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Question Box

University of Pennsylvania

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UNIVERSITY OF PENNSYLVANIA

"QUESTION BOX"

Broadcast Over Station KYW, Philadelphia

Saturday, January 8, 1938

Opening Announcement: We present the University of Pennsylvania Question Box. This is a new series of programs in which the University of Pennsylvania offers the advice and help of its faculty members in solving the problems of the average citizen. The series aims to bring the University directly to the widest possible circle of people. Tonight there are gathered around the counsel table Dr. James T. Young of the University's radio committee, Dr. S. S. Huebner, head of the University's Department of Insurance, and John Q. Public, who represents the average citizen. We present now Dr. Young.

- Y. We have selected for the opening program of our series, "The Financial Future of the Average Citizen." We picked this subject because we realize that for most people the greatest joys and hopes and responsibilities of life are centered about the family. We know, too, that anything which protects the future of that family is vitally important to all of us. Dr. Huebner, that's the reason we've asked you to join us this evening and tell us just what you think the average citizen ought to do about this entire problem.
- H. Dr. Young you've surely missed your calling. You should have been an insurance salesman. I think, though, we ought to make it clear right at the start that we're not trying to sell anything. We want to help by advising John Public here how he can meet some pretty stiff practical questions in his life. Isn't that what you want us to do, John Public?
- J.P. That's quite right, and I'm mighty glad you're not going to try to sell me anything. I don't want to know the price or which company to buy from, but I do need some advice on just how life insurance will be of any direct help to me, if it will, and I'm not at all sure that it will.

- Y. That's the way we all feel, John Public. How about that Dr. Huebner?
- H. Well, let's put ourselves in John's place and ask ourselves - aren't we, all of us, really engaged in two different businesses? First and most vital is our family and our home and second is our regular job or employment. Our job supports our home. Now I think that the home ought to be managed and protected for the future in the same way that any regular business is protected. For example, let me ask John Public here a question - Do you think it safe for the head of a family, a husband or a father, to gamble with the future of his wife and children?
- J.P. Certainly not, that's the last thing a man ought to do.
- H. But that's exactly what a man does do when he fails to use part of his wages or salary to insure for the future.
- Y. Well now, just a minute, Dr. Huebner. Aren't you making that a little bit strong? Suppose a man's family is willing to go without insurance. You wouldn't say he was gambling just because he spent his entire income to please his family, would you?
- H. Yes, I'd say exactly that, Dr. Young. Have you never thought that nine-tenths of our families are constantly threatened by four great and serious dangers over which they have almost no control.
- J.P. Excuse me, Dr. Huebner, but I don't feel that way at all. Could you give us some examples of that?
- H. Certainly, John Public. There are four real perils which may threaten your family at any moment. The first of them is complete loss of earning power through death.
- J.P. You mean that if I die there are no more pay checks for my family?
- H. Exactly. And second is the loss of your own savings through poor investments.
- J.P. Well - yes, that's true. Lots of my friends have put money in banks that failed or in stocks that pay no dividends.

- H. Then in the third place there's a great shrinkage and loss in almost everybody's savings at the time when he passes away.
- J.P. I don't see why that need happen.
- Y. I think I get Dr. Huebner's idea, John Public. When a man dies, even one who has been thrifty and saving, there are certain heavy expenses and burdens on his estate which cut it away down below what it was in his lifetime.
- H. Yes, that's it exactly. I'll come to that in a minute. But let me finish with the fourth and last danger which our families face - that's the gradual loss of earning power through old age. Don't you agree with me, John Public, that that's a pretty serious problem?
- J.P. Yes, Doctor, I do agree with you there. But tell me just how insurance helps us in these dangers.
- H. It helps with all four of them. Let's take the loss of family income through death of the breadwinner, for example. Did you ever stop to think that we always insure property because of its earning power and its value? No one buys a house without insuring it, does he? No ship leaves any port in America without insurance both on the vessel itself and on its cargo.
- J.P. Do you mean we insure all kinds of property to protect ourselves against losing the earnings of that property?
- H. Yes, that's just what I mean. You take the freight that's hauled by our railroads. It's heavily insured while in transit. And even the goods on the shelves of our retail stores are insured. Why? Because of their value and earning power. Now then, John Public let me put this up to you as a reasonable man - if we take all this care to protect property because of its earning power, how foolish - how worse than foolish it is to give no protection to the earning power of human beings themselves!
- J.P. That's a new idea to me. You mean that every man's life has an earning value?
- H. Yes, and if you take all the life earning values in the community, they are far, far greater than the property values.

- Y. Dr. Huebner, a moment ago you said to John Public that there was such a danger of poor investments that even a thrifty, careful man might lose his savings. Well now hasn't the big smash in 1929 shown us that wherever we put our money we might lose it? And wouldn't we lose our life insurance just like everything else?
- H. Dr. Young, your question goes right to the heart of life insurance as an investment. If there's one great uncertainty overhanging all forms of saving and of business itself today it's the danger of losing what little we have taken such pains to save up. I think John Public will agree that this is bad for the business man, it's worse for the salaried man and for the wage earner it's positively a calamity.
- J.P. You're dead right about that, Dr. Huebner, and for those of us who make very little it's hard to see why we should try to save at all if everything we lay by is going to be swept away in some tremendous panic.
- H. Well now, John Public, it's right there that life insurance as an investment offers one of its strongest features. By the way, Dr. Young, did you know that the standard life insurance concerns, what we call the old line companies, had an almost perfect record of safety right through the depression?
- Y. No, I didn't know that. You mean that when so many other business organizations were cracking up and being bowled over like tenpins, the standard life companies did not fail and did not lose their policy-holders' money?
- H. Just exactly. In New York State, for example, not a single policy-holder in any life company allowed to do business there failed to get every dollar that was promised to him in his policy. So when I say life insurance has been a good investment I mean it has freed the individual from the cares, worries and losses which he so often suffers in investing his own savings.
- Y. Well I must admit that certainly is a wonderful record.
- H. And if a bit of hard luck came along and the policy-holder needed his savings back in cash for some good reason, he could get it.

