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Life Insurance for Children

Most parents don't like to think about buying life insurance on their children. Often, it is because they don't want to consider the possibility of their child dying and may feel it would be wrong to receive money as a result of such a death. While both of these concerns are natural and understandable, they often lead to an ill-advised decision not to insure one's children.

The death of a child is not only a tragic family event; it can be a catastrophic financial event as well. In addition to funeral and burial costs, one or both parents may be emotionally unable to return to work for a significant period of time after the death, leading to serious financial problems for the grieving family. Life insurance can help the family afford to take the time it needs to deal with their grief and begin to heal.

This isn't the only reason for a parent to buy life insurance on their child. Because most children will not die young, the primary purpose often is to help guarantee future insurability for the child. Emphasizing this, rather than the more emotional reasons, may be easier for a parent or grandparent because it shifts the focus from a child dying and the parents receiving a death benefit, to protecting a child's insurability and eventually transferring ownership of the policy to the child as an adult.

How much coverage is appropriate?

The minimum death benefit for a universal life insurance policy is often \$25,000 to \$50,000, so that may be a good starting point. In some cases, coverage up to \$250,000 may be warranted, depending on the child's insurance needs. The Genworth Financial companies' underwriting guidelines limit coverage on minor children to the lesser of \$250,000, or half the coverage on the lowest insured parent. Absent extraordinary circumstances (like a sibling being uninsurable), each child in the family must have equal coverage.

It isn't always an easy subject to discuss with your clients, but it is certainly an important one. You should make it a part of every life insurance needs assessment you do for a family.



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