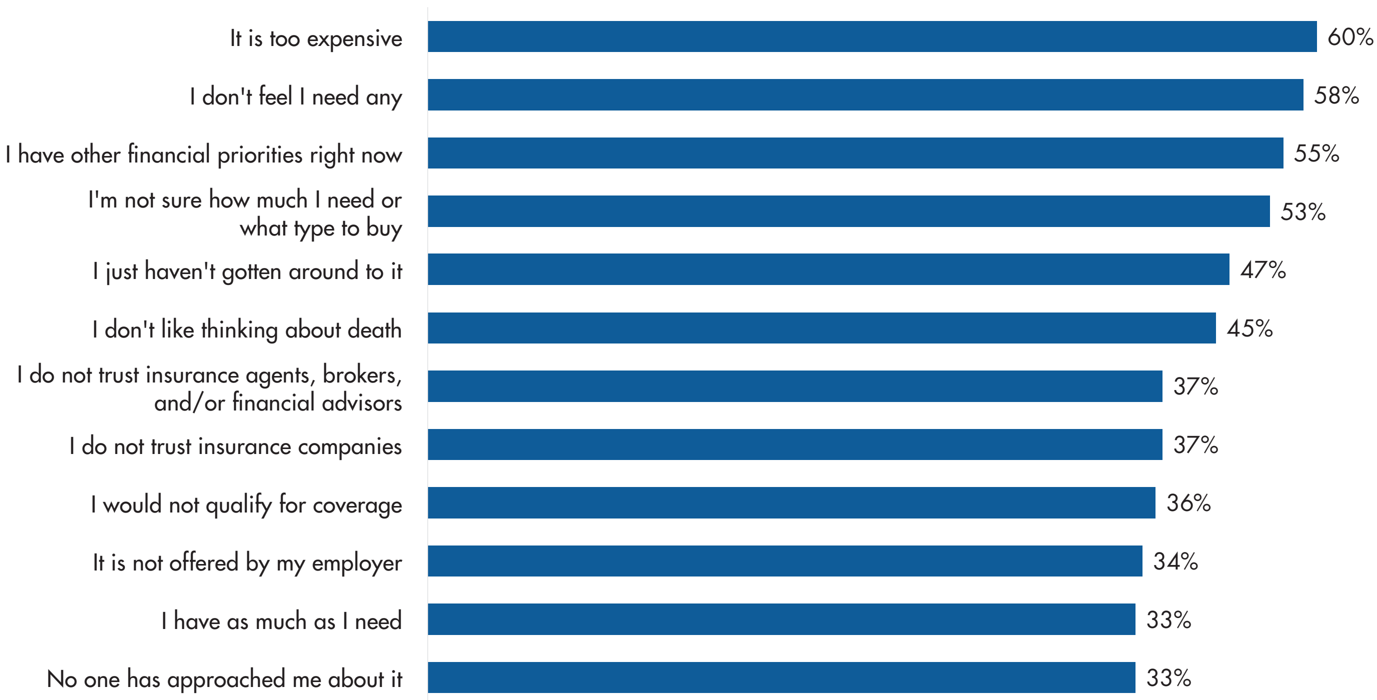
Reasons for Not Owning Any or More Individual Life Insurance

There are a variety of reasons why consumers do not own any or more coverage. As shown in Figure 22, the most common reasons are: cost, other financial priorities, and not feeling the need to own any.

Over half (53 percent) admit that they are unsure what product they would need or how much coverage to purchase. Nearly half (45 percent) stated that they have put off purchasing and over a third (36 percent) believe they simply would not qualify for coverage. These are significant obstacles for the industry and indicate the need for compelling communications to help consumers build appreciation for the broad value proposition that life insurance offers.

Figure 22

Reasons Not to Own Life Insurance



Many of the reasons for not owning any or more life coverage show a willingness to obtain coverage if certain obstacles can be overcome. Issues such as procrastination and uncertainty on what type to buy suggest around half of respondents are not averse to purchasing a policy.

- Almost half of Millennials (48 percent) say they fear they would not qualify for coverage. This may not be for health reasons, but rather, a misunderstanding of life insurance in general.
- Blacks and Hispanics show a greater hesitancy, with over half of each stating they “just haven’t gotten around to it.”

Purchasing an individual policy with full underwriting can be a mentally taxing process. With better online tools, simplified underwriting practices, and more outreach programs, life insurance can be made more approachable to younger and minority communities.

