

Life Insurance for Children

Emotions run high when parents and grandparents plan for a child's future. If you are considering life insurance for your child, it's a good idea to step back from the sales pitches and consider your and your child's needs before you make a purchase decision.

Often parents and grandparents are pitched "special opportunities" by insurance agents to add children to their policies — opportunities that the agent claims come up only every few years — so there's pressure to make a decision right away. Before you buy, ask yourself what benefit comes of buying life insurance on your child. Because the purpose of life insurance is income replacement after a death, and children generally do not provide income, it may not be the right purchase for you.

However, one of the best reasons to insure children is to cover final expenses after a death, such as funeral arrangements, which can range from \$5,000 to \$20,000. The average family may not have the funds for those expenses, and life insurance can help.

Buy with your Head, not your Heart

If you buy a policy on a child, most policies have an option for the child to buy additional insurance when he or she comes of age — a sales pitch suggesting that children will have trouble buying insurance when they are right out of college, for example, and on their own for the first time. But the reality is that most young adults can easily obtain insurance coverage for reasonable rates.

If you are worried about funeral expenses, you can buy term life insurance policies with a small face value to cover them. Of course, if you have the means, you can instead save enough money for such emergencies. That way, the money is available for other needs, such as education or buying a new home, and not just if an unlikely disaster strikes.

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