



Your Guide to Life Insurance for Children



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All parents want to protect their children. Looking after their health, well-being, and future is part of the job. As the custodian of this responsibility, you may have decided that your family needs life insurance. After all, life insurance can offer valuable protection, be used as a financial tool, and—of course—cover expenses in the event of a tragedy.

With life insurance, you can help ensure your children are financially safe. You might be surprised at how simple it can be to purchase life insurance coverage for your children so that, should the unexpected happen, the financial resources your family needs will be there.



Waiting Can Cost You

Life insurance is an easy decision to put off. It's something you'll do later. But the longer you wait, the more you risk paying significantly higher rates. If an accident or illness hits before you purchase a policy, what was an affordable plan can become financially out of reach. Lock in your rates now to ensure the lowest premiums. Now is a great time to get a price on a life insurance policy that could save your family more than money.

In this guide, we explore all the details involved in insuring your children and discuss why the decision to do so could be a wise investment.



What Is Child Life Insurance?

Child life insurance policies are similar to those for adults—except they cover minors. These policies are intended to protect a parent or guardian from the unexpected cost of a funeral or burial.

Purchasing a life insurance policy while your children are young and healthy also guarantees their lifelong insurability. Plus, a permanent life insurance policy could serve as a vehicle for cash accumulation for your child's future.



Has Your Family Prepared for the Future?

ONE THIRD
of parents with small children have no life insurance

ONE HALF
of parents lack a living will or trust

Life is full of uncertainties, but you can structure your finances in a way that provides security for you and your loved ones.



7 Reasons to Purchase Coverage for Your Child

1. Funeral Expenses

At the most basic level, child life insurance is meant to compensate you for the financial expenses of a child passing away. When you consider the cost of a casket, funeral, and headstone—among other charges—the average family currently spends nearly \$10,000 on final expenses.

2. Help With Medical Bills

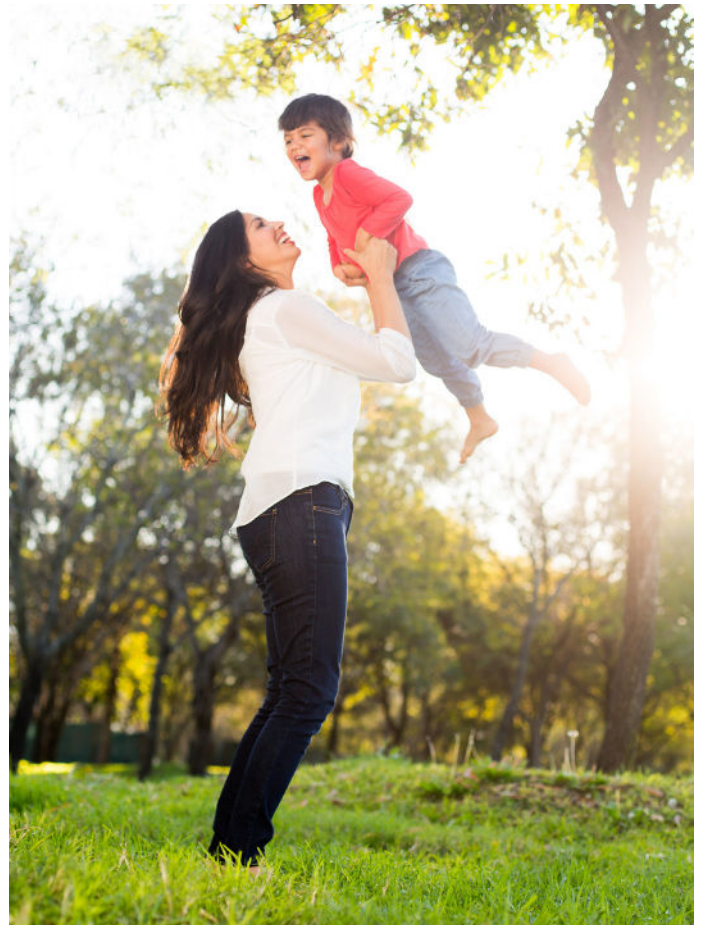
Some child life insurance policies contain accelerated benefits, which are early payments from the life insurance benefit amount that can be used to help pay for medical treatments for your child as a result of a terminal or chronic illness.

3. Lost Income

The death of a child can be traumatic. However, the bereavement period given by most employers averages only three days. Having a financial cushion from a life insurance policy could give you enough time to return to your life when you're ready.