- J.P. Dr. Huebner I feel myself slipping, you've pretty nearly convinced me.
- H. You're not slipping, John Public, you're just getting on good solid ground. And here's another thing to think of - right at this moment the policy-holders in American life companies have about 24 billions of dollars standing to their credit. That's nearly one thirteenth of the whole wealth of the country. Every year adds about one and a half billion more to this immense fund. Meanwhile it has been safely cared for and has yielded an interest, making it grow year by year.
- J.P. Dr. Huebner, when you talk of investment I always think of buying a \$500 bond or something. Now most of us don't have a chance to lay by any such sum as that all at once. In fact we are scratching so hard to make a living that we have no time to talk about investment at all.
- H. You're quite right. Nine-tenths of our people must save on some instalment plan, that is a little each week or each month. And right there is where life insurance fits into our needs. It gives us a chance, in fact it makes us put by, in little dribblets, a reserve which is constantly growing, and then on top of that it protects our life value while we are laying by this reserve.
- Y. Dr. Huebner, you started to say a moment ago that when a man passes away his estate usually shrinks so that he leaves his family with much less than he intended. Did we understand you right on that?
- H. Well, let's take some actual cases. Here's a man who has been careful all his life, has accumulated a fairly good fund of savings; he is taken sick and passes away. What happens. There are first the expenses of his last illness; next, the cost of the funeral; next, the cost of settling up his estate; next, there is a state inheritance tax and if he leaves any considerable savings there will be a federal tax also. Most people don't know it but these four burdens alone usually take from one-fifth to one-third of the total estate.

- J.P. You don't mean to say that when a fellow who has been saving all his life dies, the expenses and taxes together take away from the family something up to one-third of all he's left?
- H. That's it exactly, and I know of only one sure and effective way of providing for it and that is by life insurance to cover these extra costs.
- J.P. Dr. Huebner, we average citizens see a lot of people all around us who are growing older and losing their earning power. They have a haunting fear of becoming dependent on others. Yet many of them do become dependent long before they are eligible for any government old age pension. What do you think of the future of these old people?
- H. Well, John Public, we have only a few minutes left but I'll try to answer your question. Let's take a married couple with some children. As time passes the parents begin to realize that if anything happens to Father's job both he and Mother will become dependent on the children for support. But meantime the children themselves are growing up and getting ready to be married and take on all the expenses that come with rearing a family. What will happen? The young folks just can't get married if they have to carry the extra support of Father and Mother. Even where they are willing to do this it is humiliating to the parents to feel that they are a burden.
- Y. I think you've put your finger right on the cause of a lot of trouble there, Dr. Huebner. The judges in our courts of domestic relations would tell us that nine-tenths of the bickerings and discord of family life arise out of money questions. We ought to do anything under the sun that we can to remove the cause of these quarrels.
- H. You're right, Dr. Young. I don't know anything that we can do that will help so much as to arrange an insurance policy which will become full paid and begin to yield an income at the time when the parents' earning power stops and they are about to become an expense to the family. This may happen years before the

government old age pension begins. Such a policy as I have described would tide the whole family over a critical time and would immensely help the young people by enabling them to found homes of their own.

Y. Don't you think, though, Dr. Huebner, that a family often needs not only some funds but some good sound financial advice when the bread-winner dies? I've heard of some cases lately where women had inherited what they thought was enough to keep them going for a while. But what happened? Along came a glib-tongued, smooth salesman and sold them some get-rich-quick securities with the promise of high dividends. The women had no good adviser to turn to for counsel, they have invested in worthless securities and now they're down and out. Couldn't the insurance companies help somehow to prevent things like that?

H. The life insurance companies have foreseen the very danger you speak of, Dr. Young, and have taken effective steps to meet it. The widow may place her exact situation before representatives of the company and get their advice. If she wishes she can invest her capital in an annuity assuring her and her children of a fixed income, or she may leave the sum with the company itself under any one of its investment plans. In either case every effort which a great financial concern can make will be put forth in her behalf.

Well, I see my time is about up. Let me just say in closing that I'll be delighted to help either of you or any members of the larger audience by answering if I can any questions which you may want to send in to this station KYW.

Y. And Dr. Huebner, before you go both John Public and I want to thank you for helping us with our problems. You've covered a whole lot of important questions and we'll probably have a lot more to write in to you.

CLOSING ANNOUNCEMENT: This concludes the University of Pennsylvania Question Box. Dr. Solomon S. Huebner, Professor of Insurance and Commerce at the University of

Pennsylvania was the guest tonight of Dr. James T. Young of the University's Radio Committee and of John Q. Public. If you have any questions you would like to hear discussed on future programs please address them to the University Question Box in care of Station KYW, Philadelphia. Next week at this same hour this program will continue. The chief speaker will be Mr. George Scott Stewart and the subject, "The Citizen's Legal Aid."

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