

# Bill Boersma - Blog

## Thoughts on a NPR All Things Considered piece...

Yesterday afternoon I was listening to a piece on NPR's All Things Considered about Ponzi schemes. When it wrapped up, Robert Siegel asked, as a segue to the following piece, "What's the difference between a Ponzi scheme and a life insurance company?". Though a critic of some aspects of the industry, even I was taken back by that. **Are consumers so scared of any aspect of the financial markets that they really have this question on their mind?**

"What's the difference between a Ponzi scheme and a life insurance company?"

Siegel proceeded to have an interview with David Hilzenrath, staff writer for the Washington

Post. I found this interesting considering the number of questions I have received recently regarding the financial solidity of the carriers in the face of market conditions. Upon getting back in the office I looked him up and it turns out his most recent piece is titled "The Risks of Life Insurance" dated February 1, 2009. This piece focuses on an entirely different aspect than that which I preach concerning the risks of life insurance but, none-the-less; you may be interested in reading it or relaying it to the next client who poses such a question.

These are trying times and I think Hilzenrath makes good points in both the radio piece as well as the print piece but they are situational issues (hopefully temporary) which are affecting life insurance carriers and their ability to meet obligations. More importantly, I believe, this portends nothing but a continuation of the unfavorable long term trend regarding life insurance interest and dividend

crediting rates which are more systematic, more damaging in nature and pose a serious long term threat to the ongoing viability of your clients' policies. Even though the carriers will likely survive the current financial crisis, the long term effects on the policies will be real and lasting, over and above the past 25 years of continuously declining money rates which have already had a devastating effect.

Remember, the life insurance companies can only credit policies based on what they are earning on their underlying assets. It is more important now than ever to urge your clients to understand this so they can manage their policies on as informed a basis as possible.



Bill Boersma, Founder  
Opportunity Concepts, LLC

OBJECTIVE INFORMATION DRIVES INFORMED DECISIONS



MCKAY TOWER  
146 MONROE CENTER, SUITE 710  
GRAND RAPIDS, MI 49503  
(616) 456-1000  
OPPORTUNITYCONCEPTS.COM