4. Bereavement Counseling

Grieving parents often report depression, poorer well-being, health problems, and marital disruptions following the death of a child. A life insurance policy can help you afford the professional assistance you need to guide you through difficult times.



5. College Loans

Parents are more frequently choosing private loans for their children's education. While most federal loans will be forgiven if a child dies, not all private loans will. Proceeds from a life insurance policy for children could help satisfy these obligations.

6. Charitable Event

When a child is lost to a rare and incurable disease, parents and family friends are often moved to raise awareness by starting a petition or developing a foundation. The payout from child life insurance can help fund your cause.

7. A Gift

At any time after your child is legally an adult, you can transfer ownership of your own life insurance policy. If you have concerns, you can hold off gifting the policy until later in life. A life insurance policy with cash accumulation can make a great wedding present!



Now is a great time to get a price on a life insurance policy that could save your family more than money.



Types of Life Insurance



There are three types of child life insurance policies: stand-alone whole life, stand-alone universal life, and a child rider on an adult's policy. Each offers financial protection in the event of a tragedy, but each provides a different level of benefits and flexibility.

Stand-Alone Whole Life Insurance

Whole life is a permanent life insurance policy with fixed premiums and guaranteed cash value. The premiums remain unchanged over the life of the policy. This means that your payments will never increase.

These policies also have a financial component that can increase the policy's value: dividends. Cash dividends are paid to the policyholder when the insurance company reports a profit. They can be used a variety of ways:

- Applied as a premium discount
- Received as cash payment
- Left to increase the cash value of the policy

All of this stability and versatility, however, means higher premiums for the policyholder.

Stand-Alone Universal Life Insurance

This type of policy enables you to customize your coverage and premium amounts. You may select benefit amounts based on your current needs and make adjustments throughout the life of the policy that match your current goals or child's circumstances.

Universal life policies generally have a cash value element, like whole life insurance. Depending on what adjustments or borrowing you do, the cash value can be depleted.

A Child Rider

Life insurance for children can affordably be added to an existing adult life insurance policy. This option can be used to cover all of your children at once—with stand-alone policies, you need to purchase a policy for each child individually.

Coverage at a Glance

Insurance Types	Advantages	Disadvantages
Stand-Alone Whole Life	Level premiums for the life of the policy; dividends help build the policy's cash value; highest level of coverage	Higher premiums than other plans
Stand-Alone Universal Life	Provides ability to customize coverage and premiums	Cash value can be depleted
Child Rider	Lowest-cost option; can cover multiple children	Less coverage; can expire at age 25



How Much Life Insurance Does Your Child Need?

The benefit amount you choose will depend on your goals for your child's life insurance policy. Because everyone's goal for insuring their child is different, there is no hard-and-fast amount that's right for every family.

Basic Coverage Needs

If you're purchasing child life insurance to simply cover final expenses, then a rider may be sufficient. For about \$2.50 per month, you can have about \$10,000 to \$15,000 worth of coverage. This amount should be enough to cover most or all of the funeral costs.

Extra Help in Difficult Times

After the loss of a child, you're likely to need extended time off work. Unless you have an unusual amount of vacation or sick time, you may require some extra cash to cover the bills while you grieve. A stand-alone policy with a death benefit of \$50,000 would provide enough coverage to pay for funeral expenses and a few months off the job.

A permanent child life insurance policy with a \$50,000 benefit can be purchased from some companies for about \$30 to \$40 per month.

Additional Protection From Medical Debt

If you fear that an expensive medical bill or treatment may be necessary for your child, then a higher coverage amount may be justified. A larger cash benefit could help cover any outstanding medical debt. Many whole and universal policies have the option to add living benefits to life insurance for children.

Gifting Security for the Future

If your goal is to gift a policy to your child when he or she is an adult, then you may want to take the highest amount of coverage you can get. This would be most easily done through a stand-alone child life insurance policy rather than a rider.





Insuring Your Grandchildren

The gift of child life insurance from a grandparent is a meaningful one that can last a lifetime. More than 50 percent of grandparents rank financial security as a major factor in establishing a successful life.

By gifting life insurance, you are teaching a legacy of financial responsibility to your children and grandchildren. Many grandparents use life insurance policies as a teaching tool for their heirs. And the gift of life insurance can be given up to \$14,000 per child without any federal gift tax liability.

How Do I Gift Life Insurance to My Grandchildren?

You can transfer ownership of a life insurance policy to your grandchild once he or she reaches adulthood. This can happen at 18 or up until the age of 25. If you were to pass before your grandchildren reach the age of majority, the child's parents could continue the insurance policy in their name instead of yours.



