

Excuses for not buying life insurance and how to get over them

Written by Liran | May 9, 2014

Since the Great Recession of 2008, fewer than 20% of Gen Xers have life insurance coverage that they say they need, reporting a \$448,996 “gap” between their coverage and what they need to cover the death of the breadwinner in their family, according to a survey by New York Life, a life insurance company.



While the surveys didn't look at why the respondents weren't buying enough life insurance — such as not being able to afford it or if they had other reasons — they at least had some [life insurance](#).

The surveys compared 2008 to 2013 for people 25 and older with dependents. The coverage gap in 2008 was \$362,688, and it increased 24% in 2013 to \$448,996. Their financial obligations included their children, home, [planning for retirement](#), and taking care of their [elderly parents](#). Their life insurance coverage during those years dropped 35% from \$400,000 to \$260,000.

Not being able to [afford enough life insurance](#) is one excuse to not buy more of it. For people who don't have any life insurance, there are plenty of excuses that they have for not buying it. Here are some of them and how to overcome them:

I can't afford it

This is one of the most common excuses, mainly because people are inundated with whole and universal life sales pitches that could cost them thousands of dollars per year, says Eric Stauffer, president of Expert Insurance Reviews.

“The fact is that [term life insurance is a fraction of permanent policies](#) in terms of cost, and can provide the protection that most people need,” Stauffer says. “Part of the issue is that some life insurance agents spend a lot of effort putting down term life insurance, since they are trying to sell extremely expensive counterparts.”

A healthy 30-year-old, for example, can get \$500,000 in [term life insurance](#) for about the cost of a large pizza delivered each month, he says.

Its wasted money

This excuse can be related to other excuses listed below, but it's tied to being uneducated about financial risk or misunderstanding the risk you should limit your exposure to, says Louis D. Spagnuolo, who has founded or partnered with a variety of insurance companies.

“Most people don’t realize they are four times more likely to die from an illness than an accident,” Spagnuolo says. “Lack of education makes people think accidents are more likely to happen, when in reality it is significantly less likely.”

“People who do purchase life insurance understand that for a very little investment, you can receive a very substantial return should something ever happen,” he says. “Insurance is utilized to simply protect against catastrophe. This is what you are insuring against and if you are an educated consumer, then you understand that insurance is not ‘wasted money’ or ‘money thrown away’ but rather can be structured as an investment vehicle should catastrophe be avoided and a life saver should it come to fruition.”

My employer’s life insurance will cover my family

Coverage through your employer is a good start, but it’s unlikely to cover more than your base salary for one year, says Michael Barry, a spokesman for the [Insurance Information Institute](#).

“If you’re married with two elementary school-age children, it’s not going to carry the day,” Barry says.

Another important factor is that insurance coverage from an employer isn’t portable. The employee doesn’t own it and can’t take it with them if they lose their job or choose to go to another company, says Ellen Davis, president of [Life Health Home Insurance Group, LLC](#).

Social Security survivor benefits will be enough

Survivor benefits are based on the earnings of the person who died, and is a modest amount, Barry says.

The amount given each month is a percentage of the deceased’s basic [Social Security](#) benefit, and varies based on the survivor’s status. For example, a widow at full retirement age may get 100% of the deceased worker’s benefit amount. A child under age 18 would get 75%.

I’m young, single and have no dependents

You may not always be single, and you certainly won’t be young forever. [Life insurance](#) policies are cheaper for people in their 20s, for example, because they’re more likely to be healthy. A policy they buy at a young age will have lower premiums than if they bought it later in life.

If you’re single, the beneficiary can be listed as a family member who you’d like to help out, or you can leave it to a charity, says Nancy Butler, a certified financial planner in Waterford, Conn.

“If you later have someone else you want to provide for, you will have locked in the right to have coverage at a reasonable price and can change the beneficiary of the policy to them,” Butler says.

Life insurance isn’t mandatory

Unlike car insurance, property insurance and now even [health insurance](#) to some degree, life insurance isn’t a mandatory purchase, Spagnuolo says.

“There is no one out there saying you need to protect your wife, kids and family,” he says.

Although you’d think those are your most valuable “assets,” because you’re not required to protect them, you may decide not to insure them.

I'm not insurable

If you haven't been declined coverage, don't assume you are uninsurable, Butler says. To find out without having to write a check or be concerned that it will be on your record that you were declined, apply for "an offer of insurance," she says.

First determine the appropriate amount of coverage and type of coverage needed. In applying for "an offer of insurance," you're asking the underwriter to let you know the likelihood of approval if you did apply for this policy. A moderate amount of underwriting will be done, when you and your agent can determine if you should apply for the coverage.

What do I care? I'm dead!

This selfish statement ignores the fact that the death benefit of a life insurance policy helps make your death a little easier on your family, says Justin Follmer, a financial planner in Summerville, S.C.

"Grieving should be the only concern family members have, not how to pay your funeral expenses, or replace your salary to cover the mortgage payment, car payment, or other debts you created when you were alive," Follmer says.

Confronting mortality may be the ultimate issue behind all of these excuses to not buy life insurance. Think of the death benefit from insurance as "the last, loving hug you'll ever give your spouse," as Follmer puts it.