Social Media and Financial Advice

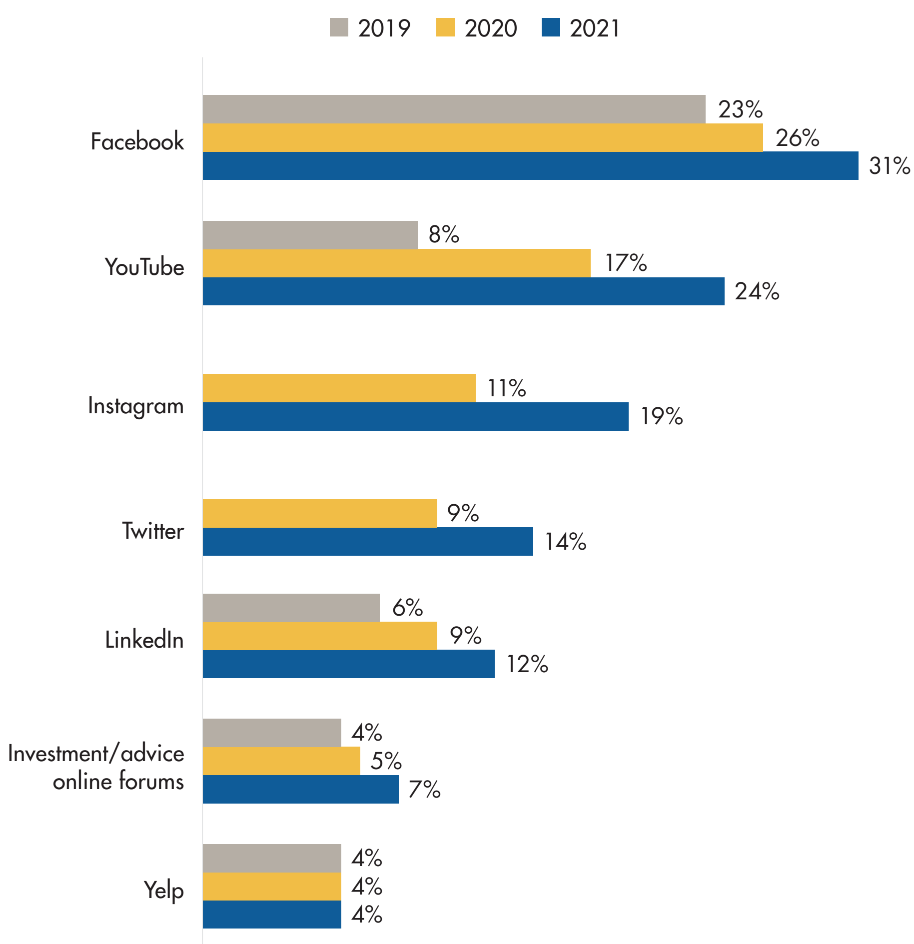
Social media is an integral element of communications and commerce. The *Insurance Barometer* tracks online social media usage and preferences related to financial products and services.

Consumer Use of Social Media for Financial Topics

- Nine in 10 adults report using social media and half report using social media to gather information on financial topics, companies, or advisors.
- Facebook and YouTube have the largest share of social media users for information on financial topics (Figure 23).
- Millennials report the highest use of social media platforms for financial information versus other generations. The top-three platforms for financial information are Facebook (49 percent), YouTube (36 percent), and Instagram (31 percent).

