

Parental Financial Planning in the Philippines: The Role of Life Insurance in Securing Family Futures

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Abstract

With an emphasis on its effects on long-term financial objectives, resilience, and family security, this study examines the role of life insurance in Philippine parents' financial planning. Life insurance has become an essential tool for maintaining financial stability and protecting the futures of dependents and children in the face of growing living expenses and economic uncertainty. A structured survey was used to collect data from 150 parents in Metro Manila who had dependents as part of a quantitative research design. The study evaluates life insurance policies' expected value, payment plans, and perceived benefits in order to determine how important they are for risk management, including debt, income loss, and educational costs. According to the findings, life insurance is essential to parental financial planning, particularly for parents who place a high value on their kids' education and future stability.

Keywords: Life insurance, Financial planning, Income Loss, Financial Stability

INTRODUCTION

For families, life insurance is essential to maintaining stability and financial security, particularly for parents who are responsible for supporting their dependents. Financial planning is now a crucial part of family well-being in a time of economic uncertainty and growing living expenses. An essential tool in this planning process is life insurance, which gives parents the ability to protect their families from unanticipated financial difficulties brought on by an early death or disability. According to research, life insurance is an important component of thorough financial planning in addition to being a risk management tool. Leung and Kwok (2020) assert that life insurance policies assist people in saving money and creating a safety net for their families. This is especially crucial for parents, who frequently have to balance conflicting financial priorities like retirement planning, debt repayment, and saving for their kids' education. Additionally, life insurance services help policyholders maintain financial stability and peace of mind in the face of life's uncertainties, which promotes financial resilience. According to a 2018 study by Browne, Chung, and Frees, households with sufficient life insurance coverage are better able to sustain their standard of living in the event when the main provider passes away. This guarantee can be extremely important to parents in order to guarantee that their children's futures are safe in spite of unanticipated events. Extensive research, both internationally and in the Philippine context, supports the significance of life insurance as a fundamental element of financial planning. In addition to providing families with financial security, life insurance tackles the socioeconomic and cultural factors that affect its uptake. In addition to discussing the obstacles to life insurance's widespread use, this study synthesizes pertinent

studies with an emphasis on the insurance's function in family stability, parental financial planning, and financial security.

Life Insurance as a Financial Security Tool

For families, life insurance offers crucial financial security, guaranteeing that dependents can continue to live comfortably even in the event of the primary breadwinner's death. According to Lim and Haberman (2018), life insurance plans help families deal with financial shocks by serving as a channel for risk transfer. Given that parents are frequently in charge of making sure their children and other dependents are financially stable, the importance of this financial instrument is increased for them. In the Philippines, socioeconomic circumstances including the high cost of living and the absence of strong social safety systems amplify the role of life insurance. According to studies by Velasco and Santos (2020), Filipino households that have life insurance are better prepared to deal with the region's frequent financial problems, such as medical emergencies, income loss, or natural catastrophes. Families are guaranteed access to financial resources for both short-term and long-term requirements thanks to life insurance.

Impact on Parental Financial Planning

Parental financial planning is striking a balance between present spending and long-term objectives. Parents can effectively allocate resources and reduce financial risks by using life insurance as a strategic instrument in this process. According to research by Browne, Chung, and Frees (2018), parents who want to protect their kids' education and ensure their family's level of living should get life insurance. One of the main drivers of life insurance adoption in the Philippines is the desire for education. According to De Guzman (2022), Filipino parents place a high priority on paying for their kids' education since they frequently see it as a means of achieving upward social mobility. Endowment plans and other life insurance policies with benefits tailored to education are especially well-liked since they guarantee that money will be available to support children's educational needs even if the primary breadwinner is not there. Furthermore, retirement savings and debt control are common components of family financial planning. By delivering long-term savings options like cash-value plans and liquidity to pay off obligations, life insurance serves two purposes. Because of these characteristics, life insurance is a flexible tool that Filipino parents can use to manage a variety of financial obligations and work toward financial security.

