

PLANNING FOR FINANCIAL SECURITY SURVEY

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VERSION 1.0

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Introduction

Undertook a survey on planning for financial security of 100 Black professionals.*

1. Wanted to share my experiences regarding financial planning with fellow Black professionals (ages 30 to 65).
2. Wanted to see if Black professionals addressed financial planning issues similar to what's done by non-minorities.
3. Wanted to ascertain how aware Black professionals were of new products in the insurance/investment field.

* Target return sample size was 100.

Initial Impressions

Informal talks with individual Black professionals suggested that many Black professionals were:

1. Somewhat reluctant to plan now, and sacrifice current life style, to provide for unknown needs 30 plus years down the road.
2. Overly dependent on employer-provided benefits to take care of retirement needs.
3. Largely unaware of new products in the insurance/investment field, and somewhat bound by outdated concepts especially of whole life insurance.

After pre-testing the survey with 10 to 15 people, found some interesting early conclusions:

1. Black professionals face/recognize the same challenges to achieving financial security in retirement as non-minorities do.
2. However, the current generation of Black professionals feels:
 - The added burden of being the host to their extended families.
 - They have the added burden of being the first generation to be able to broadly transfer wealth to succeeding generations.

Outline of Survey

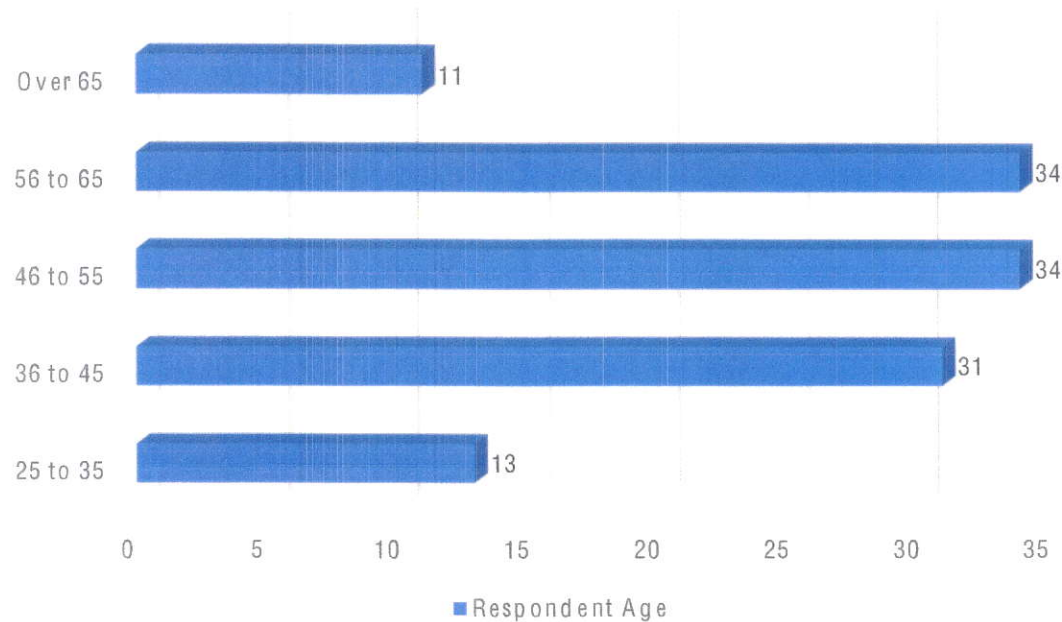
The survey was distributed to 100 fellow Black professionals, who were also asked to recruit several other fellow Black professionals, to complete the survey on an anonymous basis.

1. The survey was developed by me, with some suggestions from others, to question retirement goals and vehicles including insurance, annuities, investments, etc.
2. The survey consisted of 35 questions, structured to be able to be answered online within 15 minutes via Survey Monkey, on an anonymous basis.
3. Approximately 128 people answered the survey, with 81% being between the ages of 36 to 65 years old.

Q 1. What is your current age?

Answered 123

Skipped 5



Next Steps & Goals

My current intent is to solicit other organizations to sponsor an amended survey on a broader basis:*

1. Encourage Black organizations to provide the survey as a membership benefit.
2. Encourage NM representatives to more aggressively approach the Black professional and other minority professional markets (given the similarities of financial challenges needing to be addressed).
3. Respond to inquiries from other financial services institutions.

