Prepared and Protected

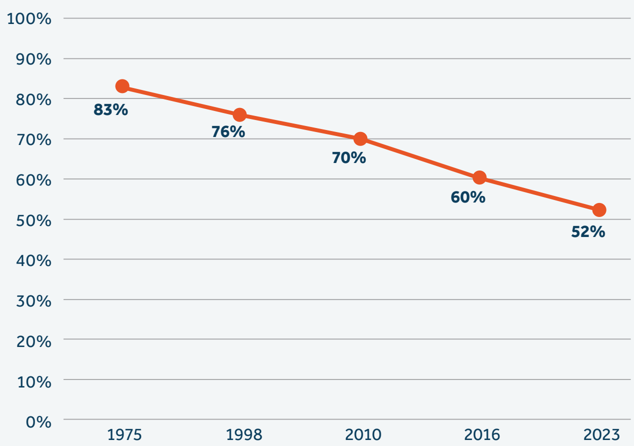
How life insurance supports financial wellness for those you love

12th Annual Workplace Benefits Study

Introduction

Life insurance ownership in the US has been trending down over the past five decades, and the average coverage amount has been declining, as well. In the 1990s, group life insurance (or employer-sponsored insurance) surpassed individual life insurance (purchased outside the workplace) as the primary distribution channel for US employees. The shift has contributed to lower coverage levels, as group plans tend to offer smaller amounts compared to policies available outside the workplace.

Life insurance ownership among American adults[1]



The decline in ownership leaves a void in terms of household income if a family loses a wage earner. Bereaved families who are not prepared for such an unfortunate event can experience a significant negative financial impact.

Today, life insurance plays an a more evolved role in protecting the family unit, surpassing its original purpose of solely covering burial and other expenses upon a person's death. More contemporary approaches to insurance take into account the concept of human life value (HLV), which helps people base their life insurance needs on the benefits that would be lost to the family in the event of their death.[2] These benefits include things like bringing in income, paying off a mortgage, funding a child's education, and building retirement savings.

Significantly more people cite "burial and other final expenses" (60%) than cite "transfer wealth or leave an inheritance" (38%) as a reason to own life insurance, underscoring the fact that many people are still not fully understanding the negative financial impact their premature passing could have on their loved ones.[3]

Perceived reasons to own life insurance

Consumers answering "is a reason to own"

Cover burial and other final expenses

Transfer wealth or leave an inheritance

While this is a persistent problem, it's possible that the past few years have heightened awareness at least somewhat: 67% of Americans say they are reevaluating their finances due to the pandemic, and that life insurance is high on the list of priorities.[4]

Most households that experience the premature death of a primary wage earner are financially unprepared.

HLV is a useful way to estimate the negative financial impact on a household in the event of a primary wage earner's premature death. And while it's one thing to estimate, for the purposes of this report, Guardian spoke to workers who had experienced the unfortunate death of a family member and wage earner in the past ten years in order to better understand the reality of the financial impact facing bereaved families after a loss.

Life insurance can play a vital role in mitigating the negative financial impact on a household in the event of a primary wage earner's premature death. This report examines trends in life insurance ownership, the financial impact of having coverage when tragedy strikes, and the role of life insurance in protecting a household's financial wellness.

Eight in 10 Americans are concerned about being financially prepared in the event of a premature death, yet almost 3 in 10 don't own life insurance.

Why don't more working Americans own life insurance?

They don't think they need it

For many Americans, life insurance is not a consideration because they are single or have no financial dependents. But waiting to buy comes at a price; the cost of life insurance increases with age. And even those who are single could leave relatives with debt should they die prematurely. Those with employer-provided life insurance often believe their group coverage is sufficient; however, the amounts available through the workplace are typically below industry-recommended levels.

They have competing financial priorities

For many working adults saving for retirement, adding to an emergency savings fund and meeting monthly household expenses like mortgage, food, and transportation are higher priorities than buying life insurance. On top of that, the possibility of one's own or a loved one's death — especially their unexpected or premature death — can be a highly uncomfortable and upsetting subject. Forty percent of people report being uncomfortable having end-of-life discussions with family members.[5]

They find it complex and confusing

Like other forms of insurance, life insurance is not well understood by most working Americans, which often results in failure to make a purchase decision. Concern about affordability or confusion about the type of insurance or specific product to buy leads to inertia and a non-decision.

More than 60% of workers feel undereducated about their employer-offered benefits in general and are unclear on how to use them.

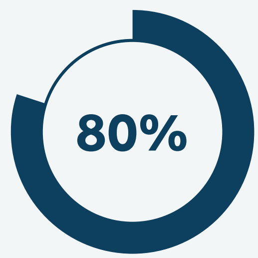
How does it work?

How much coverage do I need?

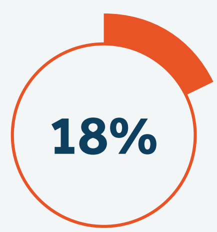
What type of life insurance is right for me?

Even among those who own life insurance, a lack of understanding can result in being underinsured. They have coverage, but it may be insufficient to protect their family financially in the event of their premature death.

Inconsistent attitudes toward life insurance



of Americans are concerned about being financially prepared in the event of a premature death



of workers indicate that life insurance is an "extremely important" benefit to them, with the vast majority ranking medical insurance, retirement savings, and paid time off higher in importance

Life insurance is not well understood. Workers tend to overestimate the cost of coverage and are confused about which products to buy, often resulting in a failure to make a purchase decision.