Long-Term Affordability

If your goal is to give a gift of child life insurance to your grandchild, then you have other considerations to make. Gifting an amount of, say, \$100,000 provides a good foundation but also leaves room for the insured to add more protection as income, assets, and responsibilities begin to grow.

Unless the premiums are going to be transferred to a parent or someone other than your grandchild, the child is going to have to assume the responsibility of paying them at some point. For this reason, you want to be sure you select a coverage amount that has premiums your grandchild will be able to maintain.

Avoid Gift Taxes

If you're concerned about gift taxes, then you may want to restrict the benefit amount. Gift taxes don't apply until the policy is transferred to the parent or grandchild. But when the transfer happens, if the face value of the policy is greater than \$14,000, you'll be responsible for paying any taxes.





Tips on Buying Child Life Insurance



Educate Yourself on the Different Policy Types and Benefits

Understanding the differences between universal and whole life insurance will help you to select the right policy for your needs. Do you have short- or long-term savings goals? Would you rather have the most comprehensive or the least expensive policy? Do you want to use the policy as a cash-accumulation tool?

Identify the Type and Amount of Insurance You Need

There are many different companies and policy types to choose from. Not only that, but each policy has different benefit amounts and possible riders to select. A trained agent can help you identify where your greatest needs are and assist you in selecting a policy that satisfies those concerns.

Be Honest About Your Child's Health

Coverage amounts and premiums are calculated on known risk factors. You may be tempted to hide or withhold certain information about your child's present health and family health history, but this will only lead to the insurance company challenging the legitimacy of your claim to benefits and potentially refusing to honor the policy.

Name Yourself as the Beneficiary

It's important to name any person responsible for the care of your child as the primary beneficiary. This is most likely you and the other parent of the child, but it could also include a grandparent or other caregiver. Naming the right beneficiary allows you to use the proceeds from the policy to pay for any medical, funeral, or other related expenses.

Choosing another adult (such as the other parent, grandparent, or godparent) as the contingent beneficiary will guarantee that your child's caregiver will inherit the benefit if you pass away.

Make Sure You Understand the Details

Understanding all of the perks and limitations of the policy is a key part of enjoying the benefit of life insurance. Read the policy carefully so that you understand how to make a claim, borrow against the cash value, and increase or decrease benefit amounts.





Transferring an Existing Policy to Your Child

If you have a large estate, your beneficiaries will likely pay high estate taxes upon your death. Everything you own will be counted toward your estate and, thus, taxed. If you have a life insurance policy, its value is considered part of your estate. However, you can avoid some estate taxes on it by transferring your life insurance policy to your children.

Changing Life Insurance Ownership

Transferring ownership of a life insurance policy to your child is easy. You need to complete a change-of-ownership form, which can be provided by your insurance company. When you change ownership, the policy still covers you, but the new owner now holds the policy.

Limitations

For the purposes of calculating the total value of an estate, the IRS has a 3-year rule (as of 2015). If the transfer of ownership took place within 3 years preceding death of the original owner, the transfer is void. The proceeds from the insurance policy are counted into the estate.

Is It Right for You?

So why don't parents simply purchase their life insurance in their children's names to begin with? Because your child must be at least 18 years old to receive the transfer. And despite the ease of transferring the policy ownership, once it is transferred, you can't transfer it back.

Before making such a permanent decision, you should consult financial advisors and talk honestly with your children about whether it's a good option for your family.

The longer you wait to purchase a life insurance policy, the more it will cost you. An affordable plan can become financially out of reach if an accident or illness occurs before you purchase a policy. Don't wait. Talk to one of HealthMarkets' knowledgeable, licensed insurance agents today about a life insurance plan that fits your needs.

About HealthMarkets

HealthMarkets Insurance Agency can help you understand the many insurance options available, so you can make the best choice. Let us help you get the right life insurance coverage for you and your family. Best of all, our service is free!

HealthMarkets is one of the largest insurance agencies in America, with more than 3,000 licensed agents and nearly 250 offices located across the country. We also offer unmatched levels of service to our customers. We're proud of our 95 percent customer satisfaction rating and an A+ rating from the Better Business Bureau (BBB), the highest rating assigned by the not-for-profit agency that works to advance marketplace trust.

HealthMarkets Insurance Agency

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Call us now at **(800) 827-9990** or visit **HealthMarkets.com** to find a licensed agent near you.

Sources

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