



# THE UKRAINIAN NATIONAL ASSOCIATION FORUM

Approximately every four decades during the past 120 years, the U.S. economy has gone through a tremendous crisis.

The Panic of 1893 sparked a severe depression for almost a decade, one marked by bank failures resulting from a bubble created by the overenthusiastic expansion of the newfangled railroads. Lots of tracks and trains were built, but not enough reason to ride them.

The Great Depression hit 36 years later, initiated by the stock market crash of October 1929. That deep economic downturn lasted until the 1940s.

Then, 43 years later came the Crisis of 1972-1973; oil prices doubled, interest rates, inflation and unemployment soared. Again, the economy slumped for more than a decade, until the mid-1980s, pulled out in part when newfangled electronic technology unleashed the ability of every man to participate very directly in the economy via personal computers.

However, our love affair with rapid hyper-growth that fueled the back-to-back tech and real estate bubbles ended with a cruel reality check in 2008. After 36 years, the generally up, up, up economic trajectory stopped and we sank to a new low – one from which we have yet to recover.

The point of this column is not to lament economic woes. Rather, it is to note that the cyclical nature of our economic system, or as Alan Greenspan calls it, “the creative destruction of capitalism,” results not only in improvements and almost unimaginable innovations (after all, Microsoft was founded in 1975,

## Insurance MATTERS...

by Irene Jarosewich

### Financial stability in a financially unstable world

during a severe economic downturn, as was the groundbreaking index fund, Vanguard), but also in a great deal of instability and pain (in 1975, unemployment was at 10 percent, mortgage rates at 9 percent, and then went higher).

For the general population, these economic cycles of boom and bust create a difficult situation. As a result, during the past 80 years, the goal in America of many of our social and economic policies has been an attempt to mitigate this cycle of instability and pain.

The goal of the life insurance provider, in a much more finite and specific manner, also is the mitigation of instability and pain. Of all the private financial institutions – banks, brokerage firms, hedge funds – it is the life insurance providers that have suffered the least failures and bankruptcies through all of these economic crises, continuing to deliver on their financial promises.

One of the reasons for the stability

among life insurance providers is strict oversight and regulation. Another reason for the stability is the consistently favorable tax treatment from the government that allows insurance companies to offer tax-deferred growth combined with the exponential growth of compounded interest on their products, as well as tax-exempt payouts of life insurance policies.

As the U.S. Congress goes about plans to reform the U.S. Tax Code in 2013, it is important to remember that one of the benefits of life insurance and annuity products is that, through all economic crisis and tax debates of the past century, insurance products have always retained their preferred tax status.

Cynics will say that preferred tax status comes from the power of the insurance lobbies. However, other financial institutions also have strong lobbies and their products do not get such preferred treatment. A more realistic reason is that, regardless of political leanings, legisla-

tors understand that the financial and institutional stability offered by insurance providers is an essential component of our economic and social well-being. Furthermore, politicians understand that the purchase of life insurance encourages the taking of personal responsibility and reduces reliance on government programs to provide financial security during times of personal financial distress. Life insurance is the ground floor of financial security for millions of American families, and the security of life insurance and annuities enables individuals and families from all economic brackets to retain independence and dignity in the face of financial catastrophe.

However, probably the main reason for the long-term stability of the insurance industry, which in turn offers stability to its customers, is the generally conservative purpose and mindset of the insurance business itself that, most fundamentally, is in the business of protecting and preserving your family and your wealth. Therefore, the promise of protection that began with the Code of Hammurabi thousands of years ago is still essential and continues in our lives today.

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