

# BIBLICAL ECONOMICS TODAY

Vol. II, No. 4

© Institute for Christian Economics, 1978

August/September 1978

## Death Insurance

Your family is underinsured. This is easy to say, since almost all families in the United States are underinsured. If you were to die tomorrow, your wife would have a tough time surviving on the proceeds of your insurance policy—unless you have a very good looking wife under age 30, making rapid remarriage more likely.

The reason why your family is underinsured is because some commission-hungry insurance salesman has sold you too much life insurance. You don't need life insurance. You need, or rather your heirs need, death insurance. You die, the company pays. This is term insurance, and salesmen don't like to sell it. They want to sell you "life" insurance: a "savings" plan, called cash-value life insurance, which will give you your paper money back at age 65. It is grotesquely expensive, incredibly profitable for the insurance industry, and a disaster for the buyer. Price inflation wipes you out.

It is very easy to find out if you are overpaying for your death insurance. On the back of this sheet is a reproduction of the Commissioners 1958 Standard Mortality Table, the overconservative table used by insurance companies to estimate life expectancy for members of each age group. Here is how to use it. Locate your age group, and then check the "Deaths Per 1,000" figure. If you want \$100,000 of term insurance, multiply this figure by 100. At age 30, for example, you should pay no more than \$213 this year for the \$100,000 protection you want for your family. If you pay more than 10% above \$213, you are overpaying, and really, you should not be paying this much. If they revise the table in a few years, as they should, given the longer life expectancy of Americans today, the rates will drop, but only on new policies. You must check every year with your insurance salesman to see if the new table is out. If it is, convert your policy to a new one which reflects the lower risk. If you have a pre-1958 policy, you are really overpaying; some policies are not automatically reconverted. You are paying on the 1941 table which reflects the life spans of men living in the 1931-41 era. You can still switch your policy. Remember, few agents will tell you when a new mortality table becomes standard. You have to ask. Keep shopping, and never hesitate to switch companies or policies.

Cash-value life insurance—"ordinary life," "whole life," etc.—is sold in the name of family savings. You earn

something under 3% on your cash-value portion, and only if you hold the policy to maturity at age 65. Meanwhile, the company is earning about 6% on the money you have invested in the policy. Life insurance companies therefore structure salesmen's commission rates to discourage the sale of term insurance. The difference between a first-year commission for a \$100,000 cash-value policy and a term policy can be as large as \$1,000: \$1,100 vs. \$100. No salesman can earn his living selling only term insurance.

Term insurance buyers therefore get a subsidy from buyers of non-term insurance. They pay lower commissions, and therefore lower premiums, than would have been possible had the commission structure accounted for the full costs of signing them up. You are foolish if you continue to subsidize term insurance buyers like me by buying cash-value policies. Only 15% of all American policies sold are term insurance policies.

With price inflation at 6% per annum, compounded, and cash values receiving about 2.5%, the purchasing power of each year's cash value portion of the premium will fall by about 50% every 20 years. With price inflation at 10%, the investment is losing over 7% per annum in terms of purchasing power, reducing its purchasing power by 50% every decade. This is a savings plan?

In a time of price inflation, as our era is, it is economically suicidal to become a long-term creditor in fixed-return (fixed percentage) investments. The major forms of long-term credit investments are these: cash-value life insurance, annuities, pensions, bonds, and mortgages. Life insurance companies sell us the first three in order to invest two-thirds of their assets in the last two. Draw your own conclusions.

If you die, the savings portion of your cash-value policy is used to pay off its face value to your heirs. The longer you hold a cash-value policy, the larger your share of the death insurance portion. You die, you pay. This is insurance protection? Your death wipes out your so-called savings. If you buy term insurance and invest the difference between the two premiums, you should be able to make 6% or more on your savings (not 3% or less), and your death will not wipe out your savings. Convert to term. Now.

How much death insurance is necessary? The standard rule of thumb is this: at least three times the net (after

tax) annual income of the insured. This is probably too low, given the present rate of price inflation. A four-to-one figure is more reasonable. Personally, I think a young family needs at least \$75,000 and probably \$100,000. You therefore have to buy term insurance. You can't afford anything else.