* I would amend some of the questions/format and provide for a specific "no" category while still encouraging people to think through other answer options.

Top Four Conclusions

Black professionals tended to:

1. Underestimate their retirement needs, especially their total retirement expenses.
2. Underutilize life insurance as a tool in their retirement planning.
3. Have limited familiarity with annuities or exposure to new insurance/investment products.
4. Were overly optimistic about growth rates of their investment and savings rates.

Finding One

Black professionals underestimated their retirement needs, especially their total retirement expenses.

Summary

1. Black professionals foremost wanted to have sufficient money to continue their present life style in retirement (after providing for getting children through college).
2. Approximately 71% of respondents view their major retirement risk as expenses exceeding their savings, especially the escalating costs of medical care, tuitions and housing.
3. However, 25% of Black professionals thought that they would only need from \$1 to \$2 million in resources for retirement, and an additional 8% felt they would only need less than \$1 million.
4. More than half of respondents thought they needed more than \$100,000 as a reserve for unexpected risks but only one-third of these had such reserve.

Q 2. What best approximates your definition of achieving financial security for yourself and for your family?

1. 72% of respondents ranked “having sufficient money to continue their present life style during retirement” as their first (50%) or second (22%) order of importance.
2. “Being able to retire before 65 with their desired life style” and “being able to pay for unexpected medical bills” followed in importance.
3. Leaving a financial legacy such as an inheritance got the second most first-place votes but less votes overall.
4. “Being able to provide that you children graduate from college without significant debt” received the third most first-place votes.
5. “Being able to financially support elderly parents and helping your kids with their expenses scored surprisingly low.

Q 2. What best approximates your definition of achieving financial security?*

	First Choice	Second Choice	Third Choice	Fourth Choice
Having sufficient money to continue your present life style during retirement	50%	22%	10%	7%
Leaving a financial legacy (inheritance) for your children	17%	11%	14%	10%
Being able to provide that your children graduate from college, etc. without significant debt	14%	13%	17%	11%
Being able to pay for unexpected medical bills	3%	16%	24%	20%
Being able to retire before 65 with your desired live style	12%	21%	15%	10%

* Out of a total of nine choices.

Potential Areas of Underestimation of Risks

	First Choice	Second Choice	Third Choice	Highest Of Nine Choices
Being able to financially support your elderly parents	4%	9%	5%	#4 (17%)
Being able to help your kids with down payment for first home	0%	2%	4%	#9 (29%)
Being able to help grandchildren regarding tuition	1%	2%	5%	#9 (30%)

Note Q 29. 53% of respondents skipped question 29 regarding how do you expect your spouse to cover their living expenses upon your death.

Note Q 31. 60% of respondents also indicated that they had no need to help pay for their parents' housing/health care in their retirement.

Q 7. What approximates your financial goal in terms of annual total expenses when you are at least 60 years old?

1. 19% of respondents wanted their expenses to be less than \$50,000.
2. Another 26% had their annual expense goal to be from \$50,000 to \$100,000.
3. Only 20% thought their annual expense goal could be more than \$200,000.

Q 4. Which of the following risks would most likely hinder your achieving your desired financial stability?

1. Roughly 71% of respondents ranked retirement expenses exceeding your savings as the number one risk.
2. 67% of respondents listed the escalating costs of medical care, college tuitions and housing as the next most frequently encountered risk.
3. A surprisingly strong risk/concern was the need of long-term care before or during retirement (42%).
4. Other strongly recognized risks were (a) the increased requirements to help children with college debt, housing purchases and day care (47%); and (b) becoming prematurely disabled (42%).

Q 6. What approximates your financial goal, in terms of total assets, for achieving your desired financial security (by age 60)?

58% of those responding felt that they would need over \$3 million.

- However, 25% felt that they would only need between \$1 and \$2 million.
- Almost 8% felt that they would need less than \$1 million.

