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The Value of Life Insurance

At no time in our history has it been more important that the American people should return to the practice of the fundamentals of true thrift than now. In the business of creating and conserving estates, a return to slower, but surer, procedure is in order. If there are any supporting and assisting devices in our economic system that will contribute, both immediately and permanently, to this, we should examine into any such, and if approved, adopt and indorse them.

Our conception of what is meant by "Thrift" will strongly affect our reception of its discussion and our desire to practice it. It seems to me a good definition is, that Thrift is the management of one's affairs in such a manner that the value of one's possessions is being constantly increased, a looking ahead to tomorrow. The ideal device for the encouragement of thriftiness would be one which stimulates earning, guides expenditures, saves the excess, and offers a satisfactory investment for any accumulated savings. Only a persistent functioning in all four respects will accomplish much. Hit-or-miss attempts to do any one alone are not effective. Life insurance is one of the devices which offers such a result.

Let us see what should, and can, be done to encourage these four activities of thrift—earning, spending, saving and investing—to make for the greatest social and individual gains.

We should encourage the buying of homes—and these of a better quality than the cash at hand makes possible. An old philosopher once said that no young man amounts to much until he has gone into debt for something that will give him a permanent satisfaction when he has paid for it. Better housing means better citizenship—more cultural influences—great appreciation of personal responsibility and more social happiness. More home-buying means more family building.

But we face the possibility of physical or financial interruptions of the buying program, or its termination by death. Life insurance would substitute certainty for uncertainty—justifying easier terms and longer time in which to pay—completion of payments in the event of death or total disability; and offers a shock absorber, in its cash value, against temporary physical or financial disabilities.

We should make it safe to use the capital of the future for immediate gains. Installment buying is an established practice—even though there is a lot to be said against indiscriminate installment buying—properly it can be made safer by life insurance. Likewise, business expansions requiring prompt for their fruition may be justified, if immediately profitable and if protected by life insurance. Business or personal credit is made more dependable—hence more profitable—where it is buttressed by a supporting life insurance contract.

Business alliances that would increase our incomes should be made. Ability is so frequently handicapped by lack of capital, and capital many times is limited as to its earnings by lack of ability to employ it. But that either should be exposed to the sudden loss of the other is inviting losses that may exceed the gains realized. Life insurance solves the problem, assuring the return of borrowed capital without dislocation of the business venture.

Saving is an act of self-denial that is always in competition with the pleasure to be had from spending the money. Unassisted, we can hardly expect it to be adhered to long without interruption. Temptations to deviate or stop altogether are many and alluring, and specious opportunities to venture the accumulation are frequent. A well known authority says the three essentials to a successful savings plan are: a regular amount to be deposited, on a regular day, and for a specific and approved purpose. The habit of saving is more essential to success than the will to save.

To acquire this habit, the purpose determined upon must not be too soon, nor too easily, accomplished. It must be quite extended in both breadth and time. It must offer defense against temptation to vary or quit. Most other plans are too brief—and terminable without penalty. Usually they are lacking in any definiteness of purpose. A contract that is a fulfillment of a social obligation of rather public knowledge—that requires the deposit of a fixed sum at a fixed date—that cannot be surrendered without both a financial forfeiture and a confession of the evasion of a responsibility—provides the needed fixity of purpose; the maximum possible measure; the proper duration of time; the gentle, but constant, pressure; and the assisting devices to establish the habit of thrift—not as a passing episode but as a mode of living.

To those in the accumulation era, investments are still interests of the future. Their problems are still those of creation and retention. But, with an eye to the future, life insurance offers them an absolutely certain return at maturity of the funds deposited, and a known amount of addition to the deposits. It offers a diversification of underlying securities for every single dollar, such as no small investor can possibly secure otherwise; and diversification is, in itself, a security. It offers him all the advantages of an investment trust. It eliminates the necessity of personal management.

But still further (which is, in the last analysis, probably its chief virtue) it compels the individual, in order to save, to earn beyond his immediate needs, to earn with regularity, to consider his expenditures thoughtfully, and conserve what is so hardly won in small amounts until their aggregate enables an investment of a true type to be made in a dignified and beneficial amount.

