Women Undervalue Their Worth

How undervaluing your contributions significantly impacts your level of life insurance coverage.

A report from the 2012 myWorth Survey sponsored by The Penn Mutual Life Insurance Company.
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Introduction

Determining proper life insurance protection can be complicated. There are a multitude of online calculators that will help determine your coverage needs based on your income and expenses. Many look to replace income for a certain number of years, to cover a mortgage or to help with college expenses.

Determining monetary contributions can be fairly straightforward. But, what about determining your non-monetary contributions to your household? In addition to working, women often act as housekeepers, cooks, mommies and bookkeepers so you should consider:

- Who will care for your children?
- Who will go food shopping and prepare meals?
- Who will clean the house and do the laundry?

While you may think of these things as just a part of your daily routine, having someone else take care of them can get expensive. It is critical to look at all of the contributions you make to your household, outside of a paycheck, when properly determining the amount of life insurance you should have in place.

This report explores women’s perceptions of their contributions and worth, drawing on the findings from a survey conducted by The Penn Mutual Life Insurance Company in April and May 2012.

- Why are non-monetary contributions so important?
- What are the consequences when you undervalue your worth?
- What can be done to ensure your family is adequately protected?

The bottom line is that women contribute more to their families than they think they do, and that affects the amount of life insurance coverage needed.
Distinguishing Between Perception and Reality

**Estimated Worth**

When looking at your overall financial picture, it can sometimes be difficult to be objective. The survey asked respondents to estimate the value of their non-monetary contributions to their household—meaning everything they contribute outside of a paycheck—cooking, cleaning, running errands, paying bills, etc., and what we found was that the women’s annual estimate was half that of men.

However, when computing the value of what people actually contribute per year to their household shows that women contribute twice that of men.

**Estimated vs. Actual Worth**

As demonstrated in the exercise above, women tend to underestimate their worth. Whereas only 34% of men underestimated the value of their non-monetary contributions, over half (52%) of women do. In fact, 23% of women underestimated their annual household contributions by $30,000 or more (versus only 9% of men).

Women who do not work outside of the home were the most likely to underestimate their worth; nearly two-thirds (64%) provided an annual figure that was at least $5,000 lower than their actual contribution.

It’s clear to see there is a big discrepancy between women and men when they look at their household contributions outside of a paycheck. This may explain the gap identified in life insurance coverage between men and women.
Consequences

By not taking into consideration your entire contributions to your household, and determining a proper amount that will account for everything you do, both monetary and non-monetary, you are not adequately protected.

Lack of Adequate Life Insurance Protection

The survey shows that women are underinsured, putting their loved one’s financial security at risk. 50% of women think they have the right amount of insurance, but since they are undervaluing their worth, they are actually underinsured.

Lack of Adequate Savings

The survey also shows that only 33% of respondents feel they could live off their savings and investments for 6 months, yet 50% of them consider themselves to be financially healthy. The perception doesn’t match the reality when today’s estimates for an adequate emergency fund are 12-18 months of expenses.
What to Do

The median amount of life insurance that women in our study carry is $100,000. While that coverage amount may seem adequate, the reality is that the $100,000 will not last long. If you are working to help pay the bills and have children, that $100,000 will cover burial expenses and provide replacement income for your family for about 12 months. That’s it. What are your loved ones supposed to do after that?

Ask yourself:

- If you cannot perform your household tasks, who will? Will a family member step in, or will the family have to hire outside help? How much would that cost?
  - Remember to think about all of your household contributions: cleaning, cooking, parenting, nursing, bookkeeping, driving, etc.
- If you are financially contributing to your household expenses, is there a policy in place to replace that income if you cannot provide it? For how many years?
- If you have children or elderly parents, is there another source of income that could replace what you provide? Is it enough to cover children’s expenses until they are adults and help with education costs? Is it enough to cover your elderly parents care? If there is a shortfall, how much is it?

Follow these steps to protect your family from the unexpected:

1. Use the myWorth calculator on WorthForWomen.com to compute the full annual value of your contributions to your household, both monetary and non-monetary that should be used to determine the amount of life insurance you may need.
2. Find a trusted financial professional to help educate you on the various life insurance products that can provide possibilities throughout your life.
3. If you do not have a trusted financial professional, go to WorthForWomen.com and click on the top right tab, Working with a Financial Professional to locate a Financial Professional in your area. You’ll also find a Checklist for Evaluating Financial Professionals.
4. Make sure the financial professional you will work with or evaluate is affiliated with a reputable and stable life insurance company.
5. Educate yourself on the basics of life insurance by clicking on the Insurance Solutions tab on WorthForWomen.com and peruse the many articles and tools that can help increase your financial literacy.
6. Before meeting with a financial professional, compile a list of questions you want him or her to answer.
If you only have a company sponsored life insurance policy, you’re not adequately protected. Your company sponsored plan is contingent upon your employment and the amount is likely based upon your salary or level of employment, not on the value of all your contributions to your household. Follow these steps to better understand your coverage and provide adequate protection for the ones you love:

1. Review your company sponsored policy and ask your human resources staff questions so you fully understand:
   a. How much your family would receive in the event of your death
   b. How the death benefit is paid
   c. How much you pay annually for the policy
   d. Whether or not the policy is portable (allowing you to take it with you) if you leave the company for any reason
   e. If you have an option to purchase supplemental life insurance through your company.

2. Find a trusted financial professional to help educate you on the various life insurance products and evaluate your options to determine the right mix of coverage.
About the myWorth Survey Sponsored by The Penn Mutual Life Insurance Co.

The myWorth survey was administered via the Internet and produced 2,465 respondents of whom

- 1,217 are male and
- 1,248 are female

Survey participants were required to have:

- A household income of $50,000 per year or more ($25,000 for respondents 25-29)
- An age of 25 years or over

It is important to note that, according to the US Census, the median household income in 2010 was $49,445. By comparison, median income for households included in the survey is $95,850. Therefore, when we discuss “consumers” in this report, we are talking about relatively more affluent consumers than the general adult US population.

About The Penn Mutual Life Insurance Company

Since 1847, Penn Mutual has been driven by our noble purpose to create a world of possibilities. At the heart of this purpose is the belief that purchasing life insurance is the most protective, responsible and rewarding action a person can take, and is central to a sound financial plan. The company is committed to helping families unlock life’s possibilities through life insurance and annuity solutions. This is accomplished through a national network of financial professionals, who help clients make great things possible. Penn Mutual supports its field representatives with brokerage services through Hornor, Townsend & Kent, Inc., Registered Investment Advisor and wholly owned subsidiary. Member FINRA/SIPC. Visit Penn Mutual on the Internet at www.pennmutual.com.