

# Episode #261: How Current Economic Instability Impacts My Insurance Business

## Video Transcription

Hi, there. Welcome back to another episode of "Money Script Monday." My name is Jaime Ramirez. Today you're in for a real treat because today, we're going to be talking about the economy

But more specifically, if you look at the topic up here on the board, today, we're going to be talking about how current economic instability impacts my insurance business.

So, you'd have to be living under a rock not to see that there's a lot of doom and gloom in the market today. You know, you just got to turn on your TV, switch over to that news channel, and it's really negative.

On one side, we've been talking about everything being really, really bad, the bad numbers that we don't want to be going up are going up. You know, all this negativity is really impacting Americans on an everyday level in a very real way.

But then on the other side of it, we also have this opportunity, right? We keep hearing about this perfect storm that we're in for our industry, and specifically, the financial products that we offer our clients. And so, that kind of feels like a contradiction, right? You know, it's bad, but then there are opportunities.

That's kind of what I want to talk about today, just to kind of dive deeper a little bit into what's going on so we can just all make sense of it, and help ourselves and help our clients get through it. Okay. So, let's just get right into it.

So, for this first column here, I'm going to be talking about the economy and, you know, there's so much going on in the market right now, but I just really want to focus on these two topics right here. Inflation and the federal funds rate.

For inflation, if we just look at the definition in its bare bones, basically, inflation is a general increase in the price of goods and services, and a fall in the purchasing power of your money. And so, this is kind of a two-prong definition. You can see it as a general increase in the price of goods and services.

To me what stands out here is general, right, not fast, not slow, things are just getting generally more expensive over time, which I'm sure we can all attest to, you know?

We've all had stories of, "Gas used to be X when I was young, and now it's Y." So, this is, you know, nothing new and pretty normal for a healthy growing economy. But, you know, when we get into sticky waters is when prices start to rise too quickly.

Sort the second side of this definition is a fall in the purchasing value of money. So, what that means is, basically, that your dollar is not going as far as it used to be able to at a certain point in the past. But what really stands out here is fall, right?

A fall can be many different things. You could fall down a step or you could fall over a cliff. Those are two very different things, and they both require very different responses. So, it's kind of how you can think of inflation.

But, okay. So, you might be thinking that's pretty much the bare bones of what inflation is by its definition, but you might be wondering what does inflation look like right now?

How do we talk about this with clients, and what is driving all this inflation? Because, you know, clients are going to have a lot of questions, and they're going to come to you for these answers.

It's really important that we're able to explain these often considered complex topics in pretty simple basic ways. And so, what I want to do next, just to kind of touch on what's driving inflation right now, is we're going to switch over to a screen share because I'm going to show you this chart that really visually shows you what's been driving inflation over the last two years, month-by-month.

So, if you take a look on your screen right now, what's really cool about this is you can kind of break it down month-by-month like I said, and it's really telling you what's driving inflation in that time.

If you take a look at your screen, really what's been happening over the last 18 months is that Americans have been faced with ongoing waves of steep price hikes, you know.

And what's really interesting here is that the causes of inflation keep shifting over time. You know, it kind of started with energy as something that typically is a little higher in price, that's something that we kind of expected to see from energy.

But what's really interesting here is that it keeps changing. So, you know, it started with energy, then it went over to used, then new cars, later whole chickens and ground beef. You know, and now it's gas at the pump or an affordable two-bedroom apartment in Nashville.

You know, the forces fueling inflation, as I mentioned, just keep changing, you know. And at the start, inflation really could be dodged by holding onto that old car, you know, or putting off that vacation one more year, but that really changed this year when inflation became spread to nearly every facet of the economy.

I'm going to switch over to this next chart because this really is going to show you how inflation has shifted just in the last few months, and that it's really kind of being driven by a lot of different facets of the economy.

So, by the time Russia invaded Ukraine in February, that cost staggering price increases at the gas pump, as we all know, and really many people

were facing big price hikes in essentials such as food and shelter, you know.

