

Five Important Life Insurance Tips for Parents

Like most parents, you probably wake up every morning to a set routine. You crawl out of bed with a checklist of things to accomplish in your mind. Every day your checklist changes but the one item that is at the top of your list on a daily basis is financial security. Whether you are thinking about your mortgage, food expenses or paying for your child's education; financial security and money are always at the top of the list. You have probably thought about the inevitable too. What would I do if my spouse or I were to pass away? This is why a [life insurance policy](#) can help take the burden of death off your mind.

Here are five tips that can help you when you are interested in securing your family's future financial security.

Who Should Have Life Insurance?

Whether you are in your twenties or your fifties, you should think about a life insurance policy that will help your family when that inevitable day arrives. When you are thinking about purchasing life insurance, you should include coverage not only for yourself but include coverage for any stay-at-home spouse too. There are numerous reasons why you should have coverage for the primary money maker. To replace the stay-at-home spouse also triggers a financial cost for the survivor.

Which Policy is Right For Your Family?

There are numerous variations of life insurance policies, and the two main categories are [term and permanent which is also referred to as whole or universal policies](#).

Term policies cover a person for a determined amount of money over a set time period such as 10, 20 or 30 years. A term policy pays out to the beneficiary at the time of your death, provided your death occurs within the policy's set time frame. One disadvantage to a term policy is that once the policy expires, any premiums paid by you are lost.

A permanent, whole or [universal life policy](#) provides coverage for an individual's entire existence and is paid out upon death. These types of policies pay the beneficiary whenever the policyholder dies, whether that is in fifty years or tomorrow. A permanent policy is similar to an investment vehicle where you pay into the policy over the years, and the cash value of the policy grows. These policies come in many varieties and usually contain more detailed language.

There are advantages to carrying a permanent life insurance policy. As your permanent policy increases in value so does the value of your payout upon death. Another advantage is you can

eventually borrow against the cash value of the policy. This tax-deferred loan is then taken out of the proceeds at the time of death.

How Much Will My Policy Cost?

The cost of your life insurance policy is calculated by using a number of factors. These items include age, sex, health which includes smoking habits, job risk, and hobbies as well as the dollar amount of coverage. For instance, a younger person in their 20s with good health and no extreme hobbies like paragliding will pay less than a person in their forties with similar factors. If you are older, take part in extreme hobbies such as rock climbing or you are a smoker, you can plan on paying more for coverage.

How Much Coverage Should I Have with My Life Insurance Policy?

There are several facts you should take into account when answering this question. First, you need to decide what the insurance will be used for at the time of your death. Are you concerned about paying off your home mortgage, your debts and the future educational costs of your children or are you just worried about replacing future lost income? You must think about your personal situation and determine the dollar amount of your policy that best gives you peace of mind.

Naming the Beneficiary of Your Policy

Naming your beneficiary may seem like an easy choice. You basically have two options which are your spouse or children. If you choose to use your spouse you need to include their full name. This will protect your current spouse against an ex-spouse when determining who is eligible for the death benefit payout. Depending on their age, naming your children can be more complicated. Instead of naming your children, you are better off by creating a trust that is administered by your spouse or a reliable relative.

There are many [quality life insurance companies](#) that will help you create the right life insurance policy that fits your needs. We hope the advice offered in the five tips above will help you before visiting with a life insurance agent. One last tip for you; make sure your life insurance company is registered to do business in your state.