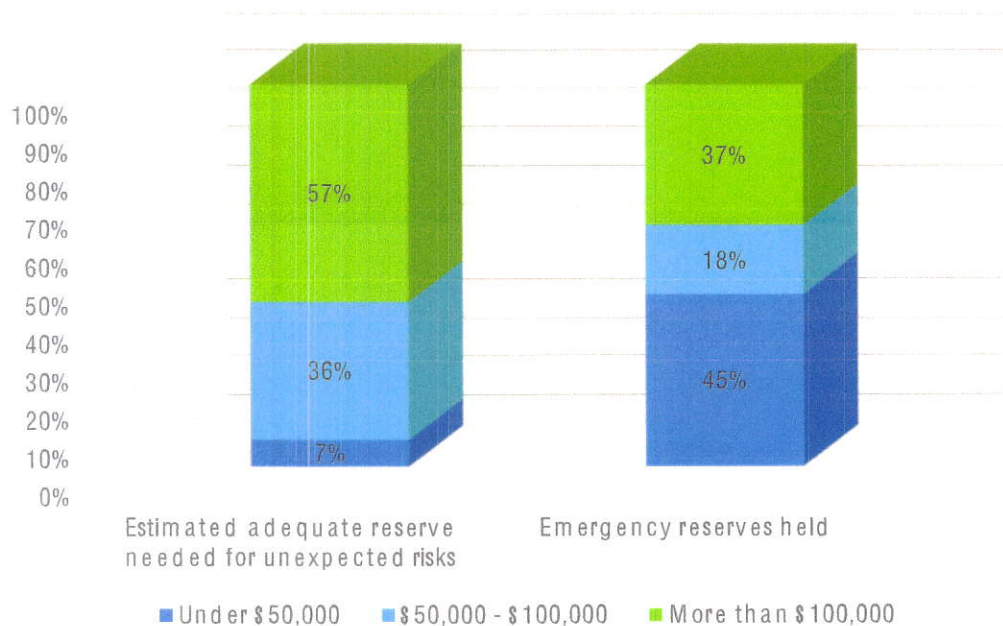
Q 30. How much do you think would be an adequate reserve for unexpected risks?

1. About 57% of the respondents thought they would need more than \$100,000.
2. However, only 37% of the respondents held more than \$100,000 in an emergency reserve in the bank.

Note: Only 33% of respondents would, in an emergency, take down loans on an insurance policy.

Q 30. How much do you think would be an adequate reserve for unexpected risks?

	More than \$ 100,000	\$ 50,000 – \$ 100,000	Under \$ 50,000
Estimated adequate reserve needed for unexpected risks	57%	36%	7%
Emergency reserves held	37%	18%	45%



Finding Two

Black professionals underutilized life insurance as a tool in their retirement planning.

1. Respondents ranked relatively low the use of insurance among financial vehicles they were most likely to utilize to achieve financial security.
2. Approximately 37% of respondents rated whole life insurance as not important for achieving financial security.
 - Only 27% rated whole life insurance as being very important (lower numbers than for long-term care, disability and term insurance).
3. Only approximately 24% of respondents thought that more than \$1 million of insurance was sufficient.
4. Two-thirds of respondents wanted to spend less than \$10,000 per year for insurance.
5. More than 75% of respondents did not have life insurance on their children and grandchildren and more than 55% did not have insurance on their spouse.
6. Almost all respondents indicated that they had disability policies but in lower amounts.
7. 74% of respondents indicated that they lacked long-term care insurance and 38% indicated that they had never investigated long-term care insurance.
8. Only 10% of respondents had converted term policies to permanent life.

Q 3. What financial vehicles are you most likely to utilize to achieve financial security?

1. Almost half of the respondents rated retirement income from their IRA/401k savings as their primary vehicle.
2. Strong supporting vehicles were investment returns and work savings.
3. Surprisingly low rankings were from any form of insurance.
4. Similarly low rankings were related to annuities.
5. Most respondents did not expect to receive inheritance proceeds.

Q 3. What financial vehicles are you most likely to utilize to achieve financial security?

Financial vehicles most likely to utilize to achieve desired financial security:*

	Ranked First	Ranked Second	Ranked Third	Ranked Fourth*
Retirement income (IRA/401k)	30%	22%	22%	9%
Investment returns	27%	25%	13%	10%
Savings from work	12%	24%	21%	13%
Life insurance	5%	6%	10%	14%
Proceeds from an inheritance	1%	1%	6%	4%

* Out of 11 choices.

Q 10. How important are the following insurance and investment products in achieving your financial security?

1. Only 28% of respondents rated whole life insurance as very important and 37% rated whole life insurance as not important.
2. Respondents rated long-term care, disability insurance and term life as very important in higher proportions than they did for whole life insurance.
3. At least 50% of respondents rated universal life insurance, variable life insurance, indexed universal life insurance and indexed annuities as not important.
4. 80% of respondents rated annuities as not important (41%) or just moderately important (39%).

