

LIFE AND DISABILITY INSURANCE: WHAT 20-AND 30-SOMETHINGS THINK





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I. INTRODUCTION

LearnVest helps people lead their richest lives by providing products, services and content that keeps our audience in the know about their finances. As such, we cover topics ranging from following a budget and paying down student loans to planning wallet-friendly dinner parties for friends and plotting strategies to ask for a raise.

We keep our finger on the pulse of what's on the minds of the average American—as well as the average LearnVest user—when it comes to the personal finance topics most important to them, including managing credit card debt, planning for retirement and deciding between insurance policies.

For more than 150 years, The Guardian Life Insurance Company of America has focused on protecting the dignity and preserving the financial confidence of families and businesses nationwide. Guardian believes that financial health should be a realistic goal at every life stage, regardless of income, and can be achieved with proper planning, trusted advice and the willingness to take steps to protect oneself and the people you care about, whether they are loved ones or employees.

We are proud to collaborate with LearnVest to better understand the aspirations, financial concerns and awareness of potential solutions among young adults in this country.

Our Goal

LearnVest and Guardian teamed up to conduct a survey aimed at offering a comprehensive look at the attitudes and behaviors of men and women in their 20s and 30s toward life and disability insurance.

About the LearnVest/Guardian Insurance Study

In order to meet these objectives, marketing research was conducted among 797 male and female respondents 21-40 years of age with annual household incomes over \$30,000. The respondents were divided into four age groups, each of which represents 25% of the sample. Each age group is further weighted so the male/female balance is 50/50. A total of 190 participants were current LearnVest subscribers.

The research was collected online via a 25-minute online interview conducted between October 10 and October 21, 2012.

The 190 LearnVest subscribers were recruited via email from the company database, and each respondent who completed the survey received a \$10 Amazon.com gift card.

II. HOW MUCH DO 20- AND 30-SOMETHINGS KNOW ABOUT INSURANCE?

They Understand the Importance of Insurance, and Trust Insurers to Honor Their Promises

In general, young adults acknowledge that life and disability insurance are important. In fact, 93% say they are pretty sure why life insurance is so important, and understand the basics of how it works. For example, 44% of respondents and 57% of all women understand that the best time to buy life insurance is when you're young and healthy.

More than that, respondents have a great deal of confidence in insurers, on the whole. 70% expect that the insurance company will pay out if and when the time comes.

But They Don't Feel Knowledgeable When It Comes to Insurance

Although they understand the basics—that you pay a monthly premium and that the policy pays out if you die prematurely or become disabled—respondents lack some key knowledge about how life and disability insurance work.

And they don't harbor any false confidences: Dealing with insurance can be intimidating, which may lead to their feelings that they don't understand too much about the process of collecting benefits and navigating the system.

Although that same 70% of respondents feel confident that their insurance companies would be willing to pay out if they needed to make a claim, only 34% feel confident that they know how to collect a payout.

They Don't Turn to Professionals for Guidance

Not all insurance policies are created equal, and the kind of policy that's right for one person might not be the best for someone in a different life stage.

All the same, less than a third of all respondents would turn to a life insurance professional for guidance in choosing the right policy. Instead, the majority prefers anecdotal information from friends and family, or relies on searching the internet and other media outlets.

Perhaps the most surprising part about how respondents research their insurance policies? Even though choosing the right policy can be so crucial for the future, about a third of respondents don't consult any source for information before buying an insurance policy.

That might make some sense, given the fact that 65% of respondents get their life insurance through their jobs. This complacency is also seen in their reluctance to do the research required to switch insurance policies: Almost 8 in 10 people have never changed or even considered changing their life insurance policy.

III. MANY YOUNG ADULTS HAVE GAPS IN KNOWLEDGE ABOUT INSURANCE ... AND ABOUT THEIR OWN COVERAGE

In addition to not feeling confident about the ins and outs of insurance, many respondents are missing some key knowledge about how insurance works—and even their own coverage situation.

Misconceptions About Insurance

60% of respondents don't understand the difference between term and permanent life insurance.

Meanwhile, many don't fully understand how disability insurance works. Many respondents view disability insurance as less relevant to them if they work at a desk job that doesn't put them in direct physical danger, without understanding that a disability policy can protect their earning power in case something happens to them, even if they work at a white collar job.

