



Transcript - The Money Drill: Reasons Life Insurance Can Be a Game-Changer

JJ: Hi, this is The Money Drill and I'm JJ Montanaro. With the help of some great guests, I'll help you find your way through what sometimes can be a money mine field. We make money matters understandable so you can command your own financial future.

Welcome to The Money Drill. On today's show, we're talking life insurance. I know that's always a riveting topic out there. People are on the edge of their seats, but I think we have a unique perspective and a unique voice with us today in the studio. We're lucky enough to have Michael Cobb, a life insurance specialist here at USAA.

Tell us about a day in your life. I mean what happens? What types of calls do you get? What's going on for someone who is in a life specialization area?

Michael: You never know what kind of call you're gonna get. You can get somebody on the phone who doesn't even know what life insurance is, they just got referred over to me. Or you might have someone who's got multiple large policies with us and we've gotta kind of work through the details of what they're gonna do and give some advice there. So you got to be flexible.

JJ: Just in a general sense, something that people are gonna hear and say, "Wow, that's something I never thought of," or something that, you know, we turn the light bulb on in terms of misconceptions or ways to approach life insurance?

Michael: Probably the biggest misconception is just it's too expensive that they can't afford it. A lot of people come in to the call thinking, "Well, this is gonna cost an arm and a leg and I need this much coverage." But really, after we talk through it with them, we can build a plan that's gonna fit their budget to make sure they're covered.

JJ: What about in terms of reasons or rationale people have for buying insurance? So I know from a financial planner's perspective, I can talk about an income replacement and paying off debts, but I think it'd be more interesting to hear from your voice what people come to you in terms of, "Hey, this is why I need that insurance."

Michael: There's a lot of good reasons to call in about life insurance. We have a lot of members that call in for different reasons. Typically, when we get calls, it's because something just happened. They had some sort of a life event that happened and they wanna make sure that their family is gonna be okay.

JJ: So they saw something that might have gone wrong or something that went right and all of a sudden that's the trigger that gets them on the phone?

Michael: Right, right, exactly. So we have people that call in because they just lost somebody or maybe they're calling in because they know somebody that they had a tragic experience and they don't wanna leave their family in that same type of situation where they're just scrambling for money during the already emotional time.

JJ: When you think about life insurance, I mean, when I think about it is as a financial planner, somebody who's 22 or 23, single, doesn't have that a lot of financial obligations, doesn't have a lot of family obligations.

Michael: Right, exactly. So student loans are one thing that a lot of times people will call in to cover. A lot of times people will have a business they started and they wanna make sure they're covered because they're in business with somebody and if something happened to them, they wanna continue the business. So life insurance is not so cut and dried that if you have this event, thus, you need life insurance. It's more situational. We try to read the situation and give a good recommendation.

JJ: And the situation's ever changing.

Michael: Oh, absolutely, yeah. And you can take someone and do a term policy when they're younger and then talk to them in 10 years and their whole situation is different. Now they've got kids, mortgage. They've got debts. They've got a lot of things that they've got to cover and we got to rework their life insurance.

JJ: So people ought to be calling you anytime they have one of those big events in their life?

Michael: Yeah.

JJ: Marriage, wedding, buy a house. So let's go back to the student loan. You mentioned student loans as a reason, but what you're talking about, I think, is that as a parent, I co-signed in student loan for my child. If something happens to that child, then, "Hey, I'm responsible for that loan." Is that kind of what you were talking about in terms of student loan? I guess I'm asking for a little more detail on what you meant by that.

Michael: Yeah, exactly. So the situation could play out like this. You have a child. They're going to college, so you go and you co-sign on a student loan so they can have all the funding they need. Well, if anything were to happen to the child, you're on the hook for that loan and it doesn't just have to be a student loan. It could be a car loan. It could be a mortgage if you're helping out with something like that. But if you signed on for that loan and something happens, you're responsible to pay for it. So again, why have that financial burden when

you've already had a lost that you're dealing with?

JJ: Yeah, and that's one I've actually ran into that people don't recognize as an obligation that they have. So we go back to the young student or the young college student or the college graduate and they might have a financial obligation that wasn't top of mind.

Michael: Sometimes they just got married and they're all ecstatic and happy, so that's easy conversation to have.

JJ: So if there were one or two things that you wanted our listeners to understand about life insurance, to walk away from listening to this podcast, this conversation, what would they be?

Michael: So life insurance can really be a game changer in most situations. So if you have coverage and that tragedy that we've mentioned happens, it can take a terrible situation. And if you don't have coverage, it can get 10 times worse. If you do have coverage, then you've taken all of that financial problem and stress off of your family and now they can focus on just the emotional part and move on.

JJ: Which is bad enough as it is without having to have financial issues on top of that.

Michael: Right, exactly. Yeah, why have that financial burden on top of an already tough situation?

JJ: How about another idea or area you think people really need to take away from this conversation we're having today?

Michael: So I think that sometimes people get the idea that having a life insurance conversation is a bad thing, but it really can be a great thing. If you ever have a situation where you just got married, maybe you're having a child that's on the way, that's a great time to call in and review what you have in life insurance. And we might need to increase the amount of coverage, but there's also times when sometimes you call in and you have too much. And we'll be honest with you. We'll tell you, "Hey, you've got a little more coverage than you need. Let's kind of cut it back and save you some money," but...

JJ: Now, you said review what you got. How do you do that? I mean people are always looking for rules of thumb or ways that they can figure out how much life insurance they have, how do you do that with members?

Michael: So we just try to do a detailed interview with them and say, "Okay, what do you have, you know, in the event that this life insurance was needed? How much would we need? What needs to be paid off?" And we try to make sure it's a practical plan because we need to update it so every so often, but there's not really a rule of thumb. Some people say 8 to 10 times your income, but we try to be a little more detailed, a little more thorough and just see what's the needs, what's the liabilities, and how can we make sure we have a plan to cover it.

JJ: Any cool technology or anything you use to help members figure that out?

Michael: Well, cool technology is not really a term we use in life insurance but we do have...

JJ: Come on now. We're on the cutting edge.

Michael: We do have planners that we do. So we'll go through, we'll ask some questions and we have tools that face us as well as the members. So as we're building out a plan, the member can look at what we've just built out, review, make sure it makes sense to them. If they approve it, we can go back and start the application.

JJ: See, I'd call that cool technology, Michael. Come on now.

Michael: All right. Okay.

JJ: Michael, thanks so much for being with us today. You did a great job and really helped members understand things that maybe that they didn't understand, but what we want them all to understand is they can visit usaa.com, click on the life insurance tab. And at that point, you'll be able to talk to somebody over in the life insurance specialist area. So, thanks so much for being with us today.

Michael: Absolutely.

JJ: Thanks for listening. This is The Money Drill with JJ Montanaro. For more great advice, check out usaastories.com.