

THE IMPORTANCE OF Financial Literacy

FINANCIAL LITERACY MONTH, APRIL 2023



Financial literacy refers to one's ability to understand and effectively make wise financial management decisions about money, including:



saving



investing



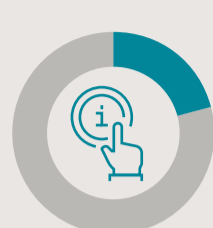
budgeting



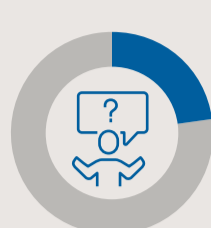
borrowing



protection



21% of consumers said they did not buy an annuity because they needed **more information**.



23% of consumers say they haven't purchased life insurance because they are **unsure of how much to buy or what type to get**.

The more you know...

- According to the Journal of Financial Services Marketing, increased financial knowledge led to better management and the ability to deal with financial emergencies.
- LIMRA finds a **positive correlation** between financial literacy and purchasing financial products:



Nearly **4 in 10** consumers who are highly knowledgeable about annuities expressed interest in converting assets into a lifetime guaranteed annuity.



Nearly **7 in 10** consumers who say they are very or extremely knowledgeable about life insurance own some form.

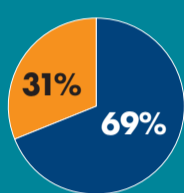
...the more financially secure you'll feel.



69% of life insurance owners say they feel financially secure compared to **49%** of non-owners.

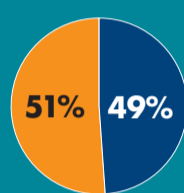
More than half (**56%**) of consumers who are very knowledgeable about annuities believe they offer **peace of mind** compared to 18% of consumers with low annuity knowledge.

Owns life insurance



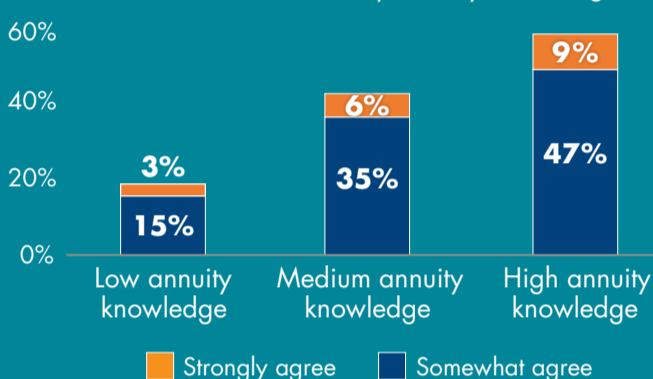
■ Feels financially secure
■ Does not feel financially secure

Does not own life insurance

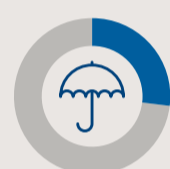


PERCENT AGREE:

"People with annuity income worry less about managing their finances in retirement," by annuity knowledge



Life Insurance



27% of consumers say they feel very/extremely knowledgeable about life insurance.

By gender:

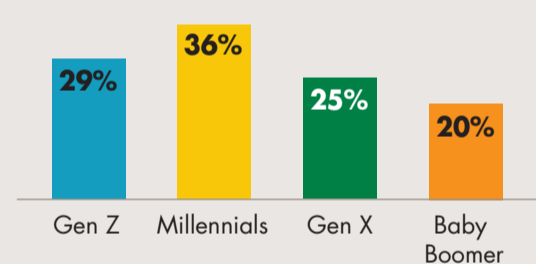
33% of men
22% of women

Women are also **less likely** to own life insurance compared to men:

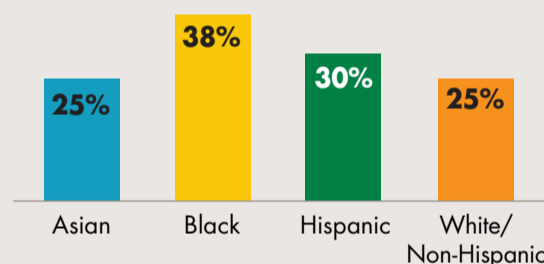
55% Men vs **49% Women**

Feel very/extremely knowledgeable about life insurance

BY GENERATION



BY RACE OR ETHNICITY



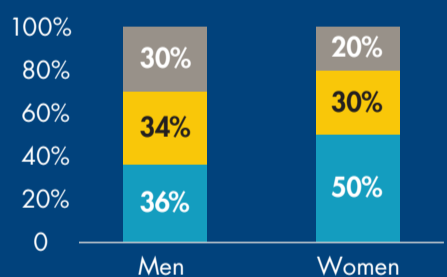
Annuities



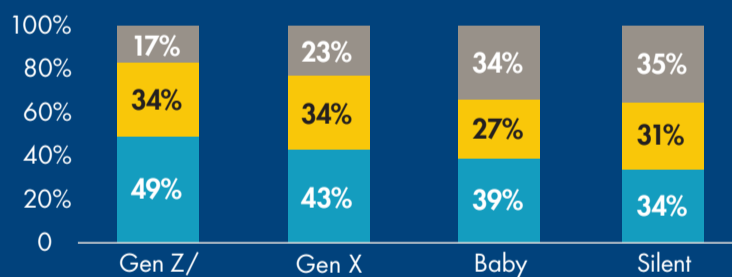
30% of consumers say they aren't familiar with annuities.

Level of annuity knowledge

BY GENDER



BY GENERATION



■ Low ■ Medium ■ High

A lack of knowledge is a barrier to purchase:



Consumers overestimate the cost of life insurance.

More than half of consumers (**55%**) think term life insurance is **3x** or more expensive than it is. Overestimating its cost can lead to unnecessarily foregoing life insurance.



Most consumers don't understand the core value proposition of annuities.



Only **21%** of consumers correctly identified the statement, "Annuities are the only type of financial product that can create a guaranteed income you cannot outlive," as true. This misunderstanding can lead to consumers not having an adequate plan in place to reduce longevity risk.

From the financial professional perspective:



4 in 10 insurance-focused financial professionals say a client's biggest misunderstanding is how insurance products fit into their broader financial plan.



Nearly **3 in 10 investment-focused financial professionals** say a client's biggest misunderstanding is living benefit riders (including long-term care).

Providing consumers with consistent education can help them make positive steps toward a financially secure future.

Sources:

Annuity Product Selection Redux, LIMRA, 2023, 2023 Insurance Barometer Study, LIMRA and Life Happens, Reimagining Growth: LIMRA-EY Experienced Financial Professional Study, 2023, Impact of Financial Literacy on Financial Well-Being: A Medial Role of Financial Self-Efficacy, Journal of Financial Services Marketing, 2022.