The wife should purchase the policy in order to keep the pay-out from entering the total estate of the husband at his death. It removes the pay-out from the estate tax, should there be any. She should be listed as the owner and pay the premiums with her own personal, exclusive checking account (not a joint account).

You (she) should insist on the following type of policy: annual renewable term, renewable to age 70, non-participating, with increasing premiums and a fixed pay-out. To get one, you will have to insist on it. Salesmen don't like to sell them.

Premiums on identical insurance coverage can vary more than 100% per year. You must shop price. One Christian organization that can help you is the Life Insurance Truth Society, 140 N. Barry Ave., Wayzata, MN 55391. They keep track of low-cost companies. (You might send a \$5 donation when you write.)

A. M. Best Co., of Oldwick, NJ, publishes the financial ratings and addresses of all U. S. insurance companies. Your library may have *Best's Insurance Reports—Life/*

*Health*. If so, use it.

Here is the universal rule: if you don't fully understand the economics of the policy, don't buy it. If you have already bought it, buy term and then cancel it.

A few companies "low ball" you in the first four years and then raise premiums on you in the fifth year. They want you to convert your policy to cash-value life. If your policy does this, switch to another company. For larger policies above \$40,000, Commercial Bankers Life, Covenant Life (Indiana), and United Investors Life offer competitive rates. For \$10,000 and \$25,000 policies, Old Line Life is good. New policies with new rates keep appearing on the market. Keep shopping, and never be afraid to switch companies. This is a good reason for avoiding "deposit" term insurance, where you have to stay with the same company for 10 years to recoup your initial extra deposit. Even when you receive double your deposit, you have barely kept pace with inflation. Make the companies compete for your insurance dollar.

For more information, read Norman F. Dacey's book, *What's Wrong With Your Life Insurance* (Collier, 1962, \$1.95) and the American Institute for Economic Research's book, *Life Insurance from the Investor's Point of View* (Great Barrington, Mass., \$1).