Figure 23

Use of Social Media for Financial Topics



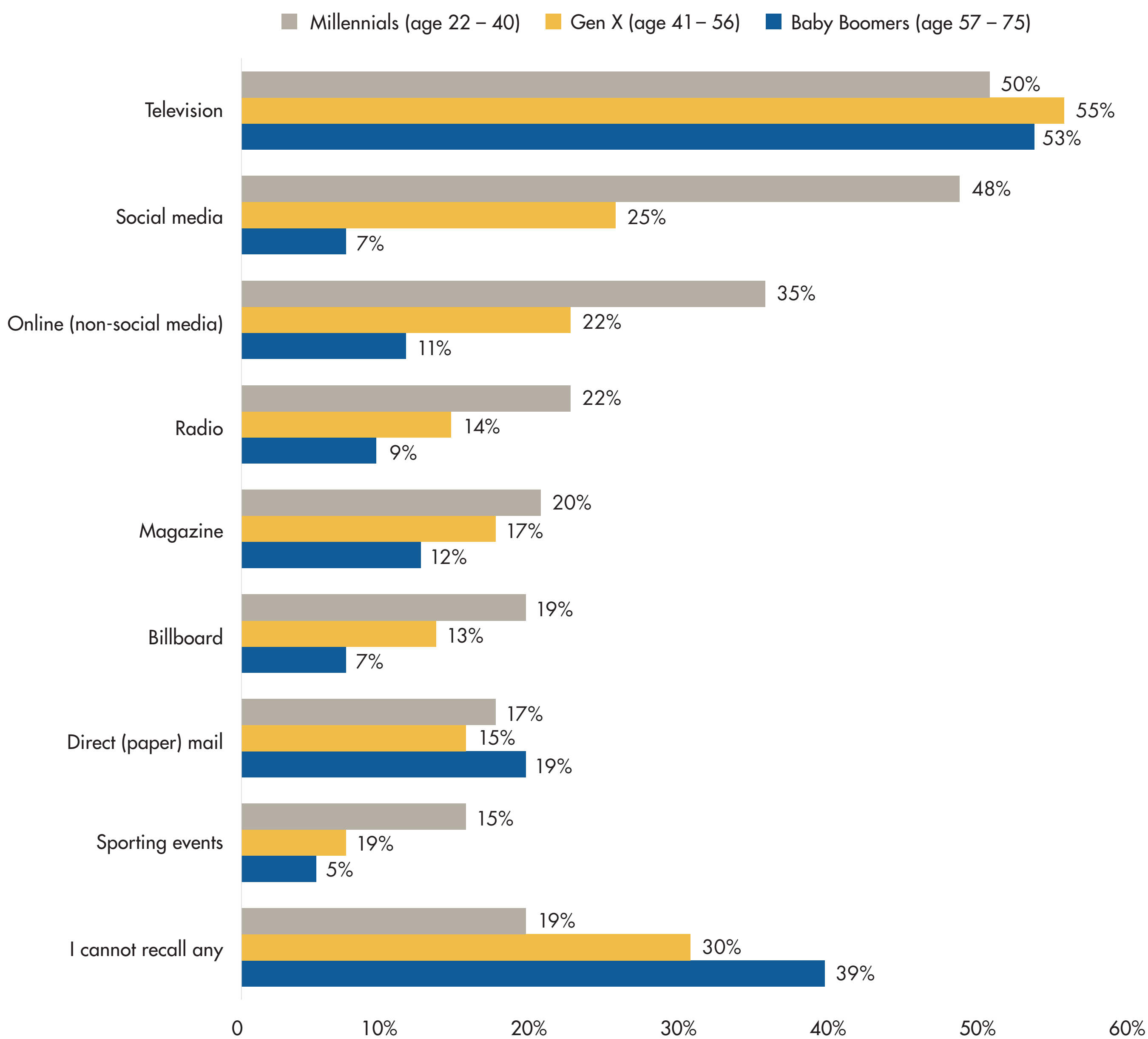
Advertising Mediums

Advertising vehicles have gone through a sea change over the last decade with the advent of social media and the internet's ubiquity. Companies have adapted both in social media usage and advertising. The effectiveness of different media for advertising shows sharp differences among generations (Figure 24).

- Television appears to be the most effective advertising medium across all generations surveyed in 2021.
- Millennials are as likely to find social media and other online/websites as memorable as television. Eighty percent of Millennials say they can recall life insurance company advertising.
- Generation X and Boomers were not able to recall as much life insurance advertising as Millennials.

Figure 24

Advertising Recall and Generations



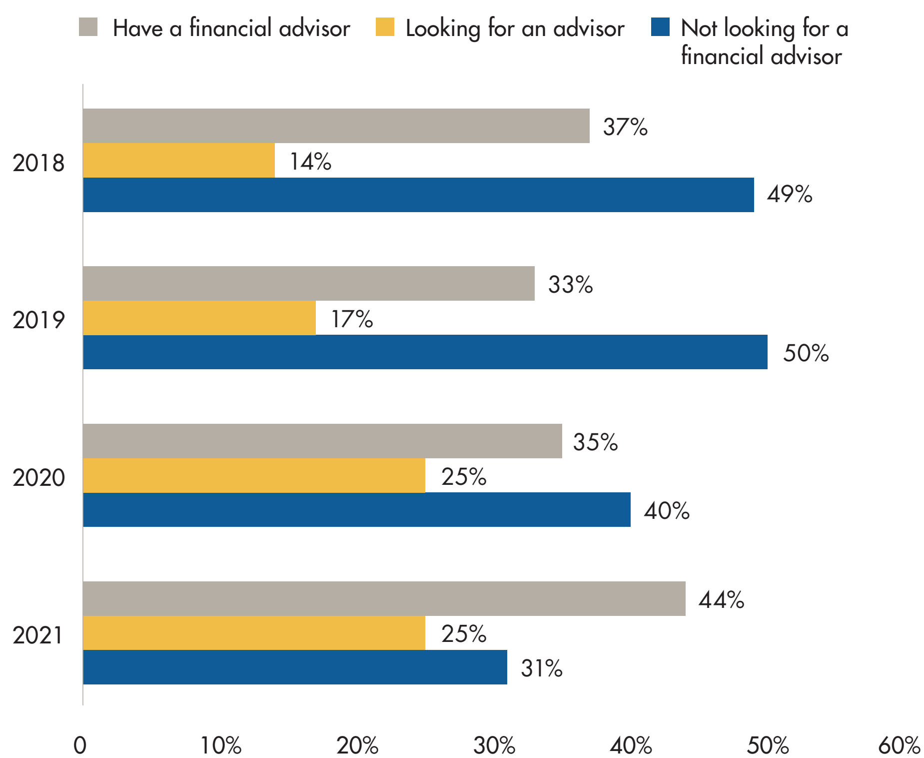
Social Media and Financial Professionals

The proportion of consumers looking for an advisor has remained steady for two years. Currently, 1 in 4 say that they are looking for an advisor, which shows a significant increase over 2018. In 2021, those who say that they have advisors increased 26 percent, which may explain the lesser demand for new advisors (Figure 25).

- The data in Figure 25 suggest the market for financial advice remains strong. Despite the plateauing of those looking for an advisor, it bodes well for the personal financial advisor market that so many secured professional advisors in 2020 — and that so many more are still looking. It bears mentioning again that the lower percentage of those looking may have been affected by the COVID-19 pandemic. Forty-four percent of respondents have a financial advisor; up from 37 percent 3 years ago.
- One in 4 respondents (over 64 million adults) indicate they are looking for an advisor, up 11 points from 2018. Sixty percent of those seeking advisors say they would research them online.