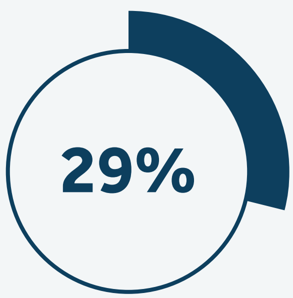
Thirty-eight percent of single working parents have no life insurance — up 15% from four years ago.

It's the most vulnerable workers who have the least life insurance coverage

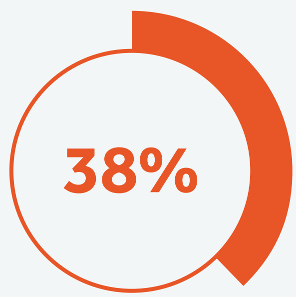
In the past 12 years, life insurance ownership has remained steady with roughly 7 in 10 working Americans owning an individual policy, group insurance obtained through work, or a combination of both.

Workers who own no life insurance

Total workers vs. single working parents



Total workers without life insurance



Single parents without life insurance

The life insurance gender gap still holds true

As expected, those who are married and have financial dependents living at home are more likely than single people without children to own life insurance, at 81% and 58% respectively. However, a significant number of working Americans with financially dependent children — more than 1 in 4 — lack any life insurance coverage. Single parents, who arguably need the financial protection of life insurance the most, are even more vulnerable: almost 2 in 5 (38%) own no life insurance.

On average, men are more likely than women to own life insurance (74% versus 68%), but this gap has narrowed considerably in the past two decades, with more women working and having access to group life insurance benefits.

Ownership numbers are down among boomers

Ownership of life insurance is also highly correlated with age. Only 56% of Generation Z workers own any life insurance compared to 79% of baby boomers, but younger generations have been catching up since 2019, when only 48% of younger millennials owned any life insurance compared to 59% in 2023. In fact, all generations' ownership went up except for boomers', which dropped 3% from 82% in 2019.

Younger generations are more likely to forgo life insurance because the numbers are in their favor: Less than 1% of 30-year-old adults die before they reach age 40. And Gen Z workers are less likely to own a house or have children, two key motivators for purchasing life insurance.

Life insurance ownership by household type

81%
Partnered with children

62%
Single with children

58%
Single without children

Life insurance ownership by generation

56%
Gen Z

66%
Millennials

76%
Gen X

79%
Baby boomers

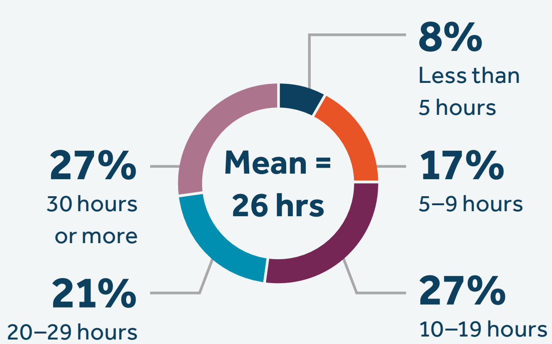
Caregivers are less likely to have employer-provided life insurance but are more likely to buy it on their own

Among caregivers — defined as those who provide regular care for a parent, special needs child, spouse or partner, or other loved one — life insurance ownership is down. Overall, 60% of caregivers own life insurance compared to 71% of the general working population and 73% of non-caregivers, leaving 2 out of 5 workers in the caregiver population uninsured.

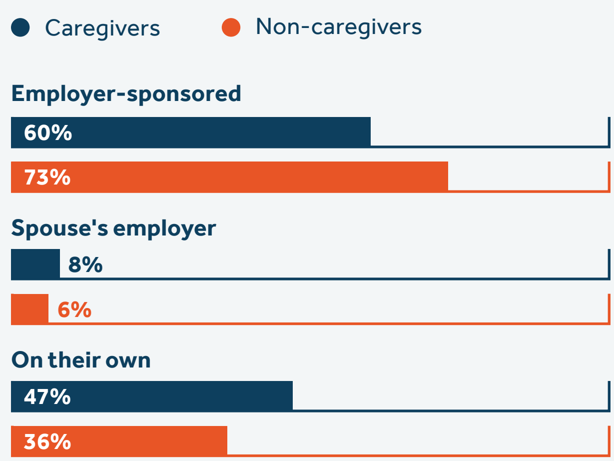
However, more caregivers than non-caregivers have life insurance through their spouse (8% versus 6%) or purchase it on their own outside the workplace (47% versus 36%).

The time commitment that regularly caring for a loved one takes often requires that caregivers have flexible, gig, or non-traditional work arrangements that are less likely to include employer-paid benefits. Additionally, their experience caring for an ailing or incapacitated loved one may help underscore the overall importance of having life insurance, explaining why many caregivers choose to close the gap on their own.

How much time caregivers spend providing care



Where caregivers get their life insurance



While the initiative is encouraging, a concerning gap still exists. Not only are caregivers more likely to experience stress around their home life, money and finances, personal and family health, and more, but they also rate their physical, emotional, and financial health well below those of the general working population — 21%, 28%, and 25% less, respectively.

Half of all caregivers strongly agree that they are living paycheck to paycheck. That's 32% higher than non-caregivers.

