

Life insurance: Most say it's vital, but only half have it

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Tension is in the air when it comes to Americans and life insurance: While 78% believe most people should have life insurance, only 51% actually carry a policy, according to a new NerdWallet survey, conducted online by The Harris Poll.

If most people believe life insurance is worth the commitment, what's giving them cold feet? Many of the reasons consumers give for not having life insurance boil down to two factors: cost and timing. And as it turns out, consumers have some misconceptions when it comes to both.

Here are some of the obstacles Americans think stand between them and life insurance, and how to overcome them.

The cost

The most common reason Americans don't have life insurance is cost: About a quarter who don't have individual life insurance (27%) say it's because it's too expensive. But it might be cheaper than you think.

Most adults overestimate the cost of life insurance, according to data from Life Happens, an insurance industry trade group. Even the youngest, healthiest consumers think life insurance costs 7 to 12 times more than it actually does.

For a healthy adult in their 30s or 40s, average life insurance rates for a \$500,000, 20-year term policy range from around \$15 to \$28 per month — that's about the cost of a Netflix subscription. *Note*

Some people may get life insurance quotes that are higher than average, particularly if health issues or lifestyle factors are involved. But a triple-digit quote doesn't necessarily mean coverage is out of reach. According to Matt Mims, owner of life insurance brokerage LifeStein.com, it might just mean you're shopping with the wrong company.

Life insurers evaluate risk differently, so rates can vary widely from insurer to insurer. Mims recently worked with a 31-year-old client who uses nicotine pouches and has colitis. While a client with a chronic health issue won't get the lowest rate possible, Mims shopped his particular profile around to find an insurer that classifies smokeless nicotine differently and wouldn't charge the client a higher smoker's rate.

As a result, the client got a \$1 million, 20-year term policy for \$64 per month. Mims says the same policy with the wrong carrier "could have easily been \$280 a month. No exaggeration."

Regardless of your situation, comparing life insurance quotes across multiple carriers can help you unlock substantial savings.

The waiting game

For many, life insurance feels like a financial move that can wait. Our survey found that 18% of Americans without individual life insurance don't have it because they haven't really considered it, while 17% say a reason they don't

have it is because they don't have dependents. Age is a factor, too: 27% of Gen Zers (ages 18-29) without coverage say it's because they're too young to need it.

Sometimes it truly is too early to buy life insurance. Other times, we put it off because of human psychology and how we prioritize our to-do lists.

"In the long list of all of our financial priorities, life insurance isn't a fun one to think about," says Elizabeth Renter, NerdWallet's senior economist. "It's similar to estate planning and drawing up a will — these are unattractive tasks that are generally unpleasant to think about, so it's easy to punt the decision to an abstract 'later date.'"

The problem with waiting until you need life insurance to buy it is you risk pricing yourself out. "Life insurance is one of the few things when you procrastinate, the price actually increases," Mims says.

But the biggest risk isn't your age — it's your health. If you develop a medical condition in your 30s or 40s, a life insurance policy that would've been affordable could easily triple or quadruple in price.

Waiting until a baby arrives to buy life insurance can also backfire. Mims speaks from firsthand experience when he says that crossing this chore off your list doesn't get any easier once you're caring for an infant.

"When you have a child, you have no idea what your schedule is going to be like," Mims says. If you plan on starting a family, Mims recommends buying a policy before your child is born. "That's one less thing you have to worry about." And even if kids aren't in your near future, taking out a policy while you're relatively young and healthy can lock in a permanent discount.

How to get it done

- Closing the gap between wanting and actually securing a life insurance policy doesn't need to be a heavy lift. Here are a few simple steps you can take today to move closer to being protected:
- Figure out how much coverage you need. To get a baseline for how much life insurance you need, multiply your annual income by 10. While you'll eventually want to take a more detailed look at your family's specific needs, this quick math gives you an immediate number to work with.
- Get a quote. Compare life insurance quotes from at least three to four different insurers. You can do this online with comparison tools, or you can work with a life insurance agent or broker. You'll get the lowest rates if you're willing to take a medical exam.
- Be transparent. Whether you're applying for life insurance online or with a broker, don't try to hide your health history or lifestyle factors to get a lower rate. "The more accurate you are on the front end, the more accurate the quotes you receive are going to be in your inbox," Mims says.

Elizabeth Aldrich is a writer at NerdWallet specializing in Medicare and other insurance topics including health, life, auto and homeowners insurance.