



## Thought Leadership in Action for Life Insurance

### Selling Life Insurance in Inflationary Times



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While inflation is top of mind for everyone, your current and prospective clients don't experience inflation in the same ways. So, don't lose sight of individual nuances, and remember each life insurance client will likely be impacted and react differently.

For many, the economy may be better than it was during the pandemic. Others may have gotten new jobs with better paychecks.

Still, others could be hurting badly because of inflation. Some people saw inflation first in the cost of used cars. Others noticed it at the gas pump. And, everyone noticed it at the grocery.

Energy and food prices are rising. The annual inflation rate stands at 8.3%,<sup>1</sup> more than twice as high as the general expectation of 3% inflation.

#### How inflation affects life insurance buying behavior

Inflation can lower people's general economic perception—both large-scale and personal. This may make people more pessimistic. After all, inflation reduces the purchasing power of your dollar as the price of goods and services keep rising.

All the buzz about inflation may cause consumers to rethink many financial decisions. Some may see life insurance as an optional expense to cut to pay for more immediate expenses.

<sup>1</sup> Consumer Price Index Summary, U.S. Bureau of Labor Statistics, September 13, 2022, <https://www.bls.gov/news.release/cpi.nr0.htm>.

Potentially, the number of people who buy life insurance is shrinking because of inflation. Some people, feeling hurt by inflation, may surrender their life insurance policies to steer that money into more immediate needs.

Keep in touch with your customers. Make sure they know about the options they have and highlight the importance of life insurance, even in inflationary times. Help them see life insurance not as an expense but as a safety net for their future.

### Who is most affected?

Unsurprisingly, inflation is hurting lower-income Americans (those earning less than \$40k per year) the most.<sup>2</sup> After all, many of them often lack a security net of savings to absorb some of the rising costs.

Two-thirds of people with lower incomes say today's inflation is hurting them.<sup>2</sup> A higher portion of their incomes is going towards the rising costs of energy and food, exposing them to the most volatile of inflationary markets. About half of middle-income and one-third of upper-income Americans say inflation hurts them, too.<sup>2</sup>



Millennials may feel the effects of inflation harder than Generation X or Baby Boomers.<sup>3</sup> They are especially concerned that inflation may hurt not only their ability to buy necessities but also their ability to save for short- and long-term goals. This can especially affect their feelings towards life insurance.

People are more strongly guided by their personal (or household) inflation rate. This rate is the total cost of your expenses in the past 12 months divided by your expenses. That means people are making individual decisions more than collective ones. When you speak with your clients, keep this in mind.

<sup>2</sup> Jones, Jeffrey , “Americans Expect Inflation to Persist Over Next Six Months,” Gallup, January 26, 2022, [Americans Expect Inflation to Persist Over Next Six Months \(gallup.com\)](https://www.gallup.com).

<sup>3</sup> “Rising Inflation Seen As Biggest Risk To Americans’ Retirement Plans in 2022,” Broker World, January 1, 2022, [Rising Inflation Seen As Biggest Risk To Americans’ Retirement Plans in 2022 | Broker World. \(brokerworldmag.com\)](https://www.brokerworldmag.com).

*“As your clients witness their money’s value shrinking due to inflation, it can be an ideal time to set up a life insurance policy review.”*

## **Opportune time for policy reviews**

As your clients witness their money’s value shrinking due to inflation, it can be an ideal time to set up a life insurance policy review. Their loved ones may be less protected as the life insurance payout may not go as far with the dollar devalued due to inflation. Now can be a good time to rethink how much life insurance they need.

Have that conversation with clients to check if their current coverage is still in sync with their life insurance goals and needs. For example, additional coverage may be needed to help compensate the loss of purchasing power. Ask your clients how their circumstances may have changed and recommend adjustments accordingly. Use our policy review resources to help you initiate and then conduct that important conversation with your clients.

## **Offer Affordable Coverage**

With inflation driving the costs of competing expenses higher, affordability of a quality life insurance coverage is more important than ever. Tap into the practical needs of today’s buyers and help them get financial protection that fits their budget. You can bring up the option of paying monthly premium payments, which may be more palatable to some buyers right now, instead of doing a lump sum.

Focus on the long-term value that life insurance brings. And because buying life insurance is essentially a promise to pay out the death benefit, choosing a company that keeps its promises is paramount.

*For resources to help ensure clients' life insurance policies meet their current needs, visit <https://cloud.email.pacificlife.com/plpromise-practicemanagement>.*

The primary purpose of life insurance is to protect the policy beneficiaries from the adverse financial consequences of the insured's death.

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