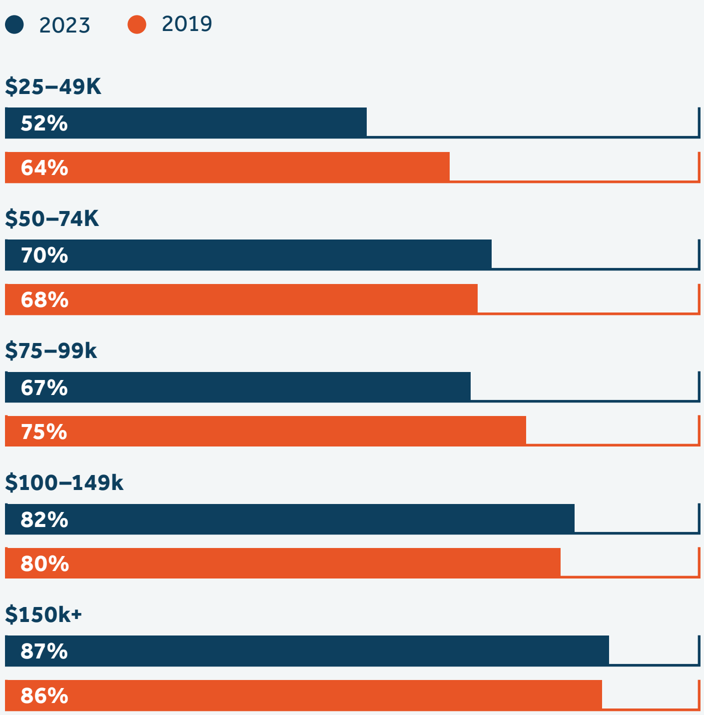
Eighty percent of millennials overestimate the cost of life insurance, and 35% forego it because they think it's too expensive.[6]

Ownership is down where it matters most — among lower-income families who are least equipped to handle a wage earner's death

Life insurance ownership is closely tied to household income. Ownership declines considerably among those with an annual household income below $100,000. These workers are more likely to feel that they cannot afford individual life insurance or are less likely to have access to employer-provided coverage at their workplace.

While ownership in the $50–74K annual income bracket is up slightly, the broader context tells a different story: The $75–99K and $25–49K brackets saw an 11% and 19% drop, respectively, from four years ago.

Life insurance ownership by household income



Life insurance versus other expenses

Those who overestimate the cost of life insurance may not realize that the average monthly premium is more affordable than many monthly expenses.

Netflix subscription	**Life insurance policy***	**Daily lattes**
$16/mo	$24/mo[7]	$92/mo[8]

*Average cost for a 30-year-old male non-smoker in "good health" in California; 20-year term policy with $500,000 death benefit.

Nine in 10 workers have insufficient life insurance coverage, yet only 36% believe they are underinsured.

Fifty-three percent of workers who have coverage of only 1x their salary believe they have the right amount or more than enough

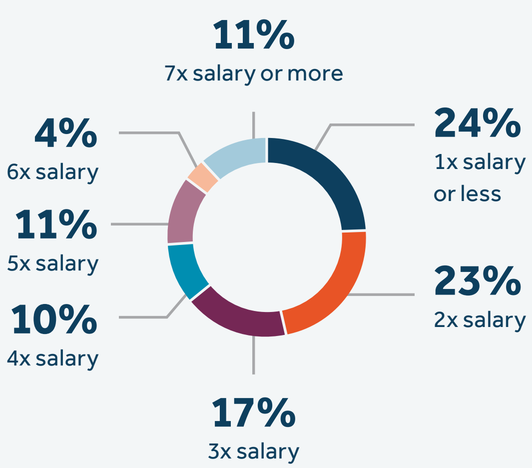
The amount of life insurance coverage someone needs depends on a variety of factors, including marital and health status, financial dependents, household income, assets, and debt.

Industry guidelines often suggest that individuals should have enough life insurance to replace, at minimum, **7 to 10 times** their annual salary. More conservative guidance suggests even higher levels of coverage up to 20 times a worker's annual salary.[9]

Working Americans have, on average, between 2 and 4 times their salary in life insurance coverage, which is well below industry guidelines.

Most workers who own life insurance have far less coverage than even the lowest recommended amounts. On average, 89% own coverage that is less than seven times their annual salary, and 24% have an amount equal to or less than their annual salary.

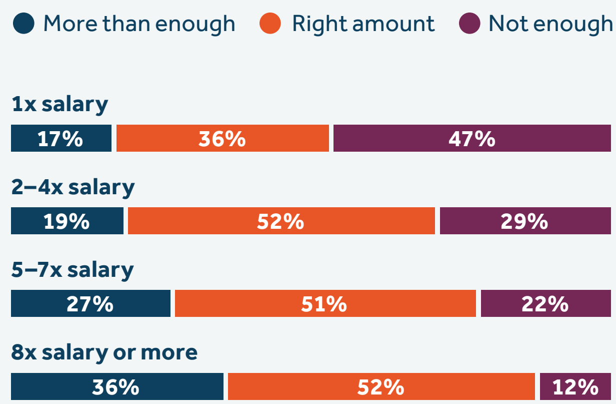
Life insurance ownership amounts as a factor of salary



Furthermore, workers' perception of their coverage does not reflect the reality, with many people overestimating the adequacy of their coverage. More than half of those with life insurance equal to (or less than) their annual salary believe they have enough coverage.