According to the Life & Health Insurance Foundation for Education (LIFE)¹, a non-profit organization:

Term life insurance, the most affordable type of insurance when initially purchased, is designed to meet temporary needs. It provides protection for a specific period of time (the “term”) and generally pays a benefit only if you die during that term. This type of insurance often makes sense when you have a need for coverage that will disappear at a specific point in time. For instance, you may decide that you only need coverage until your children graduate from college or a particular debt is paid off, such as your mortgage.

Permanent life insurance, by contrast, provides lifelong protection. As long as you pay the premiums, and no loans, withdrawals or surrenders are taken, the full face amount will be paid. Because it is designed to last a lifetime, permanent life insurance accumulates cash value, which can be used for any purpose you wish and is priced to keep over a long period of time.

Disability insurance provides an income to you and your family if you are unable to work because of illness or injury. Many employers provide group insurance coverage, of which there are two forms—short-term disability (STD) and long-term disability (LTD). An individual disability insurance policy is one you purchase on your own. A privately owned policy is portable, meaning you won't have to worry about losing coverage if you change jobs.

¹ www.lifehappens.org

They Don't Understand Their Own Coverage, Either

Over a third of all respondents don't know what kind of insurance they actually own, and almost 20% of men and women don't know the value of their own death benefit—that number jumps to almost 1 in 4 when just talking about women.

Their Significant Others' Coverage Is Also a Mystery

While it's heartening that almost 60% of respondents' significant others have coverage (and that those respondents are aware of it), 35% have no idea what type of policy it is.

Just as worrying, almost 1 in 5 told us they didn't need to worry about getting their own life insurance because their spouse is covered, and that should be enough for them, too.

This lack of awareness about one's own policy strongly suggests that there's a gap between respondents' expectations and reality—and that a large group is likely un- or under-insured, and doesn't even know it.

Do you know what type of life insurance your significant other has?

	Total Rep Pop	LearnVest Users	Age		Gender		Have Dependents	
			21-30	31-40	Male	Female	Yes	No
Live with significant other who has life insurance	215	52	101	166	95	172	199	68
Term	43%	44%	40%	45%	49%	39%	46%	33%
Whole Life	22%	13%	18%	22%	24%	18%	22%	14%
Universal	6%	5%	1%	8%	8%	4%	7%	3%
Other	2%	0%	1%	1%	1%	2%	1%	2%
Don't Know	35%	43%	43%	33%	29%	43%	31%	55%



IV. YOUNG ADULTS' EXPECTATIONS ... AND REALITY

Going hand-in-hand with the fact that so many of the respondents understand, at least in theory, how important life insurance is, they have an acute understanding of their own serious financial obligations, like student loans, credit card debt and the needs of those who depend on them.

More than that, this survey revealed a profound desire not to “leave a mess” for their parents and significant others if they were to pass on.

All the same, this desire to take care of their loved ones doesn't match up with the reality of the policies they've purchased for themselves.

The Financial Obligations They Want to Provide For

The primary person most respondents feel responsible for is their spouse or significant other—6 in 10 respondents have named their partner as a beneficiary of their life insurance policy. Almost a third have named their children. (Of note, 60% of the respondents have dependents.)

What do they hope their policies will take care of? 66% of respondents foresee their policies paying off their funeral expenses; more than half foresee the pay-off covering their debts and mortgage or rent. Additionally, respondents believe their policies will cover things like the day-to-day expenses of their dependents, education expenses for their kids, dependents' health care costs, retirement savings and more.



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We asked: How much money would it take to make all your dependents' troubles go away?

The average answer was over a million dollars.

”

A Fundamental Mismatch

Unfortunately, these high expectations may not always be warranted—our survey found a large gap between the dollar amount respondents would want “to make all their dependents' troubles go away,” and how much coverage they actually have.

Specifically, we asked: How much money would it take to make all your dependents' troubles go away? The average answer was over a million dollars.

Then we asked how much their insurance policies actually cover. Of those who knew, the average answer was about \$390,000.

The Vast Majority Are Underserved by Their Plans

As you can see, that leaves a gap of about \$610,000 between the million dollars respondents say they need to make their dependents' troubles go away, and the \$390,000 they actually plan to leave for them, on average.

This discrepancy may be due in part to a belief that life insurance obtained through work is all you need; 65% of respondents get their coverage this way. While an employer's group plan can be a great start, typical coverage amounts may not be enough to offset the economic impact to your family if you're not there to provide for them.

Research from LIMRA², a worldwide research, consulting and professional development organization for the insurance and financial services industries, bears this out. According to LIMRA's study, *Person-Level Trends in U.S. Life Insurance Ownership*, many adults who have life insurance rely solely on their employers' group coverage. In fact, the number of adults owning group life insurance has now surpassed adults with individual life insurance. People insured only through group coverage not only have the lowest average amounts of coverage, they are at risk of being left with no insurance if they lose or change their jobs.

