6 Reasons to Buy Life Insurance for Your Children

By **Tim Stobierski**, December 02, 2020

It can be easy to shun the idea of getting life insurance on a child. That's understandable: No parent wants to imagine a scenario in which they might collect a death benefit on their child's life.

But permanent life insurance can be an important financial planning tool. And because of that, getting life insurance for your child can offer a range of long-term benefits that may surprise you.

Here are six reasons to buy life insurance for your children.

IT'S PERMANENT

Most life insurance policies for children are whole life insurance, which is a subset of permanent life insurance.

One of the greatest benefits of whole life insurance is that as long as you continue to pay your monthly premiums on time, the policy covers you for life. This means that when your children become adults (and will likely want life insurance), they will already have a policy they can continue throughout their lives — and it will be very affordably priced.

IT WILL LOCK IN THEIR INSURABILITY

Your ability to get life insurance and the cost of that insurance is based in part on your health at the time that you apply for coverage. Diabetes, heart disease, a history of cancer or any number of health issues can make it difficult to qualify for life insurance. Those who are able to get a policy will likely pay more for the same amount of coverage as someone who is healthy.

But once you have an insurance policy on a child, the coverage can continue no matter what happens to their health. And, you can purchase an additional benefit that allows your child to purchase more insurance at set times in the future at rates based on their health when their policy was initially purchased.

IT'S AFFORDABLE

When you get a whole life insurance policy for your child, the monthly bill that you pay will depend on several factors, including the size of the policy and your child's age and state of health at the time that the policy is purchased. For most families, the cost is relatively inexpensive because insurance pricing is based on age and health. This means the premiums will remain affordable for the insured, who may take over the policy payments as a young adult.

Also, because the policy is a whole life insurance policy, the premiums won't increase as your child gets older — unless you, or they, choose to purchase more insurance in the future.

IT BUILDS CASH VALUE

Another benefit of whole life insurance is known as cash value. This is money that grows in a tax-advantaged way and is unaffected by the markets. In the future, your child will be able to access it at any time for any reason, from covering emergency medical expenses to helping to pay for college or perhaps even paying for a wedding.[1]

IT CAN PROVIDE PEACE OF MIND

Of course, no parent wants to even consider the possibility of collecting the death benefit on a child. But if that were ever necessary, the death benefit can help ease some stress during a devastating time. It can be used to cover medical expenses, funeral bills and even counseling for your family. If you and your spouse need to take time off from work to mourn and process the event, the death benefit can help with that as well.

IT CAN BE A HELPFUL FINANCIAL PLANNING TOOL FOR YOUR CHILD

Your child may carry his or her insurance and cash value all the way into retirement. The policy can continue to grow throughout his or her life and can also serve as a central building block for your child's future financial plan, affecting everything from retirement savings to estate planning.

If you are considering the idea of purchasing a life insurance policy for your offspring, a trusted financial advisor can help you figure out the how to incorporate it into your planning so that your children can get the most benefit — even when they may have families of their own.

[1] *It's important to keep in mind by taking cash value out of the policy, there could be a reduction in the death benefit, impact on future dividends, or possible taxable gains.*