Socioeconomic Determinants of Life Insurance Ownership

Numerous socioeconomic factors, such as income, financial awareness, and cultural attitudes, have an impact on the acceptance of life insurance. According to Wang and Rosenblatt (2021), families with higher incomes are more likely to get life insurance since they have more financial resources and are more aware of its advantages. However, a sizable section of the population in the Philippines is low- and middle-income, making affordability a major obstacle to obtaining life insurance (Luna & Gomez, 2021). Programs for financial literacy have been essential in raising life insurance knowledge and uptake in the Philippines. Companies like Sun Life Financial and Insular Life have launched initiatives aimed at teaching Filipinos the value of life insurance in financial planning. By clearing up myths, these initiatives have helped more families see life insurance as a need rather than a luxury. In the Philippines, cultural values have an impact on life insurance ownership as well. Rivera (2021) discovered that many Filipinos purchase life insurance due to the focus on intergenerational responsibility and family welfare. This cultural viewpoint is consistent with life insurance's function in guaranteeing the financial security of extended family arrangements, which are prevalent in the Philippines.

Function in Maintaining Family Stability

In addition to being a financial tool, life insurance gives families emotional security. According to Leung

and Kwok (2020), families may concentrate on long-term objectives without having to worry about money instability all the time because to the sense of security that life insurance provides. Because life insurance guarantees that financial commitments may be met regardless of unanticipated circumstances, it offers peace of mind to households in the Philippines, where many rely on a single income earner. The ability of life insurance to provide for dependents during crucial life stages is one way that it affects family stability. For instance, policies that include savings or investing components help parents budget for major costs like housing, healthcare, or education. Families with sufficient life insurance coverage are better equipped to preserve their standard of living and work toward long-term objectives, according to Browne, Chung, and Frees (2018).

Adoption Challenges for Life Insurance

Despite its advantages, there are a number of obstacles to life insurance acceptance in the Philippines. One major obstacle is still affordability, especially for low-income families. Many Filipinos view life insurance as an expensive financial instrument, which deters widespread adoption, according to a 2022 poll conducted by the Philippine Life Insurance Association (PLIA). Misconceptions about life insurance also lead to its underutilization. The potential advantages of life insurance and how it operates are not well understood by many Filipinos. In order to close these knowledge gaps and promote a proactive financial planning culture, financial literacy initiatives are essential. According to Luna and Gomez (2021), focused education campaigns can help debunk stereotypes and persuade more families to think about life insurance as an essential part of their financial plans.

METHODS

With a focus on how parents view the advantages, payment plans, and expected value of life insurance policies, this study used a quantitative research approach to investigate the role of life insurance in parental financial planning. This study intends to offer important insights into the factors influencing parents with children's adoption of life insurance by using a structured survey to gather data. A structured questionnaire that was specifically created to evaluate different facets of life insurance served as the main instrument for gathering data for this study. The survey was divided into several sections, each of which concentrated on a crucial aspect of life insurance. The first section examined the advantages of life insurance and asked participants to rank the significance of long-term planning, financial security, and safeguarding their families' futures. Respondents were asked about the ease, affordability, and flexibility of the payment options that would best meet their needs in the second section, which focused on payment scheme preferences. With questions about how well participants believed life insurance would satisfy their financial needs and expectations, another section examined expected value from life insurance. The last section looked at the benefits and drawbacks of buying life insurance, with a particular emphasis on the advantages and potential difficulties parents may encounter when thinking about life insurance as a financial tool. A Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree," was used in the survey to collect responses. With the use of this scale, the researchers were able to measure the preferences and opinions of the respondents, producing quantifiable information suitable for statistical analysis. Parents with dependents who work in Makati, Manila, and Pasay—three major Metro Manila cities—were the study's primary focus. Due to their high concentrations of working parents, these cities were chosen as the best places to collect pertinent information regarding life insurance ownership and how it affects parental financial planning. Purposive sampling was used to choose participants from among the targeted 150 participants. This sampling strategy made sure that the respondents fulfilled two

requirements: they had to be working adults and parents of dependents. Face-to-face surveys were used to collect data because they allowed for clearer communication and a higher response rate. In-person distribution of the survey allowed the researchers to address any queries participants might have had, resulting in more thorough and accurate answers. To give participants enough time to finish the surveys, they were spread out over a few weeks.