² www.limra.com

V. YOUNG ADULTS PLACE A HIGH VALUE ON THEIR EARNING POWER, BUT HAVEN'T FULLY PROTECTED IT

In the course of this study, we found that a large percentage of young adults surveyed worry about money on the regular, but the clear majority don't have disability insurance to protect their income if something were to happen to them. More precisely, about 35% of all respondents have disability insurance (compared to 57% who have life insurance).

Disability Insurance Ownership

	Total Rep Pop	LearnVest Users	Age		Gender		Have Dependents	
			21-30	31-40	Male	Female	Yes	No
Total respondents regarding insurance	607	190	434	363	303	494	452	345
Health insurance	85%	97%	85%	90%	83%	91%	89%	85%
Auto insurance	80%	82%	73%	88%	78%	83%	86%	73%
Homeowner's/rental	63%	63%	52%	73%	60%	65%	70%	53%
Life insurance	57%	65%	50%	68%	57%	61%	67%	47%
Disability insurance	35%	47%	33%	41%	39%	36%	40%	33%
None of these	9%	1%	11%	5%	12%	4%	5%	11%

Why not? The biggest reasons they don't have disability insurance are that they don't think they need it because they're not at risk on the job, and that they feel it's too expensive.

Let's dive a little deeper.

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Many young people spend over **\$100,000 on college and graduate degrees** for the sake of landing secure employment in their adult lives.

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Young Adults’ Feelings About Their Finances

Almost half of all respondents say they regularly worry about money: 43% of men, and 65% of women. Meanwhile, just under half of the respondents have an emergency fund for unforeseen circumstances like job loss—to say nothing of a larger hurdle like disability.

Their Biggest Asset Is Their Mind

We asked respondents what their most essential body parts are for succeeding at their job. Their “mind” came in first (73%), followed by “hands” (70%) and “sight” (69%)—these answers were consistent across all segments.

What does it mean that their minds are the most important body part needed for their jobs?

Many young people spend over \$100,000 on college and graduate degrees for the sake of landing secure employment in their adult lives. That said, if they were to become injured mentally or physically, or otherwise unable to work, that educational investment is, in a sense, nullified.

What’s the Value of Housework?

Although unpaid housework is very important and can help support a family and household, it can be difficult to place a monetary value on it.

About a third of respondents provide unpaid housework that would need to be replaced if they were no longer around or became disabled. All the same, only about 15% of them would want an insurance policy to cover the loss of those unpaid services, even though they understand that there would be a significant cost associated with replacing those chores.

Why Don't More Young Adults Have Disability Insurance?

Of those who choose not to have disability insurance, 25% say it's because they do not think it is worth the cost; 21% don't have disability insurance because they are not at physical risk at their job.

According to the Council for Disability Awareness³, a non-profit organization:

- Just over 1 in 4 of today's 20-year-olds will become disabled before they retire.
- Freak accidents are not usually the culprit. Back injuries, cancer, heart disease and other illnesses cause the majority of long-term absences.

Respondents' reasons for not having disability insurance

	Total Rep Pop	LearnVest Users	Age		Gender		Have Dependents	
			21-30	31-40	Male	Female	Yes	No
Do not have disability insurance	397	98	280	215	178	317	266	229
It's not worth the expense	25%	20%	23%	26%	29%	20%	25%	24%
I am not at physical risk at my job	21%	33%	23%	22%	23%	22%	20%	26%
I am not employed full time	19%	11%	21%	13%	15%	19%	18%	17%
I'm not sure what it is	16%	23%	20%	14%	16%	18%	15%	19%
I could have it, but am not sure I do	13%	23%	15%	14%	11%	18%	14%	14%
Not sure how to purchase it	11%	28%	17%	10%	12%	15%	12%	16%
I do not qualify	10%	2%	9%	8%	9%	8%	9%	8%
I never knew it existed	6%	13%	9%	6%	6%	8%	7%	8%
My spouse or significant other has it	6%	0%	2%	8%	5%	4%	6%	3%
Too expensive	1%	5%	1%	3%	0%	4%	3%	1%

³ www.disabilitycanhappen.org

VI. ALTHOUGH THEY'RE HIGHLY ENGAGED WHEN IT COMES TO OTHER FINANCIAL TASKS, YOUNG ADULTS ARE AVERSE TO INSURANCE SHOPPING

Admittedly, shopping for insurance might not be quite as fun as shopping for an exciting new tech gadget, but 20- and 30-somethings are particularly averse to the hunt for insurance, despite its importance for their own lives.