Gary North

| Age | Number<br>Living | Number<br>of Deaths | Deaths<br>Per 1,000 | Expectation<br>of Life | Age | Number<br>Living | Number<br>of Deaths | Deaths<br>Per 1,000 | Expectation<br>of Life |
|-----|------------------|---------------------|---------------------|------------------------|-----|------------------|---------------------|---------------------|------------------------|
| 0   | 10,000,000       | 70,800              | 7.08                | 68.30                  | 50  | 8,762,306        | 72,902              | 8.32                | 23.63                  |
| 1   | 9,929,200        | 17,475              | 1.76                | 67.78                  | 51  | 8,689,404        | 79,160              | 9.11                | 22.82                  |
| 2   | 9,851,725        | 15,066              | 1.52                | 66.90                  | 52  | 8,610,244        | 85,758              | 9.96                | 22.03                  |
| 3   | 9,766,659        | 14,443              | 1.46                | 66.00                  | 53  | 8,524,486        | 92,832              | 10.89               | 21.25                  |
| 4   | 9,682,210        | 13,835              | 1.40                | 65.10                  | 54  | 8,431,654        | 100,337             | 11.90               | 20.47                  |
| 5   | 9,588,375        | 13,322              | 1.35                | 64.19                  | 55  | 8,331,317        | 108,307             | 13.00               | 19.71                  |
| 6   | 9,555,053        | 12,812              | 1.30                | 63.27                  | 56  | 8,223,010        | 116,849             | 14.21               | 18.97                  |
| 7   | 9,442,241        | 12,401              | 1.26                | 62.35                  | 57  | 8,106,161        | 126,970             | 15.54               | 18.23                  |
| 8   | 9,329,840        | 12,091              | 1.23                | 61.43                  | 58  | 7,980,191        | 136,663             | 17.00               | 17.51                  |
| 9   | 9,217,749        | 11,879              | 1.21                | 60.51                  | 59  | 7,844,528        | 145,830             | 18.59               | 16.81                  |
| 10  | 9,106,870        | 11,865              | 1.21                | 59.58                  | 60  | 7,698,698        | 156,592             | 20.34               | 16.12                  |
| 11  | 9,794,005        | 12,047              | 1.23                | 58.65                  | 61  | 7,542,105        | 167,736             | 22.24               | 15.44                  |
| 12  | 9,181,958        | 12,325              | 1.26                | 57.72                  | 62  | 7,374,370        | 179,271             | 24.31               | 14.78                  |
| 13  | 9,169,633        | 12,396              | 1.32                | 56.80                  | 63  | 7,195,099        | 191,174             | 26.67               | 14.14                  |
| 14  | 9,156,737        | 13,562              | 1.39                | 55.87                  | 64  | 7,008,925        | 203,394             | 29.04               | 13.51                  |
| 15  | 9,143,175        | 14,225              | 1.46                | 54.95                  | 65  | 6,800,631        | 215,917             | 31.75               | 12.90                  |
| 16  | 9,128,950        | 14,983              | 1.54                | 54.03                  | 66  | 6,584,614        | 228,749             | 34.74               | 12.31                  |
| 17  | 9,113,967        | 15,737              | 1.62                | 53.11                  | 67  | 6,355,855        | 241,777             | 38.04               | 11.73                  |
| 18  | 9,098,230        | 16,390              | 1.69                | 52.19                  | 68  | 6,114,088        | 254,836             | 41.68               | 11.17                  |
| 19  | 9,081,840        | 16,846              | 1.74                | 51.28                  | 69  | 5,859,253        | 267,241             | 45.61               | 10.64                  |
| 20  | 9,064,984        | 17,300              | 1.79                | 50.37                  | 70  | 5,592,012        | 278,426             | 49.79               | 10.12                  |
| 21  | 9,047,694        | 17,655              | 1.83                | 49.46                  | 71  | 5,313,586        | 287,731             | 54.16               | 9.63                   |
| 22  | 9,030,039        | 17,912              | 1.86                | 48.55                  | 72  | 5,025,855        | 294,766             | 58.65               | 9.15                   |
| 23  | 9,012,127        | 18,167              | 1.89                | 47.64                  | 73  | 4,731,089        | 299,289             | 63.26               | 8.69                   |
| 24  | 9,000,960        | 18,324              | 1.91                | 46.73                  | 74  | 4,431,600        | 301,694             | 68.12               | 8.24                   |
| 25  | 9,075,636        | 18,481              | 1.93                | 45.82                  | 75  | 4,129,906        | 303,011             | 73.37               | 7.81                   |
| 26  | 9,057,155        | 18,732              | 1.96                | 44.90                  | 76  | 3,826,895        | 308,014             | 79.18               | 7.39                   |
| 27  | 9,038,423        | 18,981              | 1.99                | 43.99                  | 77  | 3,523,881        | 301,997             | 85.70               | 6.96                   |
| 28  | 9,019,442        | 19,324              | 2.03                | 43.08                  | 78  | 3,221,884        | 295,829             | 93.06               | 6.59                   |
| 29  | 9,000,118        | 19,760              | 2.08                | 42.16                  | 79  | 2,922,055        | 295,683             | 101.19              | 6.21                   |
| 30  | 9,480,368        | 20,193              | 2.13                | 41.25                  | 80  | 2,626,372        | 288,848             | 109.98              | 5.85                   |
| 31  | 9,460,165        | 20,718              | 2.19                | 40.34                  | 81  | 2,337,624        | 278,983             | 119.35              | 5.51                   |
| 32  | 9,439,447        | 21,239              | 2.25                | 39.43                  | 82  | 2,058,541        | 265,902             | 129.17              | 5.19                   |
| 33  | 9,418,208        | 21,850              | 2.32                | 38.51                  | 83  | 1,792,639        | 249,858             | 139.38              | 4.89                   |
| 34  | 9,396,358        | 22,551              | 2.40                | 37.60                  | 84  | 1,542,781        | 231,433             | 150.01              | 4.60                   |
| 35  | 9,373,807        | 23,528              | 2.51                | 36.69                  | 85  | 1,311,948        | 211,311             | 161.14              | 4.32                   |
| 36  | 9,350,279        | 24,585              | 2.64                | 35.78                  | 86  | 1,100,037        | 190,108             | 172.82              | 4.06                   |
| 37  | 9,325,594        | 26,112              | 2.80                | 34.86                  | 87  | 909,929          | 168,455             | 185.13              | 3.80                   |
| 38  | 9,299,482        | 27,991              | 3.01                | 33.97                  | 88  | 741,474          | 145,997             | 198.25              | 3.55                   |
| 39  | 9,271,491        | 30,132              | 3.25                | 33.07                  | 89  | 594,477          | 126,303             | 212.46              | 3.31                   |
| 40  | 9,241,359        | 32,622              | 3.53                | 32.18                  | 90  | 468,174          | 106,809             | 228.14              | 3.06                   |
| 41  | 9,208,737        | 35,362              | 3.84                | 31.29                  | 91  | 361,365          | 88,813              | 245.77              | 2.82                   |
| 42  | 9,173,375        | 38,253              | 4.17                | 30.41                  | 92  | 272,552          | 72,480              | 265.93              | 2.58                   |
| 43  | 9,135,122        | 41,382              | 4.53                | 29.54                  | 93  | 200,072          | 67,881              | 289.30              | 2.33                   |
| 44  | 9,093,740        | 44,741              | 4.92                | 28.67                  | 94  | 142,191          | 45,026              | 316.66              | 2.07                   |
| 45  | 9,048,999        | 48,412              | 5.35                | 27.81                  | 95  | 97,165           | 34,128              | 351.24              | 1.80                   |
| 46  | 9,000,587        | 52,473              | 5.83                | 26.95                  | 96  | 63,037           | 25,250              | 400.66              | 1.51                   |
| 47  | 8,948,114        | 56,910              | 6.36                | 26.11                  | 97  | 37,787           | 18,456              | 488.42              | 1.18                   |
| 48  | 8,891,204        | 61,794              | 6.95                | 25.27                  | 98  | 19,331           | 12,916              | 668.15              | .83                    |
| 49  | 8,829,410        | 67,104              | 7.60                | 24.45                  | 99  | 5,415            | 6,415               | 1000.00             | .50                    |