A false sense of security

Perceived adequacy of coverage by amount owned



Furthermore, workers who arguably have the greatest need for life insurance tend to overestimate the adequacy of their coverage. For example, roughly half of married/partnered workers and those with financially dependent children believe that coverage of one times their annual salary is enough. And nearly one quarter of workers with outstanding college loans feel their coverage of one times salary is sufficient.

Underestimating their need for coverage

Percentage with only 1x their annual salary who feel that they own enough life insurance

47%
Have dependent children

50%
Married/partnered

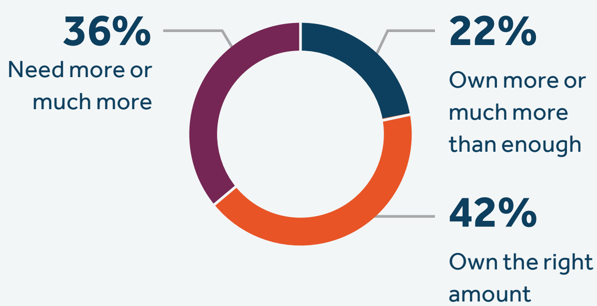
23%
Have college debt (self, spouse, or adult children)

Employer-paid life insurance plans are an important foundation, but most workers need more coverage

As we've seen, most working Americans overall are comfortable with their current life insurance coverage. Nearly two-thirds believe that they have sufficient coverage for their family.

Feelings about current coverage amount

How workers feel about the amount of life insurance they currently own



On average, just 22% of those with only group life insurance have coverage of five times their salary or more, compared to 32% of those who own individual policies purchased outside the workplace.

Coverage levels: Group versus individual

Percentage with 5x annual salary or more

32%

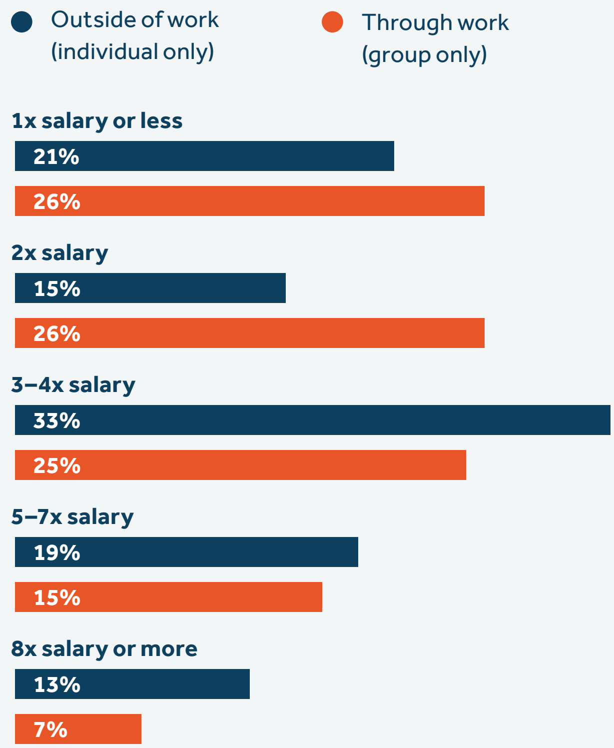
have individual coverage

22%

have group coverage only

Workers who own individual life insurance are more likely to have recommended coverage levels compared to those with only employer-sponsored coverage. Among working adults with only group life insurance, 1 in 4 has coverage equal to one times their annual salary or less.