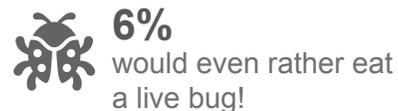
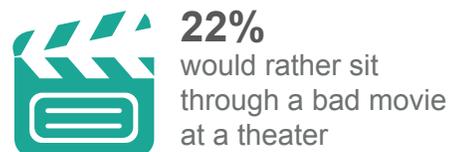
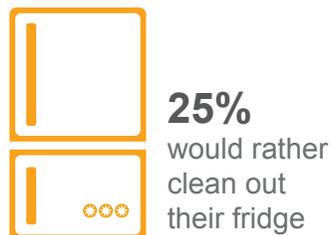
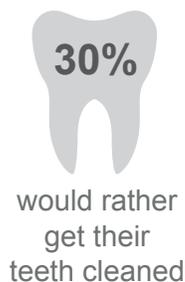
They Don't Feel Like They Have Good Places to Turn for Information

As we mentioned above, the majority of respondents look to their friends and family and the internet for information about life insurance rather than turning to financial professionals. That might not be a bad thing ... if their friends and family had the best, most accurate information. Yet, only 1 in 10 have friends with firsthand experience of receiving an insurance settlement, and most of their friends and family are likely pulling from the same pool of limited knowledge.

Why not just speak to a financial professional? Respondents have a significant amount of trust in financial advisors, but they have comparatively less trust in insurance agents.

How Un-fun!

No one particularly relishes the search for life insurance, but some of our respondents really don't like going through the process of finding coverage. In fact ...



Lack of Perceived Need, and Triggers

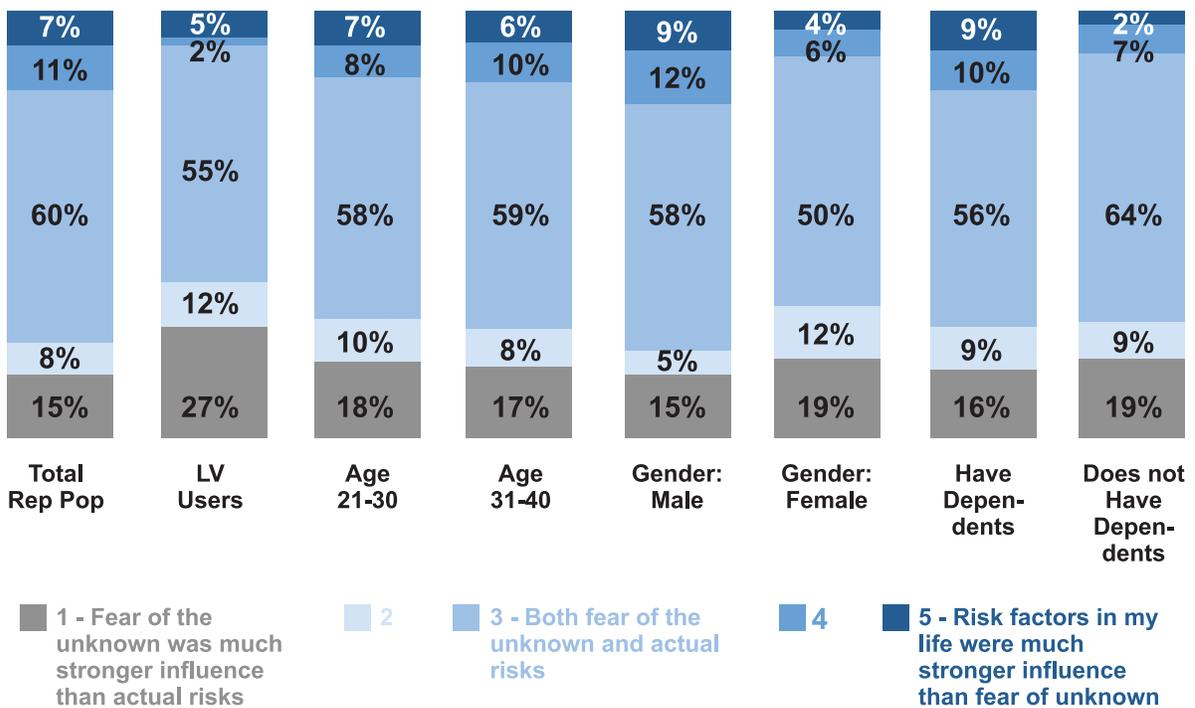
The primary reasons people in this age group choose to get life insurance are life stage events (like having kids) and fear of the unknown. For example, 44% of all respondents see having dependents as the best time to purchase life insurance; 40% see getting married as the best reason to get life insurance.

