

**A Worthy Strategy-Life Insurance for Children**  
**By: Randall A. Denha \*\*\***

During our lifetimes we're inundated with offers from our banks, lenders, mortgage companies, friends and even family to purchase a life insurance policy. Why? Life insurance provides the money to your loved ones when they need it most. Among other things, it acts as a wealth replacement tool or a wealth creation tool for the decedent's loved ones. However, all too often, children are overlooked as potential candidates for the purchase of a life insurance policy. The reason? Many parents feel that the purchase of life insurance on a child is a sort of taboo or simply fail to understand the leverage and impact the purchase of a life insurance policy on a young child has in his/her later years.

*For example, assume your child is 8 weeks old and you budget premium dollars of \$100.00 per month towards the purchase of an insurance policy. Remember that you can allocate more or less premium toward the policy each year. In this case, you can immediately purchase insurance of \$205,077.00 for only \$100.00 per month! In fact, if structured properly, all dividends earned by the policy will be reinvested towards the purchase of additional insurance where the child will, at age 30, now have insurance valued at \$483,471.00! Additionally, the child will have a cash value equal to \$72,052.00. If the policy is structured properly, the child can (on a guaranteed issue basis) purchase additional insurance (i.e. seven (7) additional increases of \$150,000.00 each) at the then prevailing rates with no proof of insurability.*

At an appropriate time, you as the parent and current owner can transfer the insurance policy to your child and they can then reap the benefits of ownership. For example, cash value is an item that the child can borrow and is also an item that can be added to his/her balance sheet.

This insurance can be used as a vehicle to pass these same benefits to the child's family at a later time. For example, when the child has a family of his/her own, they can then name their own beneficiaries and plan their estate accordingly. Remember the following benefits of insurance in this context:

1. Guaranteed insurability
2. Tax deferred growth
3. Life insurance for the child's family
4. You maintain control over the policy (and its cash value) until you change the ownership to your child

This policy is even more important for those of us who have a predisposition to certain illnesses in the family. Regardless of what health issues occur at a later time in your child's life, the purchase of life insurance now guarantees a benefit to your child and his/her family at a later time.

There are many other items that can be added to these policies to add more protection to the family. One item worthy of noting is a waiver of premium if you become disabled. This particular item allows the owner to stop paying premiums on the policy in the event of a disability until the age of 65. Instead, the insurance company pays the premium.

There are many ways we can benefit our children during their lifetimes. The purchase of a life insurance policy on a young child has a lasting impact for not only your child but on your future generations. These policies deliver an income tax free benefit and a source of funds when the family needs it most.

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