

## Life Insurance and the Newly-Married Couple: A Pilot Study

Oftentimes insurance agents target young newly-married couples and may take advantage of their lack of knowledge of life insurance. This study was undertaken to assess newly-wed couples' knowledge of life insurance, purchase decisions, and their shopping behaviors. Findings indicate that most respondents are knowledgeable; however, there are indications of inefficient purchasing.

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A *Consumer Reports* publication states that many life insurance agents sell policies with high commissions rather than policies which fit their clients' needs, and that agents discourage consumers from comparison shopping (Lieberman, 1988). Such types of selling behavior underscore the need to educate consumers. Consumer information is critical for newly-married couples, because marriage is associated with increased expenses and debt. A policy which suits one's needs could protect a family's assets from being sold to cover outstanding debts (O'Donnell, 1991).

### Methodology & Findings

A random sample of 512 couples was drawn from 1997 marriage license applications in Athens-Clarke County, Georgia. Fifty-nine couples responded to a mailed questionnaire. Most (84%) of the respondents were white, with and 44.8% having incomes greater than \$50,000 and over three-fourths possessing a 4-year degree. Eight of the 44 respondents, and 12 of the 37 spouses, with policies did not know what type of life insurance they owned. Most primary policies were term insurance policies. One-fourth of respondents and 27.0% of spouses' primary policies were whole-life policies. Forty percent of the respondents answered more than 90% of the knowledge questions correctly. Over one-third of respondents and spouses owned a policy through their employers. Less than half of respondents and spouses owned policies purchased from an agent. Almost eighty percent of the respondents did not compare policies or prices before making their purchase, and 59.3% read no financial literature prior to the purchase.

### Conclusions

Most respondents did not search for information but were knowledgeable of life insurance; however, some respondents listed accidental death policies as a primary life insurance policy, and others did not know what type of life insurance they or their spouses had. Given that most respondents did not engage in comparison shopping, some may have been persuaded by agents into buying whole life policies. Future research is needed with a representative sample of newlyweds. Additional analysis should be performed to investigate the relationships between knowledge of life insurance and other factors associated with newlyweds. The study reported here is a first step in establishing baseline information about newlywed's purchasing decisions regarding life insurance policies.

### References

- Lieberman, Trudy. (1988). Life Insurance: How to Buy the Right Policy at the Right Price. Fairfield, OH: Consumer Reports Publications.
- O'Donnell, Jeff. (1991). Life Insurance: How to Buy the Right Policy at the Right Price. Toronto, Canada: John Wiley & Sons, Inc.

### Endnotes

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