We're really seeing record prices on essentials, which is what's really concerning people right now. So, things like groceries, houses, you know, your energy bill, raising the cost of just getting by for a lot of people, you know.

It's really money that might've paid for in-person services like gym memberships went instead to at-home fitness equipment. I don't know if you guys remember when everyone was buying Peloton, but that's kind of during that time period when everyone was staying home a little bit more, you know.

But then, on the opposite side of that, when the coronavirus cases fell a little bit, people started to go back to travel. And so, you know, when people were traveling more, eating out was subbed out for groceries.

So, this is kind of a visual representation just to show you where inflation is headed and kind of what we can expect in the coming months, and where people can sort of start to prepare and protect their money. Okay.

Now I kind of want to shift gears a little bit and bring you guys back to the board because now that you kind of see what's driving inflation, what's caused it, now I want to talk about the federal funds rate and how that relates to inflation.

What they're doing right now is increasing interest rates. And, you know, when interest rates go up, you know, it's more and more expensive for people to borrow money. And so, when that becomes really expensive, people aren't really putting their money on big-ticket items.

Here you can think of cars, houses, and things like that. And the whole goal here is if people are spending less, demand will go down and prices will go down.

Another thing here actually I wanted to mention, something to really keep in mind, is that you don't have to be the smartest person in the room when you're talking to clients about these topics.

They don't want to know that you know exactly what this number means compared to last month, compared to three months ago, that's not what they're here for. What they're here for is to seek help and really get their questions answered.

The way that we can do that is to kind of talk to them about the ways that this is impacting them. You know, there was a recent study I found that 1.2 million retirees had to go back to work in the last two years because of this crazy insane rise in prices that we're experiencing.

Now that we've spent some time talking about interest rates and inflation, I kind of want to shift gears and talk about how this is impacting retirees. What is the retiree mindset during all of this?

Sort of two things that I want to focus on here are assets and longevity. So, when we think about assets, you know, retirees are wondering, how much money did I save during my retirement years? You know, do I have enough money to actually start my retirement?

Then we have longevity, you know, how long will that retirement savings last me, and will I still be able to kind of have the quality of life and provide for people as I intend and expect to in retirement?

When all this stuff is being left up to chance and predictions and people are not really sure the direction that things are headed, that can really, really stress out retirees because they're on fixed income.

That's why they turn to things like investments, annuities, those kinds of financial products because it kind of gives them back a sense of control in their lives. And that's kind of a great transition into this next topic is how is the current environment impacting advisors and carriers?

So, carriers in order to basically keep up with the insane rate that things are getting more expensive and at the rate that interest rates are rising, they're also making the rates on their products a lot more competitive and they're offering a lot more consumer value and benefit.

In this time period, what we're seeing is a shift to annuities and offering clients annuities as a way to combat what's going on in the economy. And so, for advisors, what does that mean?

So, a lot of advisors, they've been used to doing business a certain way, right? You know, maybe they've done IUL for their entire business, that's what they're comfortable in, that's the space they know really well, and they're struggling right now to sell IUL. How do you pivot in this kind of environment, you know?

Everything is really, really expensive. The same goes for business owners, you know, kind of trying to adapt to what's going on could be costly, and you really can't afford to waste money on marketing programs and strategies that just simply do not work.

I think what's really important for advisors in this time period for you guys really is that you want to be able to adjust to be able to offer annuities potentially, but you don't want to have to pay a lot of money to do that, and you also don't want to sacrifice your IUL business because of it.

What's really great about LifePro and the advantage that we have here is that we kind of do a little bit of everything.

While you are interested in exploring the annuity business and potentially offering annuities to your clients, you really don't have to worry about sacrificing your IUL business as well.

So, the point of talking about all of this stuff today is that there's a lot going on in the market right now. There is a lot of people that are really struggling with this, but then we have the opportunity to really help them.

With that, if you found any of this information useful or would like to potentially explore annuities a little bit further and how they could fit into your practice, and how it could benefit your clients, I strongly encourage you to reach out to your field support representative today to take advantage of the perfect storm.

Thank you so much, and we'll see you next time.