

PACIFIC LIFE

Insights



Thought Leadership in Action for Life Insurance



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7 Reasons Why Life Insurance Is Important to Single Clients

It's not uncommon for insurance producers to have been brushed off by single individuals who don't think they need life insurance. If this happens, be prepared with practical conversation starters that can help change their minds.

It can be a common misconception for consumers to think that only heads of households need life insurance. In reality, single people do too. To reach this often-underserved market, it can be helpful to have talking points prepared about how a life policy can benefit them. Here are seven reasons why your single clients should consider life insurance.

1. Final Expenses

The two inevitable things in life—death and taxes—both cost money. Yet, while financially savvy people save to pay their tax bill each year, it's likely that few people think about the costs associated with the end of life.

It's possible they may require an in-home nurse or other services for a debilitating illness that can't be foreseen. Funeral expenses can be complicated and expensive too.¹ If the survivors can't pay, last wishes may not be fulfilled. Whether they're considering a traditional, full-service burial or a quick cremation, nothing's free. Life insurance can help pay for a funeral director, body transportation, caskets, hearse rental, memorial services, and more.

¹Source: "How Much Does the Average Funeral Cost?" Parting.com. January 22, 2022. <https://www.parting.com/blog/how-much-does-the-average-funeral-cost/>

2. Tax Benefits

Life insurance proceeds have special benefits for tax-related purposes. Many singles may not be aware of this, even if they work with an accountant. They may be surprised to discover death benefit proceeds do not have to be reported as taxable income (although interest on the proceeds does) and are not part of a taxable estate if there's an irrevocable life insurance trust created.² As well, if they take out a loan on the policy, that loan money does not count as taxable income.³

3. Chronic or Terminal Illness Benefits

Single people might also be surprised to learn that they may be able to access their life insurance benefits through what is known as accelerated benefits or living benefits, while still alive.⁴

Accelerated benefits usually come into play if the policyowner is diagnosed with a chronic or terminal illness and they can help cover medical care and nursing home expenses. While the terms of policies differ, in general, policyowners can receive a portion of their benefits through an accelerated benefits rider.

Make sure to ask questions and listen carefully to the answers.

4. Benefits of Purchasing While Younger

Young people may think they're invincible, but their family health history may beg to differ. Certain conditions present in their parents or grandparents may present a roadblock when applying for coverage down the line.

Buying life insurance while they're young and healthy can make it more likely that your clients will be approved for a policy and given a better rate. Plus, they can have the peace of mind to know they can enjoy life insurance coverage as they age.

5. Debt Relief for Beneficiaries

Most people (65%) with an active credit card account carry a balance at least some of the time, and nearly half of those (46%) say it would take them at least a year to pay it off.⁵ And there are untold numbers who privately owe money to friends and family members. If something unexpected happens and the life insurance policyowner dies young, credit card and other types of debt could potentially fall upon the estate and heirs to pay. Clients should consider the ability of their family to pay off debt. Death benefit proceeds from life insurance could help.

² Source: Troy Segal. "What are the tax implications of a life insurance policy loan." Investopedia.com. December 18, 2022.

<https://www.investopedia.com/ask/answers/111714/what-are-tax-implications-life-insurance-policy-loan.asp>

³ Any policy withdrawals, loans, and loan interest will reduce policy values and may reduce benefits.

⁴ Accelerated and living benefits will likely incur additional charges and are subject to availability, restrictions and limitations. Clients should be shown policy illustrations with and without riders to help show the rider's impact on the policy's values.

⁵Source: Matt Schulz. "2023 Credit Card Debt Statistics." LendingTree.com. August 14, 2023. <https://www.lendingtree.com/creditcards/credit-card-debt-statistics/#carry-balance>

6. Student Loan or Co-signed Debt Alleviation

For student loans or other co-signed debt, the responsibility doesn't just go away when the person dies. With the total private student loan debt in the U.S. at nearly \$147 billion as of March 2023,⁶ it's likely your single clients will have at least some co-signed debt to worry about.

Student loans aren't the only debts likely to stick around after someone passes. If a parent co-signed a loan for an automobile or a home, for example, they'll be liable for the entire amount. A life insurance policy can protect them from a financial responsibility they might not have prepared for when agreeing to help out.

7. Business Partner Protection

If you have single clients who are business owners, you may want to remind them that many banks require life insurance in order to receive a loan. If so, lenders will want to be named as one of the beneficiaries on the policy in case the borrower dies before paying everything off.



But the banks aren't the only ones that uninsured singles need to think about. Business partners may find themselves in a difficult financial (not to mention emotional) situation if a partner passes away unexpectedly. Proceeds from a life insurance policy can give them the flexibility they may need to keep the business afloat during this challenging transition period.

You might also want to suggest a group meeting with all stakeholders in a business to discuss a plan in case any of the investors die. Potentially, everyone could have a life insurance policy as part of a business's structure. And of course, a loan against the life insurance policy could also be used to support a start-up.³

Ask Questions to Dig Deeper

When proposing these different possibilities to prospective clients, it may be helpful to ask questions and even take notes on their answers. As you discuss options, they may give you a better sense of their financial concerns, which can help you provide solutions relevant to their needs.

Whether they are business owners, lack adequate personal savings, or have debt, educating single clients on how life insurance can support them is a valuable service. The bottom line is that death is unavoidable, and it isn't free. By preparing early, your single clients could receive many benefits throughout their lifetimes and make things easier on their loved ones after they pass.

⁶Source: Teddy Nykee. "2023 Student Loan Debt Statistics." Nerdwallet.com June 2, 2023 <https://www.nerdwallet.com/blog/loans/studentloans/student-loan-debt/>

The primary purpose of life insurance is to provide death benefit protection in the event of the insured's death.

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