Descriptive statistics were used to analyze the data after the surveys were gathered. To find out how often participants chose specific responses, the researchers used frequency and percentage analysis. This made it easier to comprehend broad trends in preferences, such as widespread opinions regarding the flexibility and affordability of life insurance. Furthermore, because the data from the Likert scale was ordinal and the median offers a more accurate indicator of central tendency for such data, the median was computed for every response. As a result, the researchers were able to determine which answers were most frequently given to each question and learn more about the participants' overall opinions about life insurance. To conduct these analyses, a number of tables were created to display the findings. These tables gave the researchers a clear picture of how parents in Metro Manila view life insurance and made it simple for them to compare and analyze the survey results. An essential component of this study was ethical considerations. Each participant was made aware of the purpose of the study and how their answers would be used, and participation in the survey was entirely voluntary. All participants gave their informed consent, guaranteeing they were aware of their rights, such as the freedom to leave the study at any time without facing any repercussions. No personally identifiable information was included in the final results, and the participants' privacy and confidentiality were rigorously maintained. Every piece of information gathered was safely kept and used only for research.

The methodology has certain drawbacks even though it offers a strong framework for comprehending life insurance preferences. The results might not be entirely representative of the Filipino population as a whole because the sample was limited to three Metro Manila cities. Furthermore, the study does not capture the in-depth, individual insights that qualitative techniques like focus groups or interviews might have offered because it only used quantitative methods. Additionally, because the data was self-reported, response biases like social desirability or misreading survey questions are always possible. In summary, the methodology employed in this study offers a thorough way to comprehend how parents in Metro Manila view and use life insurance products. The study intends to provide important insights into the factors influencing parental financial planning and life insurance adoption by employing a structured survey and quantitative data analysis. Notwithstanding certain drawbacks, the method makes it possible to see how important life insurance is to Filipino families' financial stability.

RESULTS AND DISCUSSION

Table 1. Advantages of Life Insurance Coverage

Question	Median	Variable Interpretation
I want to provide protection for my family	5	Strongly Agree
I want to create a financial safety net for my loved ones	5	Strongly Agree
I want to guard against estate taxes	5	Strongly Agree
I want to boost my retirement savings	5	Strongly Agree
I want to accomplish long-term objectives	5	Strongly Agree
I want support with managing debts	4	Agree

The results from Table 1 indicate that respondents strongly value the protective and financial security aspects of life insurance. The majority of respondents, with a median score of 5, strongly agreed with statements such as “I want to ensure my family is protected,” “I want to create a financial safety net for my loved ones,” and “I want to be protected from estate taxes.” This highlights that the primary motivation for purchasing life insurance is the desire to safeguard the financial well-being of family members in case of an untimely death, and to mitigate the impact of estate-related financial burdens. In addition, respondents showed a strong agreement (median of 5) with the need to supplement their retirement savings and achieve long-term financial goals, which suggests that life insurance is seen as an essential tool not only for protection but also for long-term wealth planning. However, there was a slightly lower response (median of 4) regarding receiving help with managing debt, indicating that while life insurance is viewed as a useful financial tool, it may not be primarily considered for debt management purposes.

Table 2. Preferred Payment Options for Life Insurance

Question	Median	Variable Interpretation
I prefer a simple insurance payment structure	4	Agree
Even individuals with modest incomes should be able to afford it	4	Agree
I desire a monthly annuity of P2,000.00	4	Agree
I seek a more flexible and convenient payment plan	4	Agree
I want a variety of payment options	4	Agree

In Table 2, the respondents overwhelmingly agreed (median of 4) on several aspects of life insurance payment schemes. The convenience and flexibility of the payment options were key factors for most participants, as indicated by their preference for a convenient payment scheme, multiple payment options, and a desire for an easy and flexible payment structure. The consistent responses across these variables suggest that respondents prioritize ease and affordability in managing insurance premiums. Interestingly, even those with modest incomes expressed the desire for life insurance, as indicated by the statement “Even individuals with modest incomes should be able to afford it.” This reflects a broader trend where respondents are seeking life insurance products that are not only convenient but also accessible to individuals with varying financial capabilities. Additionally, the preference for a monthly annuity of P2,000.00 supports the idea that participants want affordable and manageable premium payments.