# THE BIBLICAL CONCEPT OF PROPERTY

by Tom Rose

The continued existence of poverty and inequality in this world remains a stumbling block to many Christians. Recently some 200 delegates met at a Christian college to discuss a topic entitled "Ethical Considerations for Christians Concerning Wealth and Power." The majority in attendance approved, among others, this opinion concerning private property:

We believe that Christian justice and love demand at least: that every person, group and nation ought to be assured of an equal chance to maintain life, develop talents and resources, and fulfill obligations to God and neighbors.

No mention was made concerning what agency is to be empowered with such awesome power to provide the desired assurance of **equality**, but the presupposition is that the agency is civil government. Before concerned Christians go too far in urging that the civil authority be empowered to assume such a coercive role, it would be prudent to note that even God Himself, with all His omniscience and omnipotent power, did not elect to dictate to men in such a way. Rather, He left men individually self-responsible in this matter. Nowhere in the Bible do we find the Sovereign owner of all the universe exerting His unquestioned authority to assure equality to all men. In fact, the commandments "Thou shalt not steal" and "Thou shalt not covet" (Ex. 20:15, 17), along with countless other biblical examples, clearly indicate an unequal distribution of both opportunity and wealth.

But there is one point on which the Bible **does** present an egalitarian view — that is, concerning the principle of self-responsibility before God for whatever talents or resources God might have bestowed on us:

Behold, all souls are mine; as the soul of the father, so also the soul of the son is mine: the soul that sinneth, it shall die (Ezek. 18:4).

For unto whomsoever much is given, of him shall much be required . . . (Luke 12:48).

So then every one of us shall give account of himself to God (Rom. 14:12).

There are two contrasting philosophies of property extant in the world today. One is the Marxian concept which regards the State as the practical owner and/or controller of wealth, with individuals being answerable to the State for what they do or don't do with the wealth the State allows them to control. This, in effect, is the unspoken philosophy of property which underlies the majority opinion of the 200 given above.

The other philosophy is the Christian or biblical view which recognizes that God is the owner of all the earth (Ps. 24:1), but which simultaneously supports man's right to act freely and uncoercedly as an acting trustee so he can indeed stand self-responsible before God for whatever disposition he might make of his wealth or talents. While this biblical view recognizes the need of others, whom we are to regard with brotherly love, it never gives those in need a legal claim on those who have more than they do. For, how could such claims be measured objectively? The principle of property is beautifully stated in our Lord's parable of the laborers in the vineyard:

Is it not lawful for me to do what I will with mine own? (Matt. 20:15)

Let us look at the logic behind God's principle of private property as a means to understanding why the private and individual control of wealth is necessary in God's created universe:

When God created man in His image and likeness (Gen. 1:26) and made man a living soul (Gen. 2:7), He established a unique relationship between things spiritual and physical. Logically speaking, it became necessary for God's image in man (the spiritual aspect of man) to exist in a material world. In other words, God created a situation in which man, a spirit living in a physical body, had to think rationally (mentally) but act purposefully (economically) in a physical environment.

