The Financial Legacy Index

How Americans think about the finances they leave behind when they die

ETHOS

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In this report, "financial legacy" is defined as the financial situation a person leaves behind for their loved ones when they pass.

Regardless of people's financial status in life, everyone leaves behind a unique set of financial circumstances in death. A financial legacy, therefore, is multifaceted, made up of everything from a person's capital, assets, and savings accounts, to their debt, life insurance policies, and more.

In an era defined by the Great Recession, pervasive student debt, rising costs of living, and now the economic uncertainty of COVID-19, the factors impacting the health of a person's "financial legacy" have evolved significantly. What a person plans for and builds in their own lifetime often has a ripple effect not only on their children and direct dependents, but also on generations to come. As many Americans reevaluate their financial situations amidst COVID-19, financial legacies and the steps we take to protect them are especially top of mind.

This report, based on a December 2019 survey conducted online by The Harris Poll on behalf of Ethos among more than 1,900 U.S. adults ages 20+, aims to understand how Americans think about and prepare their financial legacies, as well as to gain insights on their opinions and experiences with key components of a financial legacy and steps they're taking to protect their financial future.

The results show that while many are doing something to protect their financial legacy, a majority are likely not taking all of the necessary measures to secure it to the fullest extent and could potentially disrupt their loved one's financial situations should they pass away unexpectedly. Furthermore, there appears to be a knowledge gap and common misperceptions surrounding several key components of a financial legacy and what happens (financially) after a person passes away.

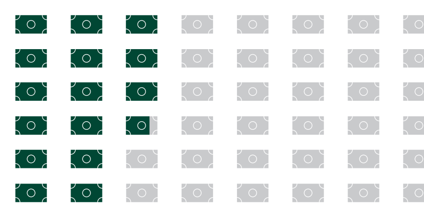
KEY FINDINGS

82%

value leaving behind a strong financial legacy.

38%

do not believe they will leave a strong financial legacy behind for their loved ones after they pass.



33%

say their family would be left financially unstable or bankrupt in the event that they died suddenly.

A sudden death would leave most American families in bad financial shape.

The passing of a loved one can happen unexpectedly.

For many Americans today, the unexpected death of a primary earner would have an immediate negative impact that could potentially be felt for generations.

In the event that they died suddenly...

57% say their family would experience financial impacts if they died.

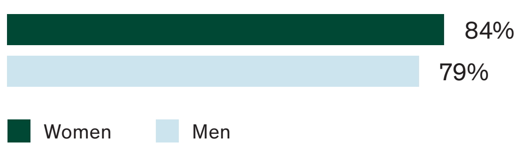
33% say their family would be financially unstable or bankrupt if they died.

52% say they often worry about the financial situation they will leave behind for their children/future children after they pass.

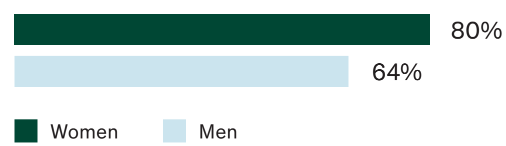
Women and younger adults (20s–40s) are more likely to associate negative financial impacts with a loved one's death.

Women are more likely than men to say

...that most Americans wouldn't be able to support their family if the breadwinner passed away.

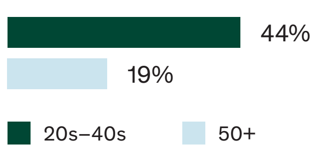


...that most Americans can't easily afford the average price of $9,500 for funeral and burial expenses for a loved one.

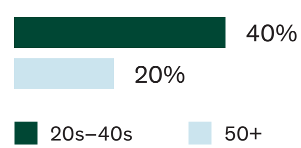


Younger adults (20s-40s) are more likely than older adults (50s+) to say

...that their family would be financially unstable or go bankrupt if they passed away suddenly.



...that their family would be financially unstable or go bankrupt if their significant other died suddenly.



Most Americans don't know what happens to their finances after they die.

When someone passes away, the financial impact on those around them can be catastrophic. This is especially true when loved ones operate under misconceptions or lack of understanding.

36% don't know that when someone passes away, their loved ones could be responsible for paying off their debt.

42% don't know that when someone dies, their debt must be paid off before their assets can be liquidated.

64% are unaware that student loan debt isn't always forgiven when you die.

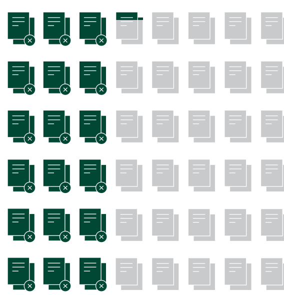
73% are unaware that having a living will is not enough to ensure assets will be passed to the correct people.

More than three quarters (77%) of Americans currently have some form of debt, and nearly 2 in 5 (39%) have more than one kind of debt.

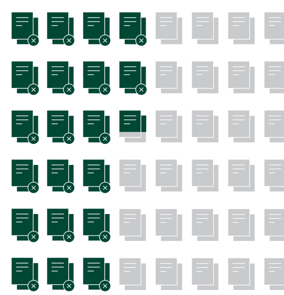
Debt breakdowns

- 51% Credit card debt
- 29% Auto loan
- 28% Mortgage loan
- 17% Student loan
- 10% Other

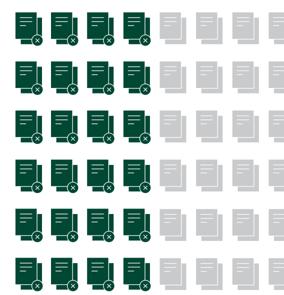
Many Americans report that they do not fully understand how certain financial tools work.



