



# Is Life Insurance for Infants, Teens and Young Adults Appropriate?

Is there any reason to insure an infant, young child or young adult with life insurance? If so, why? The reasons vary from covering basic needs at death to advanced estate planning.

## Why Buy Life Insurance for Infants or Young Children?

At minimum there should be enough insurance on a young child to cover final expenses like: Burial, medical, and legal expenses. You may be able to buy a small amount through your work along with accidental death for very little premiums. If not, either consider a separate life policy on the child(ren) or add insurance as a rider on your own personal policies.

## Give the Gift of Insurability

Children are typically rated as standard non-smokers (assuming they don't smoke) on permanent policies. Should you have more insurance than the basic needs? Maybe. It depends first of all if all of the adults in the family are properly insured themselves. If so, the next reason to consider policies on children is to give them the ability to obtain more insurance at later years when their need becomes more pronounced but their health habits or hobbies make them less insurable or uninsurable. Here are a few common examples that would affect your children getting insurance in the future:

- Health issues like: diabetes, cancer and asthma
- Habits like: smoking, alcohol and drug use or addiction
- Hazardous hobbies like: skydiving, scuba diving, parachuting, motorcycle racing and hang gliding etc.

Thus, the main reason to consider insurance on a young child or teen would be to lock up insurability. Some companies offer an opportunity for the child to obtain future options without medical underwriting. For example, say you have a \$100,000 whole life policy on a child, they may be able to get several more options of \$100,000 per option from the early 20's thru mid adulthood. This puts the future responsible adult in the position to buy insurance even when their health, job or hazardous activities make insurance too expensive or unavailable. Smoking is usually considered during these options and affect rates.

## Advanced Planning

If you have an estate tax problem that requires life insurance proceeds to help cover estate tax issues, chances are your children or grandchildren will deal with the same issues. Consider buying life insurance with future options for more coverage so that you can continue to have your family assets pass from one generation to the next using life insurance to pay taxes in lieu of selling off assets.



What about single adults from 20-40, why should they have insurance? At minimum, they should consider a \$100,000 - \$250,000 term policy with a 20-30 year premium guarantee. The younger they buy insurance and the healthier they are, the better rates for contract period of the policy. What are the chances that a young single adult will remain single forever? Secondly, if they have disposable income, they should consider a modest universal life or whole life policy. These policies can build up cash values that could be used to keep the insurance in force for many years or act as a reserve for liquid cash needs several years down the road.

In my professional and personal claims experience, I've only had three insurance related deaths in my 15 years in business: One was a 23 year old that died in an accident. He left his family with \$150,000 that helped cover final expenses and legal expenses associated with the accident. Ironically, he called two days before his death wanting to know his options to cancel coverage. The second death was an apparent suicide (age 29) that occurred while in underwriting for life insurance. Obviously, there were no benefits paid upon his behalf. The final death was my wife; she passed away at age 53 from cancer. One thing all these deaths had in common...they all passed away well before life expectancy.

## Thinking Ahead

My Personal Insurance Plan – After my wife passed away, I used the life insurance proceeds to pay off most of my debts, trav-

el with my children and I set aside enough money to send them to college. Since then, I bought \$1 million more in insurance. Why did I increase my insurance personally? First, I want to leave a charitable gift to several non-profits; second, I want to be in a position to protect a future spouse if the need arises. Leaving that person cash and keeping my wife's and my estate for my children. Lastly, I took out several hundred thousands of insurance to fund a buy-sell agreement with a key employee from my company. It's not like my family would need more money if I die, however, I worked hard to build my business and I want my family to receive full value for it. In addition, the insurance was important for two other reasons. 1) My customers would continue to receive service from the person they are accustomed too and 2) It let's my key employee know they are valued and have a chance to run/own the business and receive future profits...providing them security if I die.

There is always a financial burden when someone dies whether it be an infant, child, teen or young single adult. The burial, medial and legal expenses could be \$5,000 - \$25,000 or more. There is also the emotional trauma suffered by family members that may take months or years to recover from. This could translate into an economic loss due to work after my wife passed away. Beyond the modest financial need, remember to consider locking up insurance your children's future needs for protection.

It is my personal philosophy that we should give our children more opportunities than we received; leave them in a better financial position than our parents left us and most importantly, educate them that they should do the same for their family. By doing so, you can build wealth from one generation to the next. Teach them to share the wealth with the needy and deserving, thus build a better world to live in for future generations. **HB**

*Mike Grumet is a professional insurance agent with 15 years of experience in insurance and employee benefits. He will gladly review your employee benefit handbook and individual policies at no charge. He is located at 16541 Gothard St., Suite 202, Huntington Beach, CA 92647. California License No. OB00162. Phone (714) 698-6453.*