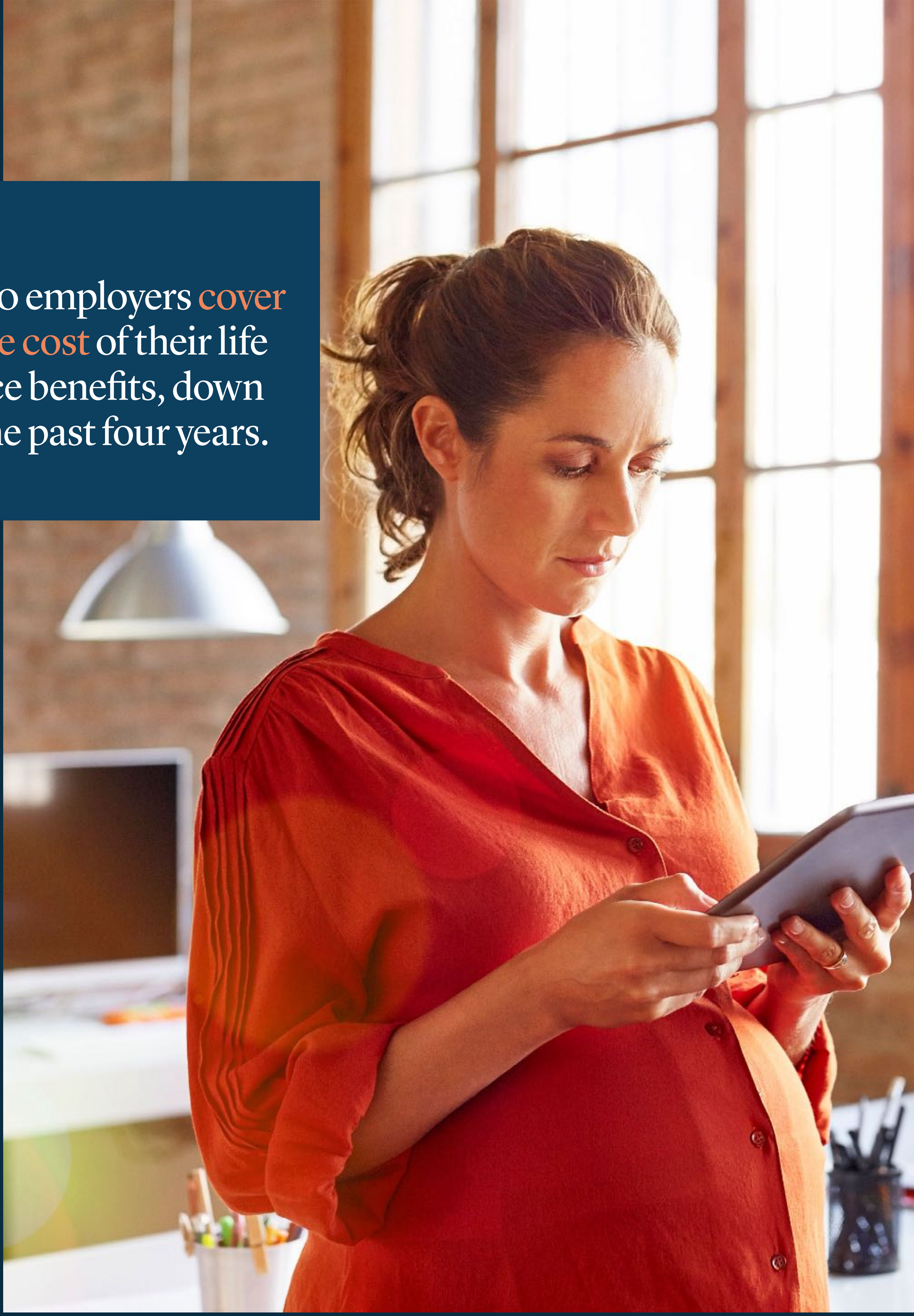
Working Americans have higher coverage amounts through individual policies



The magnitude of the overconfidence problem has improved 13% since 2019, however, with some people being more realistic about their life insurance coverage. Those who estimate that they need more or much more coverage has gone from 32% to 36% in the past four years.

While the trend may be in the right direction, there is still plenty of room for improvement — especially when accounting for unforeseen circumstances that could arise. In the event of the death of a household's primary wage earner, a mere single year's salary could leave a family struggling financially for years — and require major lifestyle changes.

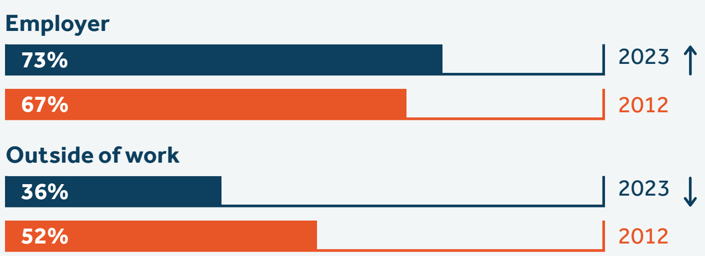
Four in 10 employers cover the entire cost of their life insurance benefits, down 23% in the past four years.



People increasingly obtain their life insurance through work

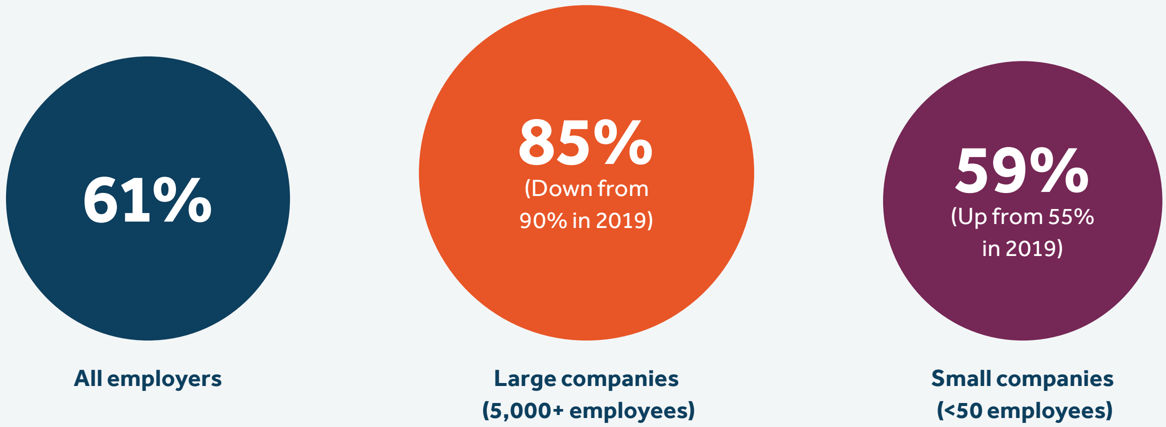
Almost three-quarters (73%) of working adults who currently own life insurance obtained their coverage through their place of work, while only 36% purchased an individual policy outside the workplace — either instead of or in addition to coverage through their employer. The number of Americans who own employment-based life insurance has been rising and is up 9% since 2012. At the same time, fewer Americans own individual life insurance policies obtained outside of work.