The logical question to be answered was this: **How** can man — a God-reflecting spirit housed in a physical body — be empowered to act as a self-responsible entity in a **material** world? If man were simply a spirit living in a spirit world, this practical problem would never have appeared.

But, logically speaking, the moment man was created a living soul in the image of God, with the same mental imputation power that God has, the problem of duality arose.

God handled this problem by establishing a legal relationship (1) between Himself and man, (2) between the spiritual aspect and physical aspect of man, and (3) between man and the outside world. This legal relationship is called **property**, and it works in this order:

(1) God as Creator and Sustainer of the entire universe is the absolute Sovereign. Not only does God own all the earth and the cattle upon the hills (Ps. 50:10), but He also owns (i.e., has property in) man. His property in man is absolute:

What? know ye not that your body is the temple of the Holy Ghost which is in you, which ye have of God, and ye are not your own?

For ye are bought with a price: therefore glorify God in your body, and in your spirit, which are God's (I Cor. 6:19-20).

The above quote applies specifically to Christians, but the principle of ownership applies to all men, even the unregenerate.

(2) Because man is made in God's image, he enjoys, though on a finite basis, the same legal ownership right that God has: Man has a property in himself — in his thoughts, his opinions, his own body, and even in the fruit of his own productive activity. Each man has undisputable property in his own self; no other person or entity on earth, if man is to stand self-responsible before God, has the moral right to usurp this property right. It is a holy, legal relationship created by God. It is required by man's God-appointed self-responsibility. It is inherent in the God/man trustee relationship.

(3) Now, in order to empower spiritual man with the capability of acting purposefully in a material universe, the legal property relationship that exists between God and man, and between spiritual man and his body, is thus extended between man and the physical universe on the outside. Man, in effect, had to be given a "fulcrum" that could be used to implement or transfer his spiritual activity into his physical environment: Since man thinks and imputes value **mentally**, he must have some means of **translating** his mental imputations into purposeful action in his environment. Thus, God established the biblical concept of private property. What man produces with his own hands belongs to him, and he is **personally** and **individually** responsible to God for the wealth under his control while sojourning here on earth.

We can understand the theological basis of private property and man's self-responsibility before God by in-

vestigating the logic behind a key biblical precept. The biblical concept of property, in conjunction with God's admonition to love one another, immediately makes the role of civil government quite clear regarding wealth: Rather than attempting to redistribute wealth in the vain hope of achieving egalitarian social goals (which is an **attack** on property), the proper role of civil government is to **protect** and **enhance** each person's property so that his self-responsibility before God will be maximized. This, of course, is exactly the opposite of what most civil governments in the world today are doing, including our own. Our own society has strayed from the biblical precept of property, which serves to indicate the job of Christian reconstruction which awaits us as co-workers in building the Kingdom of God here on earth until our Lord comes again.

## It Must Have Gold Crescent

BOULDER, Colo. (AP)—Maybe some people suggest \$65,000 is a bit much to spend for an outhouse. That's the price tag for a vandal-proof, rape-proof, modernistic facility built on Boulder's downtown mall. The bathroom became so controversial that Rep. Patricia Schroeder, D-Colo., asked the General Accounting Office to investigate its cost.

The office's report is complete and city officials who authorized the outhouse can rest a bit more easily.

GAO auditors says Boulder City Manager Bob Westdyke found the cost is "probably reasonable" due to the requirements placed on the design by its chosen location, its necessary compactness, the need for a vandal-resistant, long-lasting, rape-proof and secure building.

**Biblical Economics Today** is published six times a year, alternating with **Christian Reconstruction**. It is published by the Institute for Christian Economics, a non-profit, tax-exempt educational organization. It is mailed free of charge to residents of North America. **Subscriptions:** 713 W. Cornwallis Rd., Durham, NC 27707. Donations are fully tax deductible. Checks should be made out to Institute for Christian Economics.