Q10. How important are the following products to achieving your financial performance?

	Very Important	Moderately Important	Not Important
Long-term care insurance	37%	31%	32%
Disability insurance	29%	39%	32%
Term life	28%	42%	30%
Whole life insurance	27%	36%	37%
Annuities	21%	38%	41%
Universal life insurance	12%	37%	51%
Indexed annuities	10%	37%	53%
Variable life insurance	3%	37%	60%
Indexed universal life insurance	2%	28%	70%

Q 11. What amount of life insurance do you feel is sufficient?

1. Only approximately 24% of respondents thought that more than \$1 million was sufficient of either permanent whole life or term insurance.
2. Equally important, approximately 36% of respondents thought that under \$250,000 was sufficient of either type of insurance.
3. Respondents tended to increase the amount of whole life insurance needed once they were retired.

Q 11. What amount of life insurance would be sufficient to provide for your spouse, children, etc. upon your death if it occurred during your working years?

	I have personal permanent life insurance	I have term insurance	I have group insurance through work
More than \$ 1 million	33%	24%	12%
\$ 500,000 to \$ 1 million	23%	24%	18%
\$ 250,000 to \$ 500,000	23%	17%	28%
Under \$ 250,000	31%	35%	42%

Q 12. What amount of life insurance would be sufficient upon your death if it occurs during your retirement?

Permanent Life Insurance			
	Amount Sufficient Upon Death During Working Years	Amount Sufficient Upon Death Upon Retirement	
More than \$ 1 million	23%	30%	
\$ 500,000 to \$ 1 million	23%	27%	
\$ 250,000 to \$ 500,000	23%	20%	
Under \$ 250,000	31%	22%	

Q 13. How much would you spend of permanent life insurance to help meet your retirement income needs?*

1. Only 33% of respondents would spend at least \$10,000 a year.
2. 47% would spend only up to \$5,000 per year.
3. Interestingly, only 9% indicated that they would spend as much as they spend on home insurance, and only 7% would spend as much as they spend on health insurance.

Q 13. How much would you spend on permanent life insurance to help meet your retirement income needs?*

Choices	
I would spend under \$ 5,000 per year	47%
I would spend at least \$ 10,000 per year	33%
I would spend about the same as I spend on home insurance	9%
I would spend the same as I spend on health insurance	7%
I would spend at least twice what I spend on car insurance	4%

* Respondents answered only one of the choices. Question should be restructured.

Q 14. What amount of life insurance do you have on your spouse, children and/or grandchildren?

1. Only 55% of respondents have life insurance on their spouse.
2. Approximately 60% of spouses have his/her own insurance policies.
3. 76% of respondents do not have any life insurance on their children.
4. 97% of respondents lack any life insurance on their grandchildren.

Q 14. What amount of life insurance do you have on your spouse, children and/or grandchildren?

	None	Up to \$ 250,000 Per Person	Over \$ 250,000 Per Person
Have life insurance on spouse	45%	22%	33%
Spouse has his/her own insurance policies	41%	25%	34%
Have life insurance on my children	76%	22%	2%
Have life insurance on my grandchildren	97%	3%	0%

Q 15. What amount of disability insurance do you have?

1. Almost half of the respondents have individual disability insurance, and the other half have group disability insurance provided by their employer.
2. About two-thirds of disability policies were for less than \$100,000.
3. Approximately 57% of respondents indicated that they had disability insurance for their spouse but mostly in amounts of less than \$50,000.

Q 15. What amount of disability insurance do you have?

	Up to \$ 50,000	\$ 50,000 to \$ 100,000	More than \$ 100,000
Individual disability insurance (56 respondents)	55%	20%	25%
Group disability insurance provided by employer (61 respondents)	30%	33%	37%

Q 17. What amount of individual long-term care insurance do you have?

1. Almost 40% of persons surveyed skipped this question (again, many are assumed, therefore, to have none).
2. 74% of respondents indicated that they lack long-term care insurance.
 - 38% indicated that they have never investigated long-term care insurance.
 - Only 15% indicated that their spouse has long-term care insurance.

Q 19. Have you converted any term insurance policies to permanent life?