Percentage of workers who get life insurance through employer versus outside the workplace



Sixty-one percent of US employers offer life insurance benefits in 2023, down slightly from 63% in 2012. Very large companies of 5,000 or more employees are more likely to offer group life insurance than small firms of 50 employees or fewer, at 85% and 59%, respectively. However, in the past four years, large companies have fallen behind (from 90% in 2019), and smaller companies have picked up some slack, rising from 55% to 59%.

Employers offering life insurance benefits

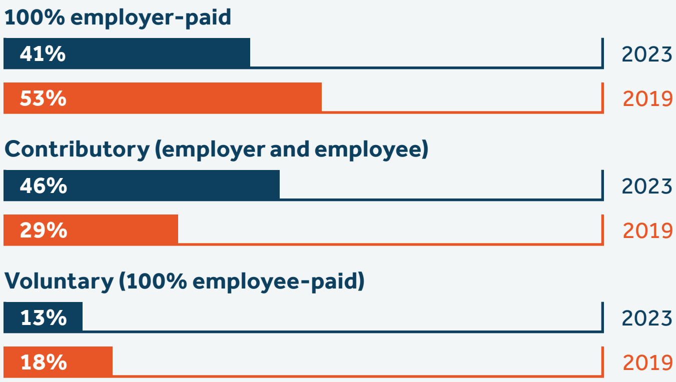


More employers are shifting the cost of life insurance benefits to their workforce

The number of employers who pay 100% of life insurance premiums has shown a significant downward trend that continues today — and is in fact accelerating.

Only 41% of employers of all sizes now cover the entire cost of their employees' life insurance benefits, down from 53% in 2019 and 59% in 2014. Forty-six percent of companies share life insurance costs with employees, up from 29% in 2019 — and 13% offer it as a voluntary benefit, where the employee pays 100% of the premium.

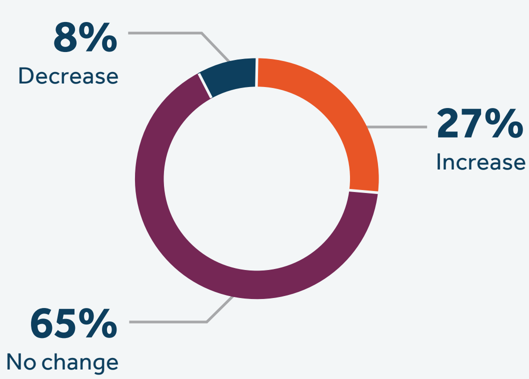
How group life insurance premiums are paid



Meanwhile, enrollment in voluntary life insurance plans has been trending up. Employers reported an average participation of 38% in voluntary life insurance plans, with 27% experiencing an increase in participation since 2016.

Voluntary life insurance participation

Employer-reported three-year trend



Offering higher coverage levels on an employer-paid or voluntary basis can help close the workforce coverage gap

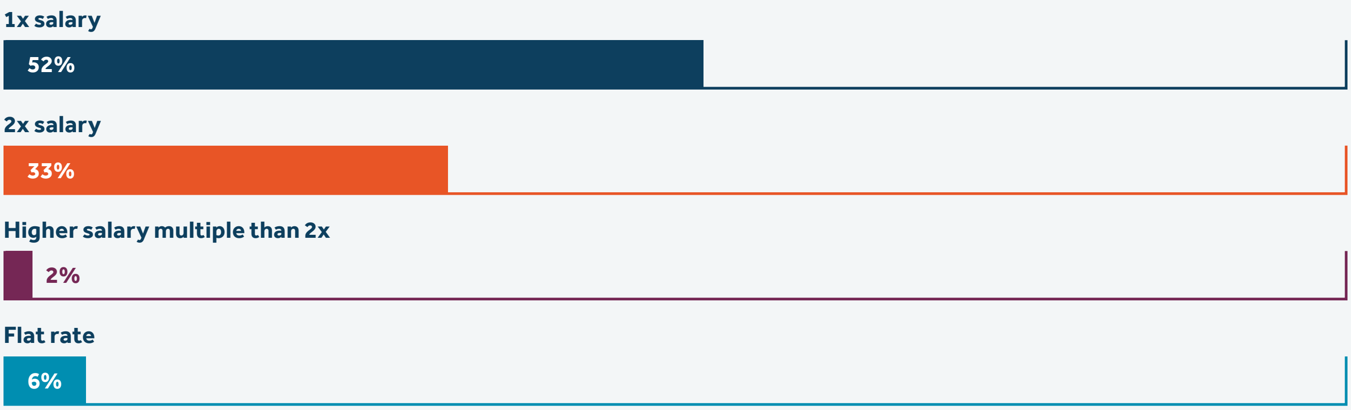
Employer-sponsored life insurance benefits are typically offered to workers at no or low cost, making them very attractive. But in most cases, group life coverage is well below the amount most workers need to adequately protect their families. Those who own limited group coverage through work and no individual insurance purchased outside the workplace are likely to be underinsured.

Among employers who offer life insurance, 52% offer group coverage of only one times the employee's annual salary or less. And one-third offer life insurance benefits that cover two times an employee's annual salary. Only 2% offer a higher salary multiple than two-times salary, and 6% offer a flat rate, typically either $10,000 or $20,000.

