

They Don't Understand Life Insurance and Overestimate Its Cost

It's an affordable means of financial stability that people think they can't afford (when most actually can).

What is it? Life insurance.

The [2025 Insurance Barometer Study](#), research that [Life Happens](#) and LIMRA have conducted for 15 years, shows that about **three-quarters of adults overestimate the true cost of life insurance**.

We've asked this question since the study's inception, but this year we drilled down further. We asked respondents to self-assess their health and then to estimate what a term policy would be for themselves at their current age.* And **even the youngest (those 35 and under) and healthiest overestimate what life insurance would cost them by seven to 12 times**.

When you look at **why people with a need gap don't buy life insurance, the most common reason they give is cost (46%)**. Understanding that this is a consumer perception study, if they have incorrect assumptions about the cost of life insurance, it follows that they think they can't afford it.

This may come down to education. In fact, **41% of adults say they are only somewhat or not at all knowledgeable about life insurance**. If you don't understand the key qualities of the product, estimating its cost will be difficult. Combatting this misconception means we need to educate people about what life insurance is, what it does, and that it is a means to financial stability that most can afford.

Education and outreach can also help clearly address two of the other most common reasons people give for **not having life insurance: unsure of how much and what type to get (22%) and procrastination (21%)**.

Adults (35 and under) who say they are healthy **overestimate the cost** of life insurance by **7-12 times**.

Source: 2025 Insurance Barometer Study, Life Happens and LIMRA



Life Insurance Ownership

Half of American adults (51%) say they own life insurance. They may have it through their employer (26%), a policy they own individually (55%) or a combination of both (19%).

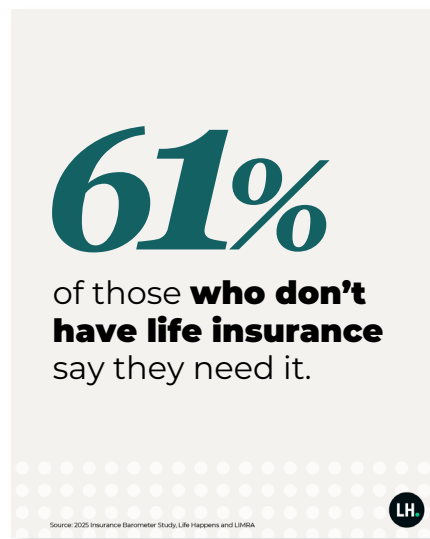
Interestingly, **61% of those who do not have life insurance say they need it. Plus, 19% of those who do have some coverage say they could use more.**

In addition, given that this is a consumer perception study, there is likely a percentage of those who do not have life insurance and say they don't need any who in actuality do have a need for coverage.

Overall, the life insurance need gap means there are about **100 million Americans who are in the market for life insurance.**

This need gap is highest among:

- Households earning under \$50,000 per year
- Consumers who identify as Hispanic or Black
- All generations younger than Baby Boomers, representing 81 million adults
- Women



Educate Them Where They Spend Time

The financial services industry has been reticent to use social media channels to reach consumers. However, **62% of all adults—and 80% of those under age 45—use social media to seek information on financial or insurance products.** This is up from 29% when this question was first asked in 2019.

Additionally, **nearly half of Gen Z and Millennials say they value recommendations from experts, influencers or spokespeople.** Of young adults who use social media for financial information, 45% say they follow financial advisors and 33% say they follow financial influencers.

This is an untapped resource for this industry and an important means of guiding and educating a populace that has ingrained misconceptions about life insurance, including its affordability.

The need to educate Americans and help them get the coverage they need is as critical as ever: **One in four adult Americans say their household would feel the financial impact of the death of the primary wage earner in one month or less.** We have the means to change these statistics through education and offering life insurance solutions that fit their budget.



Please source all statistics: 2025 Insurance Barometer Study, Life Happens and LIMRA

* They were asked for the cost of a \$250,000, 20 year level term life insurance policy. In past years, they were asked to estimate the cost of this policy for a healthy 30 y/o male.