

Do Children Need Life Insurance?



The direct answer would be no. Why do I answer that way? The main reason why life insurance was invented was to be income replacement for the primary wage earner in the family. Since children do not earn an income many have said that insuring them is a waste of money. That would be true if everyone's circumstances were exactly the same.

Instead of asking the question do children need life insurance the question should be, can the parents afford not to have life insurance on their child? Why do I ask this question? The average funeral can cost up to \$10,000. If the parents have \$10,000 in the bank that they can use to bury their child then they may not need to get coverage. What about the family that does not have that kind of money in the bank? What if they decided that instead of taking the risk of having to pay for a funeral that they cannot afford, they would rather protect themselves by taking out a small policy on each of their children or adding a rider of protection to their own insurance policy? Would they be wasting their money? That would depend on how you view their desire to offset their financial risk. This is especially true for lower income and middle class families that may not have large savings accounts.

As time goes on and the families' savings increases they can reevaluate their circumstances to see if they want to continue paying into the insurance policies for their children. The decision should always be the families based on their own needs.

Buying a policy for your children can have other benefits. It can protect them if they become uninsurable in the future. Some policies can gain cash value, which the child can use later on in life. Some policies also offer guaranteed insurability riders which allows you child to increase the face value of their policy at certain ages or life events depending on the terms of your policy. This can prove very valuable in the future. Some policies can increase in face value over time depending on how the policy was originally setup. If you the parent is currently the owner you can choose to give ownership of the policy to your child when they reach adulthood or as a gift when they get married.

So insuring your child may not make sense to some but ultimately we must all decide how much of a risk we are willing to take.