As workers experience major life milestones (e.g., getting married, starting a family, buying a house), their need for additional life insurance increases. But many workers fail to periodically reevaluate their group life insurance coverage, even just to keep up with inflation, which further contributes to lower coverage amounts for those with only employment-based insurance.

Considering that 31% of workers report spending "very little" time evaluating all their employer-sponsored benefits (apart from medical benefits) during open enrollment, and 29% automatically enroll in the exact same benefits as the prior year, it's unlikely that workers are reviewing and updating their work-related life insurance plans as often as they should.

Percentage of employers who offer each coverage level, fully employer-paid



The long-term financial impact of a premature death can be especially devastating when the household has little to no life insurance.

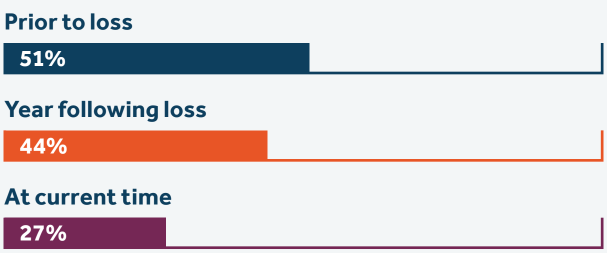
Most households lack the financial means to deal with the premature death of a main wage earner

Forty-one percent of working Americans have between $1,000 and $9,999 in emergency savings — with a median of $2,500 — that could be used to cover monthly expenses. And those funds disappear quickly given that the average monthly cost of living for US households is $5,577 according to the latest data from the US Bureau of Labor Statistics — and about $2,200 more than that for a family of four.[10]

Twenty-eight percent of US households would experience an adverse financial impact within one month should their family's primary wage earner die prematurely. That number expands to 44% in six months, and 11% of families would feel an effect in as little as one week.[11]

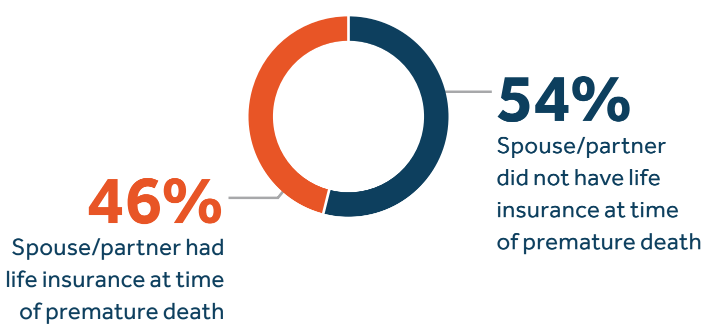
Fifty-one percent of working adults whose spouse or partner passed away prematurely indicate that they were not financially prepared for the loss of their loved one.

Surviving spouses/partners responding "not financially prepared"



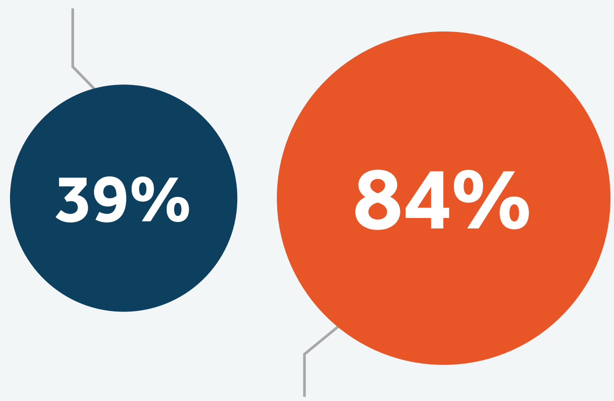
As expected, those who had no life insurance at the time of their spouse or partner’s death feel they were less financially prepared than those who received life insurance payments.

No coverage = least financially prepared



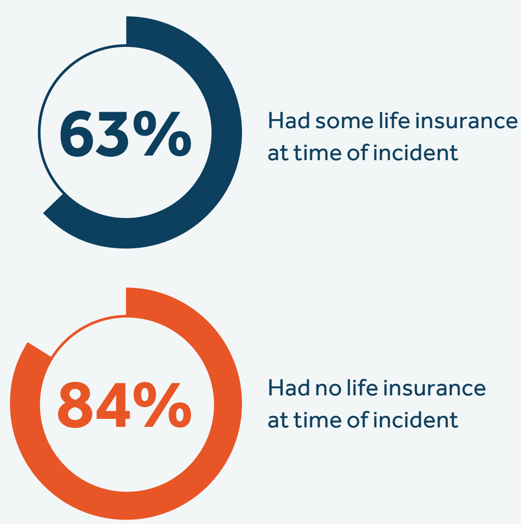
Dealing with the financial strain of a premature death is challenging. Without the security of a main wage earner’s income, surviving partners are more likely to end up living paycheck to paycheck.

Thirty-nine percent of working Americans live paycheck to paycheck



compared to 84% of those who have lost a primary wage earner

Families who have lost a primary wage earner who either strongly or moderately agree that they live paycheck to paycheck

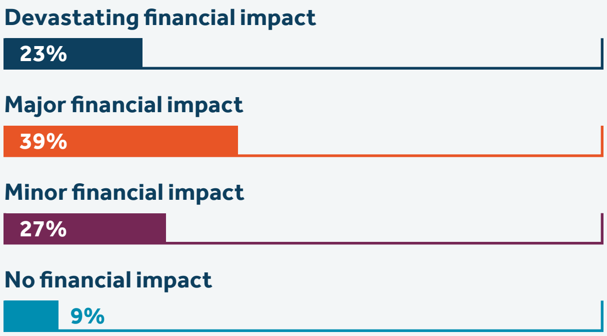


Life insurance helps mitigate the negative financial impact of premature death of a household's main wage earner

The tragic and untimely death of a household's primary wage earner is heartbreaking and can leave a family in long-term financial ruin. For some, it can take many years to recover financially.