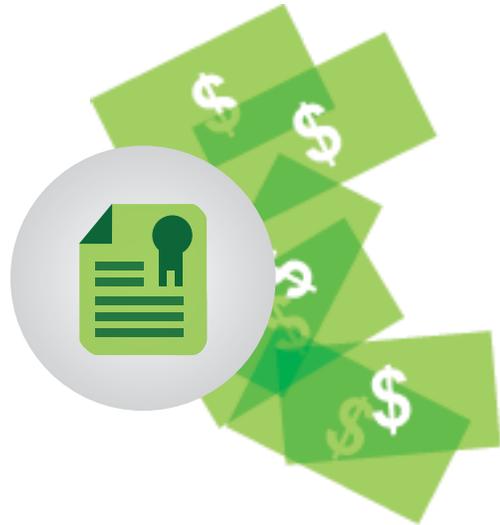
To a large extent, however, there isn't a strong emphasis on getting life insurance for its own sake, before the need is precipitated by certain life stages.

The Allure of One-Stop Shopping

It may seem obvious, given respondents' distaste for insurance shopping, that the less they can do of it, the better. So why shop for multiple policies if one can take care of everything? To the extent possible, respondents appreciate policies that are comprehensive. In fact, nearly half of respondents desire a bundled insurance policy that would combine different insurance types into one.

How fear of the unknown affected respondents' life insurance purchasing decision





VII. ALL IN ALL ...

In summary, young adults understand why life and disability insurance is so important, and they have financial obligations that they'd like to have covered.

Many of them have families and dependents, and they don't want to burden their loved ones should something happen to them.

The problem is, their desires, needs and expectations don't always match up with the reality of their insurance coverage. More than that, finding insurance and doing the necessary research can be intimidating, unpleasant or both. As a result, many young adults aren't putting in the effort to be as educated consumers as they could be.

Moreover, this theme of "not burdening" revealed insightful market opportunities about different product and service attributes to further ease the strain on dependents in the event of an insurance payout. The survey also uncovered ways to streamline the insurance purchasing decision, making it easier for an insurance product to evolve to an individual's needs. Clearly, opportunities exist to engage young adults in the idea that life and disability insurance can be important elements of their overall financial well-being at many different stages throughout their busy lives.



Alexa von Tobel,
Founder & CEO of LearnVest

ABOUT LEARNVEST

LearnVest was founded by current CEO Alexa von Tobel, who took a leave of absence from Harvard Business School to launch LearnVest and pursue her dream of making personal finance education accessible and interesting to everyone.

LearnVest is a unique personal finance platform that combines accessible content, best-in-class online tools, and through its subsidiary LearnVest Planning, provides high-quality, fee-based financial advisory services delivered by Certified Financial Planners™. LearnVest Planning, a registered investment adviser, is redefining the traditional financial planning market with a dynamic, technology-enabled service that gives clients nationwide constant access to financial experts. Since launch, LearnVest has raised over \$25,000,000 in venture-financing (led by Accel Partners) and has been awarded numerous accolades, including one of Time's "50 Best Websites of 2011" and back-to-back Best of Show awards at FinovateFall 2011 and 2012. LearnVest's Board of Advisors includes: Lee Barba (Former CEO, Investools/thinkorswim), Theresia Gouw Ranzetta (Partner, Accel Partners), and Ann Kaplan (Former Partner, Goldman Sachs). Formal Advisors include Greg Waldorf (Former CEO, eHarmony), Greg Coleman (Former President, Huffington Post) and Catherine Levene (Former COO, DailyCandy). For more information about LearnVest, please visit www.LearnVest.com.

ABOUT GUARDIAN

A mutual insurer founded in 1860, The Guardian Life Insurance Company of America and its subsidiaries are committed to protecting individuals, business owners and their employees with life, disability income and dental insurance products, and offer funding vehicles for 401(k) plans, annuities and other financial products. Guardian operates one of the largest dental networks in the United States, and protects more than six million employees and their families at 115,000 companies. The company has approximately 5,000 employees in the United States and a network of over 3,000 financial representatives in more than 80 agencies nationwide. For more information about Guardian, please visit www.GuardianLife.com.