1. Only about 10% of respondents have converted term policies to permanent life, while a slightly higher number let their term policy lapse.
2. Fortunately, only one out of 48 respondents had term policies in effect for more than 10 years.

Finding Three

Black professionals had limited familiarity with annuities or exposure to new insurance/ investment products.

1. Almost 70% of survey respondents skipped Q 20. What type of annuities have you invested in?
 - Those who did mostly invested less than \$100,000.
2. Almost 62% of survey respondents skipped Q 28. Have you investigated more recent insurance products?
 - Approximately only 20% had investigated annuities, second-to-die joint life insurance or indexed universal life.
3. Respondents were more likely to refinance their house for major unexpected risks than to take out loans on their insurance products.

20. What type of annuities have you invested in?

1. 89 out of 128 persons surveyed did not respond to this question (many are, therefore, assumed to have none).
2. Those who held annuities (39) were equally divided between variable deferred annuities, fixed deferred annuities, portfolio annuities, payout annuities and indexed annuities.
3. Respondents who held fixed deferred annuities and payout annuities were more likely to involve amounts under \$100,000 in any one type of annuity.

Q 20. What type of annuities have you invested in?

39 Total Respondents

	Invested Up to \$ 100,000	Invested Over \$ 100,000	Total
Variable deferred annuities	13	10	23
Fixed deferred annuities	12	5	17
Portfolio income annuities	10	8	18
Payout annuities	11	4	15
Indexed annuities	8	7	15

Q 28. Have you investigated more recent insurance products?

Note: 79 of the 128 respondents skipped this question (many are, therefore, assumed to not have).

1. Approximately 20 respondents have investigated any individual type of annuities.
2. Less than 20% of respondents have investigated second-to-die joint life insurance and indexed universal life.

Q 28. Have you investigated more recent insurance products?

	Looked Into	Purchased	Total Respondents
Second-to-die joint life insurance	14	6	20
Variable universal life insurance	22	7	29
Annuities (flexible payments)	18	13	31
Portfolio income annuities	16	7	23
Indexed universal life	14	4	18
Indexed annuities	13	4	17
Combination products*	22	11	33

Note: 79 of the 128 respondents skipped this question (many, therefore, are assumed to not have looked into).

* Life insurance/long-term care insurance.

Q 30. How much do you think would be an adequate reserve for unexpected risks?

	Size of Unexpected Risk		
	Under \$50,000	\$50,000 to \$100,000	More than \$100,000
I would refinance my house in an emergency	18%	18%	64%
I would depend on other family members	87%	13%	0
I would take down loans on my insurance policies	43%	33%	24%

Finding Four

Black professionals were overly optimistic about growth rates of their investments and about their saving rates.

1. 39% of respondents believed their investments would grow at 6% or more per year.
2. 67% of respondents thought they would save more than \$50,000 per year in their investments in stocks, bonds or real estate toward their retirement.
 - 65% of respondents indicated that they would accumulate less than \$50,000 per year in the cash value of their life insurance policies.

Q 34. At what rate are you assuming your current investments will grow over the next 10 to 20 years to meet your desired financial security goals?

1. 39% of respondents believed their investments would grow at 6% per year (14%) or more (25%).
2. 38% of respondents predicted their investments would grow at 5% per year.
3. 23% of respondents assumed their investments would grow at 4% per year.

Q 9. How much do you expect to save annually by major savings vehicles to achieve your financial security?

1. 67% of respondents felt that they would save in their stocks, bonds or real estate investments more than \$50,000 per year toward their retirement.
2. Almost 60% thought they would save more than \$50,000 per year in their IRAs or 401k programs.
3. Approximately 65% thought they would accumulate less than \$50,000 per year via deferred compensation or the cash value in their life insurance policies or bank savings.

Additional Findings

Q 27. *

1. Only 59% of respondents had a will.
2. Similarly, only 57% had an insurance advisor (only 57% had a financial planner).

* Note: One-third of survey respondents skipped this question.

Q 35. If you are a business owner, does your business own/sponsor any of the following?

1. Only 7 of 16 respondents indicated that their business had key person life insurance.
2. Only 4 of 16 respondents indicated that their business had a written succession plan outlining how one would retire from the business and monetize their interest.
3. Only 4 of 16 respondents indicated that their business had key person disability insurance.

Q 33. What percentage of your financial security goal will you accumulate in what decade?

DATA COULD NOT BE CALCULATED