Among households that experienced the premature death of a main wage earner, 62% of surviving spouses or partners feel that the loss had either a devastating or major impact on their family's financial situation.

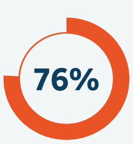
Extent of financial impact among households that experienced the premature death of a main wage earner



More concerning is that more than three-quarters (76%) of workers who lost their spouse or partner five or more years ago still feel their finances have not yet fully recovered — and that number increases to 83% for 3 to 4 years prior.

In light of the mere 38% of people who consider "leaving an inheritance" a reason to own life insurance — as opposed to the 60% who cite "covering final expenses" — these financial impact findings underscore the risk in underestimating coverage and human life value. The non-profit Life Happens, which uses the HLV approach to calculate a person's income potential, can help consumers estimate the overall impact of losing a household's breadwinner.[12]

The long road to financial recovery



of workers who lost their spouse prematurely five or more years ago still feel they have not fully financially recovered

Among those with no life insurance or too little coverage, the financial impact of a premature death is even greater.

Percentage who have only recovered "slightly" or "not at all"

32%
with life insurance

41%
without life insurance

Following the loss of a household's primary wage earner, many families must make lifestyle changes, adjust spending, and borrow money to cover daily living expenses. More than 8 in 10 families that experienced premature death made some sort of adjustments.

Making ends meet with one less income

Percentage of households that made the following changes after losing a main wage earner

39%
Reduced discretionary spending (e.g., vacations, entertainment)

36%
Relocated their residence

34%
Withdrew money from savings, investments, or retirement accounts

25%
Increased work hours for additional income

Beyond final expenses, life insurance is about providing an income stream, paying off debt, and ensuring a comfortable future for those who matter most.

Preparing for the unexpected — and protecting your loved ones' financial future

Life insurance is about planning for the future, and the foundation of a smart financial plan begins with having an appropriate level of coverage. The primary purpose of life insurance is to provide income replacement in the event of a main wage earner's premature death. Life insurance can also be beneficial in meeting needs like debt repayment, retirement income, and estate and tax planning.

Consumers have a general lack of understanding about the different types of life insurance available to them — such as whole life, universal life, or term life — and the different needs that each address. Helping individuals better understand the key benefits of each type of coverage gives them the opportunity to fill gaps in their life insurance and better protect their families.

Working Americans require help understanding the amount of life insurance they need and optimizing their workplace benefits options — and they may need guidance around how to best supplement their group coverage with insurance purchased outside the workplace. Additionally, most would benefit from industry-developed and approved online needs assessment calculators, worksheets, and guides.

Individuals need consumer-friendly language for learning about life insurance and understanding key benefits terminology. Industry jargon like "portability," "evidence of insurability," and "guaranteed issue" can be confusing.

Stories of individuals who have benefited from owning life insurance can be an impactful way to demonstrate the need and the value of life insurance.

Consumers show an appetite for improved access to digital channels and mobile applications — especially for millennial and Gen Z workers.

To help better protect workers and their families, employers can consider: offering coverage equal to higher multiples of salary for optional/buy-up coverage; offering a separate voluntary plan with higher coverage amounts; or, for those not offering any coverage, providing at least a voluntary option.

Appendix

Methodology and sample characteristics

The Guardian 12th Annual Workplace Benefits Study was fielded in January and February of 2023 and consisted of two online surveys: one among benefits decision-makers (employers) and another among working Americans (employees), allowing us to explore benefits issues from both perspectives. Survey data collection and tabulation were managed for Guardian by Zeldis Research, an independent market research firm located in Ewing, New Jersey.

Employer survey

Employer results are based on a national online survey of 2,000 employee benefits decision-makers. Respondents include business executives, business owners, human resources professionals, and financial management professionals. The survey covers all industries and is nationally representative of US businesses with at least five full-time employees. For the purposes of this report, small businesses were defined as having fewer than 1,000 employees.

Data shown in this report have been weighted to reflect the actual proportion of US businesses by company size, based on data from the US Census Bureau. The margin of error at the 95% confidence level is +/- 2.2%.

Employee survey

Employee results are based on a survey conducted among 2,000 employees age 22 or older who work full time or part time for a company with at least five employees. The survey sample is nationally representative of US workers at companies of at least five employees.

Data shown in this report have been collected in a way to reflect the actual proportion of US workers by gender, region, race, ethnicity, education level, household income, age, and employer size, based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.1% at the 95% confidence level.

This year's survey also included a sample of 128 full-time employees who experienced the premature death of a main household wage earner before age 60.

Guardian's Workforce Well-Being Index™ (WWBI) measures consumer attitudes in three core areas: financial wellness, physical wellness, and emotional wellness, and ranks them on a 10-point scale.

Unless otherwise noted, all information contained in this report is from the 12th Annual Guardian Workplace Benefits Study, 2023.

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