Figure 25

Use of Primary Advisor



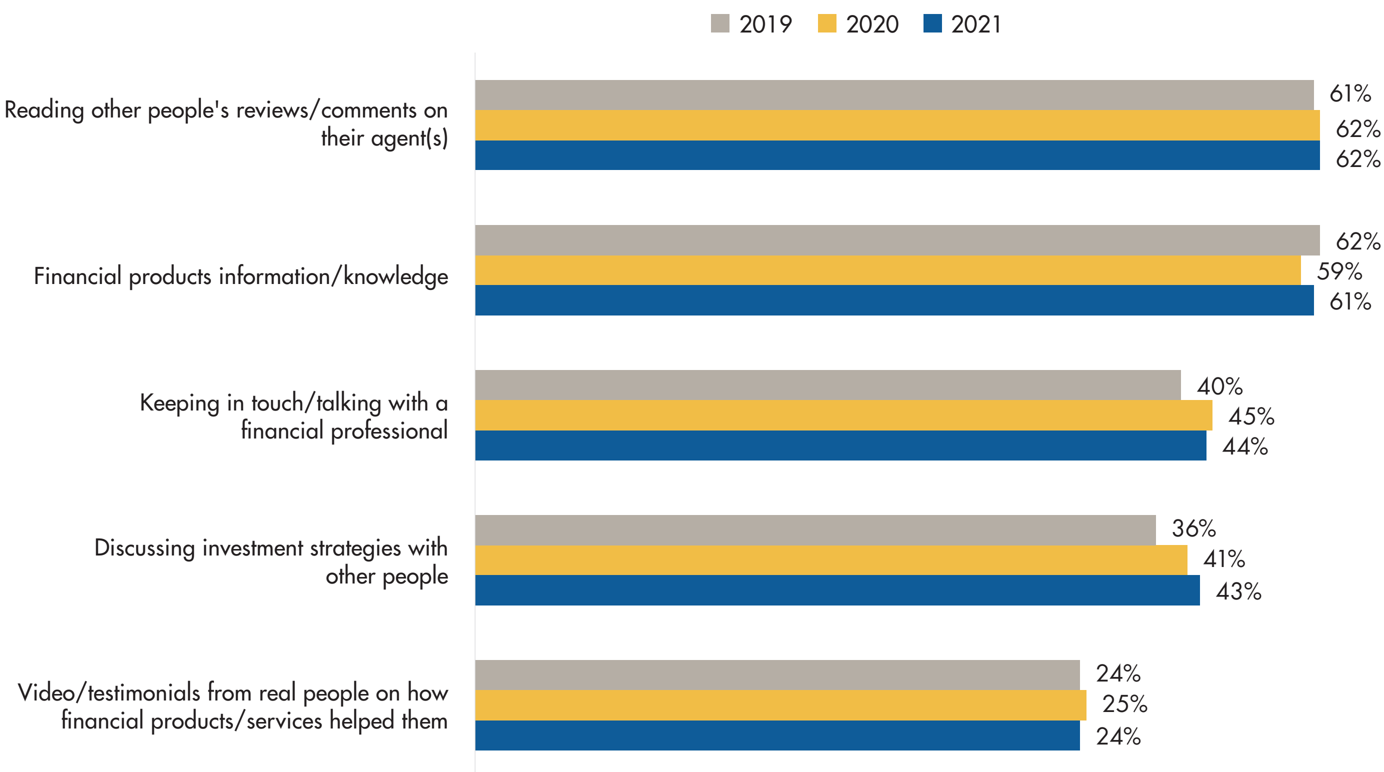
Social Media Preferences

When asked about their usage of social media sites, all respondents demonstrate a clear preference for Facebook and, to a lesser degree, YouTube. The two platforms also rate as the most preferred when seeking financial information or advice. Baby Boomers are far less likely to rely on social media for this type of information. Among Millennials, Facebook (49 percent) has the highest-rated importance with regard to financial professionals. YouTube (36 percent) and Instagram (31 percent) have comparable, but lesser, importance ratings for the younger generation.

Consumers who say they use social media in connection with financial products mostly prefer reading and learning about products (61 percent) and peers' comments about agents (62 percent) to other uses (Figure 26).