We cannot be sure how much apprehension as to the interruption by disability or death, of a saving plan of the ordinary sort, has contributed to frenzied attempts to achieve the same objective by speculation. To be sure of it at all, the effort was made to get it quickly. Life insurance makes the easier, slower, way, the only certain way.

Life insurance does offer, and guarantees, a known amount of income at a self-selected date or age, or on the happening of a certain event—an inexhaustible income for the whole term of its requirement—ready at a time when the need is the greatest and ability to meet it is diminishing—giving security at an age when speculation should not be ventured, and when mistakes are irreparable. It is prepared to subtract, in any measure desired, the burden of supporting a previous generation from the struggling members of a new generation, enabling them to progress to the limit of their capacities, without handicap.

And during the period of its accumulation, or while waiting its proposed functioning, it offers many of the attractions of any security of the more commercial type. It is an interest-accumulating bond, with a known and visible rate of appreciation in its current value—has a stable, easily available, demandable and predictable cashable value—it is a visibly progressive estate. Further than this it offers options, to be exercised in the light of the situation arrived at, of serial, installment or interest-bearing maturities, or the privilege of conversion to personal annuities of various sorts.

No matter who he may be, nor how he may be related to organized society, every normal individual has assumed, or has had thrust upon him, certain social obligations. Certain expectations on the part of his fellows have been formulated in advance of his entry; and all thrift is, in its final analysis, an effort to meet those expectations and fulfill those social obligations. We submit that life insurance enables him to do that to the fullest, and with the greatest ease and certainty.

Thrift, then, is an effort to meet these obligations. So is life insurance. Life insurance should be considered not as an expense, but as savings. It should be the first factor in any program of investment. It should be the last to be let go. In times such as these, it is especially important. We should make every effort to keep our old life insurance in force. The longer we live and make our deposits, the cheaper it becomes. There is no depreciation.

There is a young man in New York City who began to build his life insurance estate some eleven years ago. For my purposes this evening, I shall name him Samuel Jones. Sam is nearly forty. His wife is five years younger. They have one child, a son, who is three years old. Sam's friends refer to him as a "self-made man." He is still in the midst of the process of accumulating his first twenty-five thousand dollars. He has earned more than ten thousand dollars in each of the past six years. Recently Sam described his own life insurance program. I want to just review a part of his story. Perhaps we can get a clean, compact picture of life insurance as a thrift instrument if we view it through the eyes of a discriminating policyholder. And I shall not tell Sam's whole story. I haven't time. I will not tell of what Sam knows will happen to his wife and son in case Sam is taken out of the picture. I want to turn to the other side of the story and tell you what Sam says his life insurance program will do for him if he lives to complete his plans for the welfare and happiness of his family. These are Sam's own words:

"I used to think that life insurance is a "die-to-win" proposition. You know how all of us are inclined to let a shop-worn catch-phrase act as a substitute for incisive thinking. But now I know that I am sure to win if I live—for my contracts guarantee that when I reach the age of sixty-five I shall get back every dollar that I have deposited, plus a reasonable return.

"My plan guarantees that as I go through these years I shall always have available a definite fund with which to meet the crises which may arise in my business career and my personal life. It guarantees that I shall have the money for capital expenditures later on in my life. It assures me that some day I shall be able to travel and to pay more than I do now. It promises to me an easy chair in a cozy room in that dim future when I may be an old, old man.

"My plan guarantees to me a certain sum of money at a definite time in my life. But it brings me some thing more than money—something which cannot be expressed in terms of purchasing power.

"It brings me peace of mind right now in the living present. It enables me to live more fully and to spend more freely today. I am exhilarated when I reflect that the Thrift Program guarantees economic freedom to my wife and son and me."

"And so Life Insurance is an instrument of Thrift. (This is the voice of Sam, still speaking.) It is a sound, safe investment.

In closing, I want to speak of the fine cooperation which exists between life insurance companies and the supervisory officers of this State. Although the State supervises this great institution of life insurance, the companies, believing in the laws as they exist, and working with the State officials, are cooperating splendidly, in an effort to see to it that, next to Government itself, the integrity and efficiency of Legal Reserve Life Insurance is preserved. Hold onto your life insurance.