Table 3. Expected Value from Life Insurance

Question	Median	Variable Interpretation
I expect my insurance needs to be fully met	4	Agree
My age and insurance coverage should guide the payment structure	4	Agree
I should have the freedom to select from various insurance providers	4	Agree
Insurance can offer reassurance by understanding my situation	4	Agree
I would like multiple payment choices	4	Agree

The data from Table 3 reveals that respondents have certain expectations about the value that life insurance will provide. A median score of 4 was recorded for most statements, such as "I believe my insurance expectations will be fully met," "Age and insurance coverage should guide the payment structure," and "I

should have the freedom to select from various insurance providers." These results suggest that customers anticipate a clear and comprehensive match between their insurance needs and the coverage provided. Furthermore, the respondents expressed a desire for insurance to offer reassurance and address their unique personal situations. This suggests that customer expectations extend beyond financial protection and include a personalized understanding of their needs. The uniform agreement across these variables highlights a strong demand for a tailored and flexible insurance experience.

Table 4: Benefits of Life Insurance for Parents with Children

Variable	Rank
It secures the future of the family left behind	1
It relieves concerns about future uncertainties	2
It is affordable and cost-effective	3
Life insurance policies can offer tax advantages	4
Life insurance can be converted into cash	5

The results in Table 4 show that parents with children who purchase life insurance tend to view the policy as a key tool for securing their family’s future. The highest-ranked benefit (rank 1) is the protection it offers for the family left behind in the event of an unexpected death. The second most valued advantage (rank 2) is the relief it provides from future uncertainties, suggesting that life insurance is seen as a safety net against the unknown. These findings highlight the peace of mind that life insurance provides for parents, securing the financial future of their dependents. Furthermore, life insurance was perceived as affordable (rank 3), with respondents recognizing the potential tax benefits (rank 4) and the ability to convert policies into cash (rank 5). This indicates that life insurance is regarded not only as a protective financial tool but also as a versatile asset that can offer tax advantages and liquidity in certain circumstances.

Table 5: Challenges Faced by Parents with Children in Purchasing Life Insurance

Variable	Rank
Life insurance requires a long-term commitment	1
Financial advisors may frequently change	2
There is a low rate of return on investment	3
It poses a high investment risk due to company stability	4
There is an opportunity cost involved with purchasing insurance	5

In contrast, the survey also revealed some concerns about life insurance, as shown in Table 5. The most significant disadvantage noted (rank 1) was the long-term commitment required by life insurance policies. This reflects the concern that life insurance may feel like a financial burden over time, especially given the ongoing premium payments. The second most prominent disadvantage (rank 2) was the turnover of financial advisors, which may lead to a lack of continuity in advice and service, potentially causing confusion or uncertainty for policyholders. Other concerns included the relatively lower rate of return on investment (rank 3) and the high-risk nature of life insurance due to the stability of insurance companies (rank 4). These points suggest that while life insurance is valued for its protective benefits, it may be perceived as less financially rewarding in terms of investment returns compared to other financial

instruments. Additionally, respondents highlighted the opportunity cost associated with committing funds to life insurance, as it may limit other investment opportunities (rank 5).