Figure 26

Financial Information Sought on Social Media



Planning Activities Only With Personal Financial Advisor

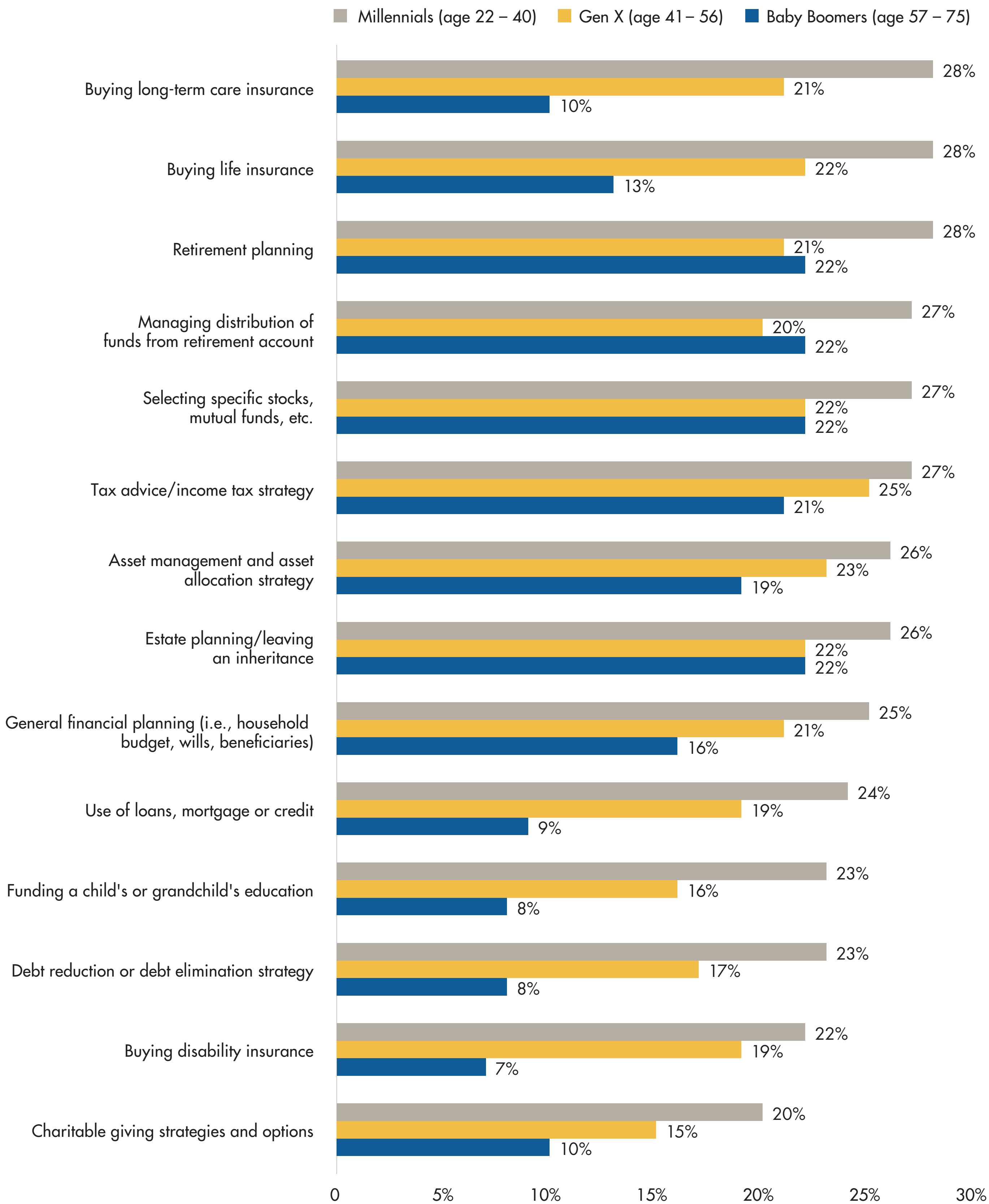
Figure 27 shows that retirement planning, tax advice, managing retirement income, estate planning, and managing stocks are the activities for which consumers most want financial advice. Just under one quarter of respondents will work only with an adviser on those activities.

The preferences of different generations are an important consideration when prospecting for new clients. The data can help financial advisors identify the types of financial planning activities that their target prospects may find most relevant for working with a personal advisor. This is important data for the financial services industry to digest, as it suggests over a quarter of Millennials would only conduct most financial planning activities with a personal financial advisor. This is a strong indicator of demand for financial planning services among younger consumers. While younger generations tend to have lower income and asset levels, there are ways financial professionals can approach this market opportunity.

One example is leveraging technology such as social media for marketing and simplified underwriting to increase efficiency and productivity in life sales. Financial advisors may also consider marketing to caregivers and two-generation households, which have two sets of finances to manage. At some point during the relationship, these households will likely need help planning transfers of wealth across generations.

Figure 27

Planning Activities With Personal Financial Advisor



Financial Concerns of American Consumers

The *Insurance Barometer* examines the financial concerns of consumers to illustrate the financial mindscape of American consumers. The study tracks concern levels on a variety of common financial matters (Table 11), which address money matters shared by many households. Tracking concern levels on these items over time delivers an insightful view of Americans' financial priorities.

Table 11

Financial Concern Questions, by Category, 2021

Life Insurance	Health Expenses
• Dependents' financial security • Final expenses • Leaving an inheritance	• Disability • Long-term care • Medical
Living Expenses	**Savings Goals**
• Job/income security • Credit card debt • Monthly bills • Mortgage/rent • Student loan debt	• Dependents' education • Investments • Retirement • Emergency fund

Three layers of analysis simplify the understanding of the data:

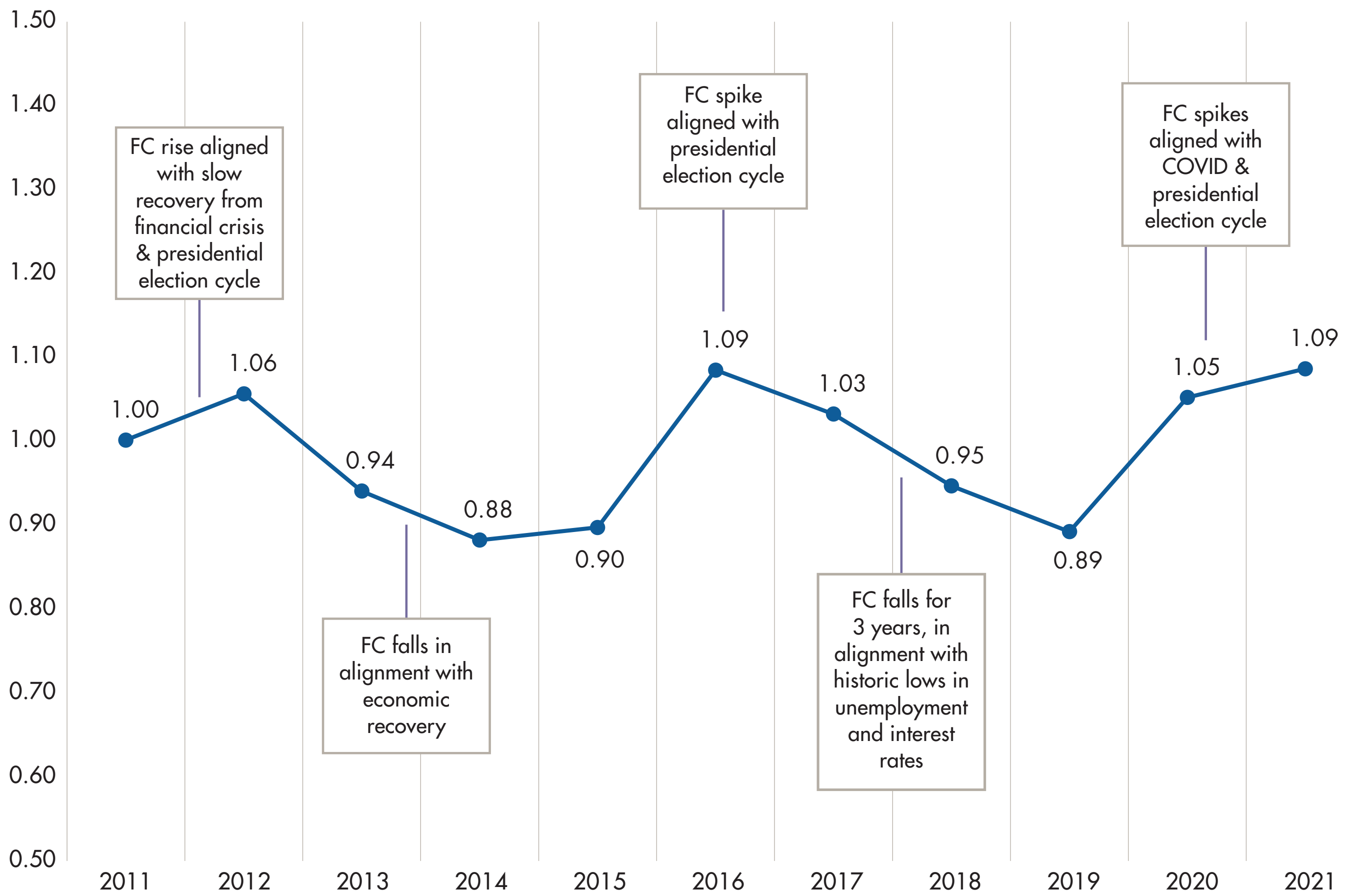
1. **The Financial Concern Index** — the FCI is a summary metric representing concern across all 15 financial concerns.
2. **The Financial Concern Hierarchy** — the FCH illustrates the relative level of concern across the four FCI components: health expenses, saving goals, life insurance, and living expenses.
3. **Financial Concern Questions** — these list a detailed view of trends on the 15 individual financial concerns questions in the survey.

Financial Concern Index 2011 — 2021

Figure 28 illustrates the rise and fall of financial concern levels since 2011. The 2021 data indicate the level of financial concern is rising among American consumers. The FCI rose 4 points to reach 1.09 over the past year, reflecting the ongoing impact of the COVID-19 pandemic and associated economic disruption. The reading of 1.09 ties for the highest level of financial concern since 2016.