38%
say they are unsure about how life insurance works.



43%
say they are unsure about how retirement savings accounts work.

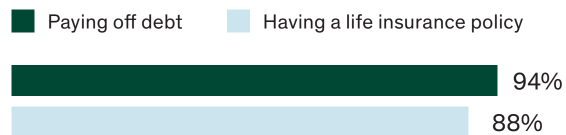


50%
say they are unsure about how living wills work.

While the majority of Americans have taken steps to secure a strong financial legacy, many aren't confident they'll leave one behind.

A strong majority of Americans (85%) say they have taken measures to secure their financial legacy.

Additionally, the vast majority of Americans believe taking the following specific steps are important for a person's financial legacy:



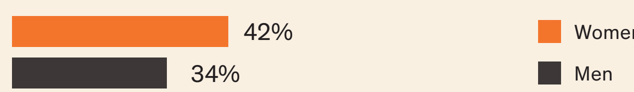
This is especially notable when you consider 72% of Americans associate financial wellness with having money in savings, 69% with being debt-free, 60% with having a strong credit score, and 33% with being able to leave behind an inheritance.

However:

31%
say they do not feel knowledgeable about their household's finances.

38%
do not believe they will leave a strong financial legacy behind.

Women, notably, are more likely than men to think they will not leave a strong financial legacy behind.



Some of this doubt may be due to the circumstances left behind for them when a parent or relative died.

Nearly 6 in 10 Americans (57%) say their parents did not or will not leave them with a strong financial legacy.

3 in 10 Americans (30%) say their finances have been impacted negatively by a family member's passing.

Barriers to access – and perceptions of access – could be keeping some Americans from using certain financial tools.

Roughly a quarter or more of Americans hold beliefs about particular financial tools, including:

Beliefs on life insurance

33% "It's Not Affordable"

28% "Most Americans Don't Need It"

26% "It's a Scam"

Beliefs on retirement savings accounts

28% "It's Not Affordable"

25% "Most Americans Don't Need It"

23% "It's a Scam"

Beliefs on living wills

24% "It's Not Affordable"

25% "Only Wealthy People Need It"

The Majority of Americans

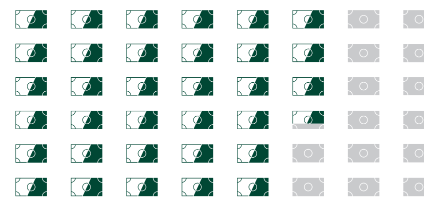
have not taken critical steps toward protecting their financial legacy if the unexpected happens: 61% have not taken out a life insurance policy while 60% and 61% have not contributed to a personal savings account or 401k or other retirement savings account, respectively.

63%

have not invested money, a key lever to protect one's financial legacy.

34%

do not or are unsure if they have life insurance, an important part of a financial legacy, especially for those in debt.



70%

do not have a plan for paying off debt, which compounds the difficulty of securing a strong financial legacy.

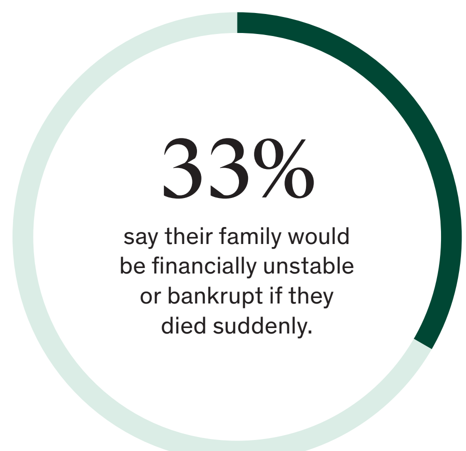
Where Do We Stand? State of Our Financial Legacies Today

The results of this survey show that while a strong majority of Americans value leaving behind a strong financial legacy, many lack the confidence they will do so.

When we conducted this survey, one-third (33%) said their family would be left financially unstable or bankrupt in the event of their unexpected death.

In recent months, COVID-19 has introduced only more urgency on this front, burdening many families with added economic strain or the loss of loved ones.

This data illuminates that a majority are likely not taking all the necessary measures to secure their financial legacy to the fullest extent. The reasons for this are varied – from lack of knowledge, to affordability, barriers to access, and beyond.



About this survey

This survey was conducted online within the United States by The Harris Poll on behalf of Ethos between December 18-20, 2019 among 1,978 adults ages 20+.

Results were weighted for age within gender, region, race/ethnicity, household income, education, and size of household where necessary to align them with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in online surveys. The data have been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in our panel, no estimates of theoretical sampling error can be calculated.

For further information on the survey, please contact ethos@launchsquad.com

About Ethos

Ethos is a new kind of life insurance, designed to give millions of families access to ethical, modern coverage.

Ethos uses predictive analytics and sophisticated data technology to eliminate traditional barriers to life insurance. The application process takes minutes instead of weeks, there are no medical exams for most applicants, and no commissioned agents. The result is a life insurance company that prioritizes people over profit.

Ethos is backed by GV (formerly Google Ventures), Sequoia Capital, Accel, Goldman Sachs, Stanford University and Arrive, a subsidiary of Roc Nation. The company is headquartered in San Francisco.

To learn more, visit www.ethoslife.com

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