It is commonly acknowledged that life insurance is an essential financial instrument that provides families—particularly parents—with protection against unforeseen expenses. It is impossible to overestimate the significance of life insurance as a way to guarantee dependents' financial stability, particularly in a world where living expenses are on the rise and the economy is unstable. With an emphasis on how life insurance promotes long-term family well-being by providing protection and a possible savings vehicle, this study examined the function of life insurance in parents' financial planning. The study obtained information from 150 working parents in Metro Manila (Makati, Manila, and Pasay) through a thorough survey, providing insight into the reasons behind life insurance purchases, payment plan preferences, and obstacles parents encounter when trying to obtain life insurance. Regarding the function of life insurance in parental financial planning, the study produced a number of important conclusions. Respondents ranked family protection as their top priority. Statements emphasizing the value of life insurance in protecting against estate taxes, establishing a financial safety net, and guaranteeing the safety of their loved ones were overwhelmingly supported. These findings highlight that the main reason people buy life insurance is to protect their family in the event of an early death, guaranteeing financial stability in unpredictable times. Furthermore, the respondents made it apparent that they wanted life insurance to be used as a tool for long-term financial planning, specifically with regard to retirement savings and reaching financial objectives. According to the survey results, life insurance is seen as a way to increase future wealth in addition to serving as a protective measure. It appears that many parents see life insurance as an essential component of their larger financial plan because respondents strongly agreed with the notion that it could assist them in achieving long-term goals and offer extra support for retirement.

According to the study, parents overwhelmingly favored flexible and reasonably priced payment plans when it came to payment plans. A recurring theme was the desire for straightforward payment plans, with the majority of respondents concurring that even people with low incomes should be able to purchase life insurance. It is clear that life insurance products must be flexible and reasonably priced, as evidenced by the preference for monthly annuity payments, particularly at a reasonable rate of about P2,000. These choices show that although Filipino parents recognize the importance of life insurance, it is essential for them to be able to pay premiums without jeopardizing other financial obligations. The expectations from life insurance policies were another noteworthy discovery. In addition to providing reassurance and peace of mind, participants hoped that life insurance would completely cover their financial needs. They stated that they would like a large range of payment choices as well as the flexibility to choose the insurance companies that best fit their unique situation. This anticipation is in line with the rising need for individualized life insurance plans that address each policyholder's particular requirements. The respondents placed the highest value on life insurance's ability to protect their family's future. The greatest benefit was thought to be the ability to protect dependents' future, alleviate uncertainty, and provide financial support during difficult times. The potential tax benefits and cash conversion of life insurance were also highly regarded, highlighting its adaptability and usefulness beyond simple financial security. The study did, however, also point out a number of difficulties parents encounter when thinking about life insurance. The biggest worry was the long-term commitment needed for life insurance policies, which was followed by problems with financial advisor turnover, which can interfere with service continuity. Concerns regarding the stability of insurance companies and the comparatively low rate of return on investment from life insurance policies were also mentioned as disadvantages. Respondents also pointed

out that there was an opportunity cost associated with buying life insurance because money paid for premiums might have been better spent elsewhere. These difficulties imply that although life insurance is highly regarded for its protective advantages, some people are hesitant to purchase it because of its perceived long-term nature and financial constraints.

In summary, life insurance is essential to a family's financial stability, especially for parents who are responsible for supporting their dependents. The results of this study support the notion that life insurance is an important part of long-term financial planning in addition to being a tool for risk management. Life insurance is primarily seen by parents in Metro Manila, particularly those who have dependents, as a way to safeguard their families and ensure their financial security. Although respondents strongly favor flexible and reasonably priced payment plans, they also indicated a desire for life insurance policies that closely match their individual financial objectives and situation. The cost of premiums, the need for a long-term commitment, and the poor returns linked to some life insurance plans are some of the obstacles the study also found that prevent life insurance from being widely adopted. These difficulties imply that in order to reach a wider range of consumers, especially those from lower-income brackets, life insurance companies may need to think about providing more accessible, flexible, and reasonably priced products. In order to dispel myths about life insurance and promote its acceptance as an essential instrument for financial planning, financial literacy programs are essential. All things considered, life insurance is generally regarded as being necessary to safeguard families' financial futures, but increasing its uptake requires an awareness of and attention to the difficulties and expectations of parents. Given the ongoing economic uncertainty facing the Filipino people, life insurance can be a vital component of financial stability, providing families navigating the intricacies of contemporary life with long-term savings as well as protection.

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