Figure 28

Financial Concern Index, 2011 to 2021



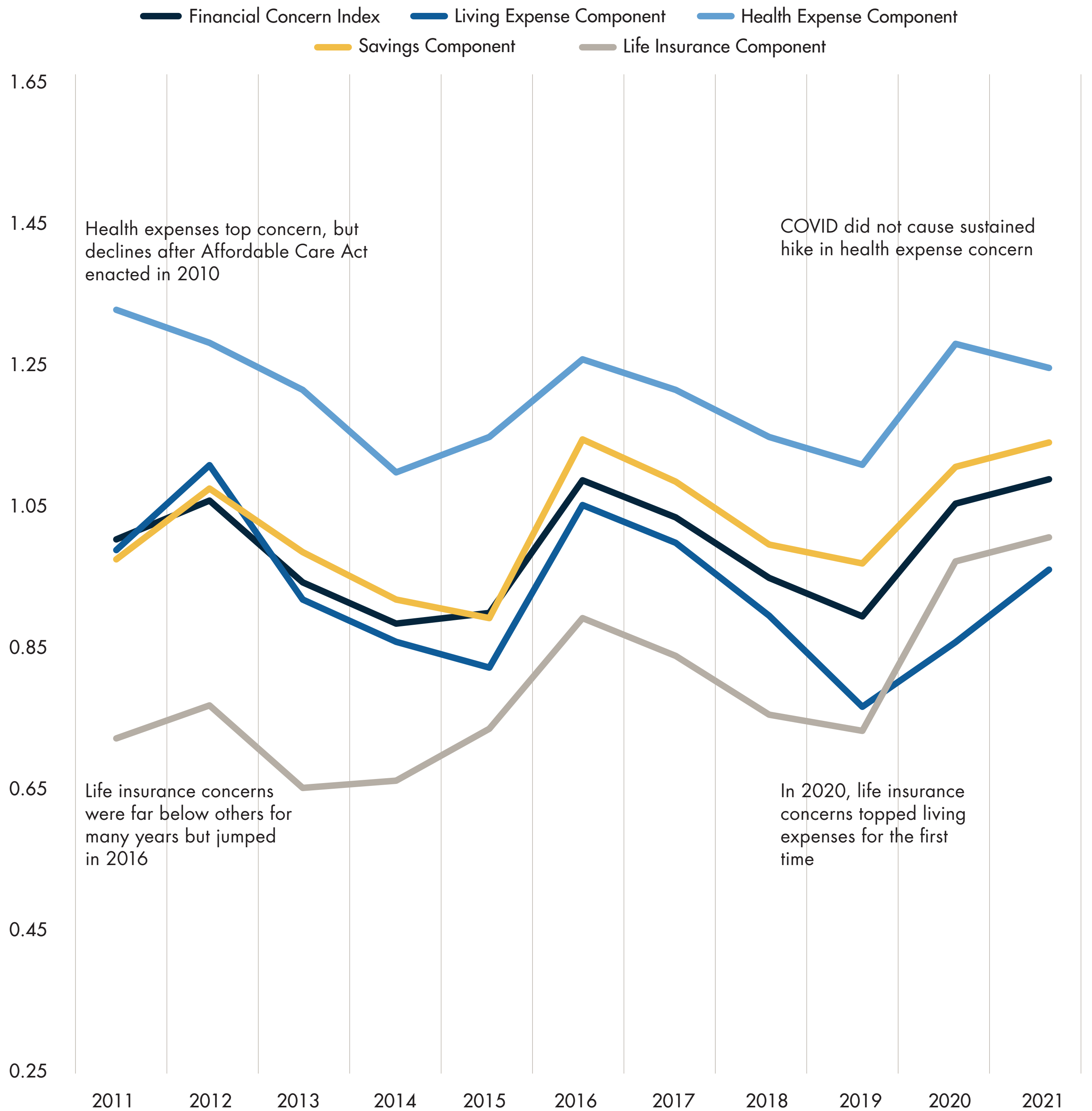
* The FCI represents the percentage of Americans with **high** concern levels on a number of common money matters [i.e., "very" or "extremely" concerned]. In the base year, 3-in-10 respondents were "highly concerned." The FCI expresses the percentage change in that proportion year-over-year.

The Financial Concern Hierarchy

When viewed in the context of a yearlong global pandemic,[13] which continues to wreak havoc on domestic and international economies,[14] the observed rise in financial concern levels is somewhat lower than expected. The reasons why concern levels have not risen more are illustrated in the Financial Concern Hierarchy (Figure 29).

Figure 29

Financial Concern Hierarchy, 2011 to 2021



[13] Hub, *JOHNS HOPKINS MARKS ONE YEAR OF TRACKING THE COVID-19 PANDEMIC*, https://hub.jhu.edu/2021/01/22/johns-hopkins-coronavirus-map-marks-one-year/ (March 20,2021).

[14] *Insurance Journal*, "Impact of Coronavirus on U.S. Economy Could Be $3-$5 Trillion Over 2 Years: USC Study," https://www.insurancejournal.com/news/national/2020/12/14/593838.htm (March 20, 2021).

The FCH is the second-layer summary of the financial concern data; it breaks the FCI into four components to illustrate underlying trends. The data in Figure 29 illustrate the relative level of concern across health expenses, saving goals, life insurance and living expense categories, over the past 11 years. The chart illustrates a clear hierarchy of concerns, with health-related expenses consistently at the top. Yet, after increasing 17 points in 2020, concern over health-related expenses declined by 4 points in 2021. This suggests Americans have come to terms with the pandemic's impact on their medical expenses and have shifted some concern to other financial areas.

The hierarchical view of financial concern aligns with established models of human behavior, such as Abraham Maslow's theory of human motivation,[15] which states that people satisfy basic living needs before addressing aspirational goals. If we believe Maslow, the Financial Concern Hierarchy reveals much about the mindsets that drive consumer financial behavior.

Financial Concern Hierarchy — 2021

Since 2013, American's concern over their long-term saving goals have received the second highest level of concern. Concern over savings has risen and fallen in line with economic cycles, including a rise of 17 points since 2019. This informs the financial industry that long-term saving goals have grown in importance relative to health-related expenses over the past 12-months.

The top-two tiers in the FCH have not changed places in recent years, but the bottom-two tiers have changed. For the past two years, life insurance has occupied the third position in the financial concern hierarchy, after occupying the lowest tier from 2011 to 2019. This is a stunning development for the life insurance industry; it reveals a growing awareness of the need for adequate life insurance coverage to address different needs (i.e., income replacement, final expenses, and inheritances).

