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Insurance MATTERS...

by Irene Jarosewich

Smart women have life insurance

The headline could read “Smart people have life insurance,” but the focus of this column is specifically women and life insurance. Compared to men, women remain uninsured and underinsured in much greater numbers. JD Powers and Associates conducted a comprehensive national survey in 2010 which revealed that only 34 percent of women carried life insurance compared to 64 percent of men. The real difference, however, is in the amount. On average, women carry life insurance for only half the amount carried by men.

Various research studies offer reasons for this discrepancy with an emphasis on single women. Single mothers often are too busy to learn about life insurance or are so terrified at the thought of dying and leaving their children alone that they avoid the discussion altogether. On the other hand, women with neither a spouse nor children often believe they do not need life insurance. However, the most prevalent

reason for the low figures for women and life insurance has to do with people’s misconception about how life insurance can be used to replace the cost and value of time, not just money, a very important consideration for married women with children.

In general, when considering life insurance, people view it primarily as income replacement, as a form of protection against the unexpected loss of income from the death of the wage earner, most often, the husband and father. In the event of such a tragedy, life insurance would cover immediate debt and expenses, as well as replace the wage earner’s income into the future. People implicitly assume that only income, that is actual money, is valuable and needs to be replaced; usually, they do not consider the value of time nor do they understand how the value of time can be converted into concrete dollars.

Life insurance, however, also must be considered to replace the time and servic-

es of a caregiver who receives no income. If a stay-at-home mom or a daughter caring for elderly parents were to die unexpectedly, a family would need to pay to replace that woman’s care of her loved ones.

The key here is not income, but replacement. A value must be assigned to the time and experience of a caregiver in order to replace the non-income services with ones that are paid. A good agent can help a family determine its insurance needs, accounting for both income-producing wage earners, as well as non-income-producing caregivers, who most frequently are women.

Other common reasons that women remain uninsured are the beliefs that “I do not need it,” “I am too busy,” and “I do not want to think about dying.”

The misconception that a single woman with no spouse or children does not need life insurance assumes that she is debt free and has a will – neither of which is often true. If a 32-year-old attorney were in a car accident, would she want her parents to finish paying her law school loans? Without a will, who would pay for the cost of probate, her younger siblings? In order not to be a burden on her extended family, a single woman needs insurance to cover debts, such as loans, home mortgage, funeral expenses, and unexpected medical and legal expenses.

Term life insurance is an excellent solution. A young, healthy, single woman has the opportunity to purchase a life insurance policy at reduced premiums. Locking in a low rate when you are young for a fixed period is an excellent way to secure an affordable life insurance policy.

Another strategy is to lock in the price of a whole life policy at an attractive rate. If a whole life policy instead of a term policy is chosen, the cash value of the insurance policy can be used to secure loans or used later for retirement. And a woman who locks in a low rate in her 20s on an amount more than she currently needs is, in fact, prepared in the event she chooses to marry or have children. The appropriate amount of insurance will be in place, yet at a lower rate.

Finally, recent survey results indicate that approximately 65 percent of single mothers carry no life insurance. Poverty could be one reason, but almost two-thirds of the households are above poverty. With low rates available on term policies the figure of 65 percent uninsured is unnerving. Another statistic indicates that 80 percent of children after the death of a parent without life insurance – male or female – descended into poverty. That number is appalling. No parent should be too busy or too afraid to allow that to happen to their child or children. Purchasing a life insurance policy as a single mother is a critical step toward a family’s future financial security.

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