Concern over living expenses currently occupies the lowest position in the FCH. Concern levels have risen 20 points in this category since 2019, which reveals the impact of the pandemic on day-to-day expenses for many Americans. Yet, the rise in concern for living expenses is smaller than the rise in concern for life insurance over the past two-years.

[15] A.H. Maslow, "A theory of human motivation," *Psychological Review,* 1943.

[16] Statista, *Average total money earnings of individuals per year in the United States in 2019, by age group,* https://www.statista.com/statistics/817928/mean-personal-money-earnings - the-us-by-age/#:~:text=In%202019%2C%20the%20average%20worker,%2C%20on%20average%2C%20in%202019 (March 20, 2021).

Financial Concerns by Generation

Table 12 shows the proportion of respondents who indicate they are "somewhat" or "very" concerned about each of the 15 financial concern items, overall and by generation. The generational profile reveals that younger generations have higher levels of financial concern. This holds with the earning arc of average Americans, who tend to reach peak earning between the ages of 45 and 54.[16]

Table 12

Financial Concerns, by Generation, 2021

		Generations			
Financial Concerns	**Total**	**Gen Z (18 – 21)**	**Millennials (22 – 40)**	**Gen X (41 – 56)**	**Baby Boomers (57 – 75)**
Living Expenses					
Job/income security	**33%**	45%	47%	37%	13%
Credit card debt	**27%**	16%	38%	30%	15%
Monthly bills	**32%**	27%	44%	34%	16%
Mortgage/rent	**28%**	27%	40%	31%	12%
Student loan debt	**20%**	30%	35%	19%	5%
Health Expenses					
Disability related expenses	**37%**	42%	50%	42%	18%
Long-term care expenses	**37%**	27%	43%	41%	29%
Medical expenses	**35%**	27%	45%	39%	22%
Life Insurance					
Final/burial expenses	**30%**	24%	43%	32%	16%
Leaving an inheritance	**27%**	16%	38%	29%	15%
Income replacement	**31%**	20%	43%	35%	17%
Saving Goals					
Funding an education	**24%**	23%	39%	26%	6%
Emergency fund	**37%**	28%	51%	42%	20%
Losing money on investments	**29%**	22%	38%	28%	20%
Money for retirement	**43%**	43%	51%	51%	28%
Average concern — all items					
Overall	**31%**	28%	43%	34%	17%

Gen Z (aged 18 – 21)

- Gen Z has the third-lowest level of financial concern among generations. On average, 28 percent express high levels of concern on these items.
- They express higher levels of concern over job security/income, the risk of a disability (which is related to maintaining employment and income) and saving for retirement.
- They express lower levels concern on student loan debt and the life insurance category. Yet, their concern over final expenses is higher than among Baby Boomers.

Millennials (aged 22 – 40)

- Millennials display high levels of concern in many areas; overall 43 percent express concern across all items, the highest level among the generations. This aligns with their reaching family-formation years, but not yet reaching peak-earning years.
- They are most concerned about emergency funds, saving for retirement, job security/income, and the risk of a disability.
- Millennials have the highest concern levels in the life insurance category of any generation. Final expenses and income replacement are top-of-mind for many of these consumers.

Gen X (aged 41 – 56)

- Gen X has the second-highest levels of financial concern among these four generations: overall 34 percent express concern across all 15 items. This aligns with their having reached peak-earning years, providing more financial resources to address their concerns.
- Top concerns for Gen X include emergency savings, retirement savings, disability insurance, and long-term care coverage.
- In the life insurance category, Gen X has the second-highest level of concern, after Millennials. Their key concern is income replacement, followed by final expenses.

Baby Boomers (aged 57 – 75)

- The oldest generation has the lowest level of overall financial concern; just 17 percent of Boomers express high levels of concern on these items, significantly below the other cohorts.
- Boomers express the most concern over long-term care coverage, medical expenses, and retirement savings.
- In the life insurance category, Boomers have the lowest levels of any cohort and express equal levels of concern for final expenses, income replacement, and leaving an inheritance.

Related Research

Addressing the Need Gap

LIMRA and Life Happens co-sponsor the *Insurance Barometer Study* and provide information, tools, and support to the industry so that it can make an impact on the financial security of American consumers. Here are examples of additional resources available:

- Life Happens and LIMRA are leading the Help Protect Our Families (HPOF) program (Closing the Life Insurance Coverage Gap at limra.com). This program includes seven industry trade associations that have united to help the industry protect families at financial risk. The site contains information on information, tools, and events for the industry.
- Life Happens website contains a great deal of information that is educational and user-friendly at Life Happens.
- The need-gap analysis reinforces the benefits of LIMRA's Trustworthy Selling program (Trustworthy Selling 2.0 at limra.com), which helps financial professionals establish meaningful connections with clients. This converts "transactions" into enduring "relationships" and generates more business flow over time.
- ***2020 Insurance Barometer Series,* LIMRA, Life Happens**
  https://www.limra.com/en/research/research-abstracts-public/2020/2020-insurance-barometer-study/
- ***The Financial Needs of Family Caregivers Series,* LIMRA, 2019**
  https://www.limra.com/en/research/research-series/the-financial-needs-of-family-caregivers-series/
- ***The Purchase Funnel Series,* LIMRA, 2017, 2018**
  https://www.limra.com/en/research/research-series/the-purchase-funnel-series/

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