

Protect Your Family's Future

Every parent needs life insurance, so we've done the legwork to help you find the perfect policy.

by **SARAH MAX**

Pick a plan that covers you until your youngest graduates from college.

AS A PARENT, it's your job to consider the "what ifs." You baby proof your home, buy a car with a top safety rating, and keep Poison Control on speed dial. It's the same idea with life insurance.

"You buy it and then hope that you never have to use it," says Debra Neiman, a certified financial planner in Arlington, Massachusetts. "But the consequences of not having it could be financially devastating."

Incredibly, a lot of parents skip this crucial step. Nearly a quarter of U.S. households with kids have no coverage, according to LIMRA, a consulting firm in Windsor, Connecticut, that specializes in insurance. And a Prudential study found that only 25 percent of Hispanics have individual life insurance, versus 37 percent for the general population.

If cost has kept you from buying life insurance, the time to act is now, with premiums hovering near historic lows. A healthy 35-year-old woman can lock in a \$500,000 term-life policy—meaning that the coverage lasts for a fixed period, as opposed to a permanent one that stays in effect until you die—with a 20-year duration for about \$250 per year. More reason to do it: "The younger you are, the lower your premium," says Robert Bland, chief executive officer of LifeQuotes.com, a national insurance brokerage based in Darien, Illinois.

1 Figure out your needs.

Generally, a life-insurance policy should total seven to ten times your annual salary. But you'll need to dig deeper to determine how much money your family would need to live without you or your spouse. "Every situation is different," says Darling Lie Nielsen, a financial representative with Northwestern Mutual in Coral Gables, Florida. Her advice is to budget how much, at a minimum, it would cost to cover your family's basic needs. Then if you can afford a larger policy, factor in extras, such as college tuition. (LifeQuotes.com can help you figure out how much coverage you need.)

"Many parents, particularly in the Hispanic community, want to account for such expenses as weddings and *quinceañeras*," says Silvia Tergas, a financial planner with Prudential in Bethesda, Maryland. Similarly, it's not uncommon for families to want to provide for members of their extended family. "In my case, I have a convertible-term policy that benefits my sisters and parents," Tergas says. "If I pass away, I want them to be covered."

You don't want to buy too much insurance, but think about your expenses not only for today but also for 20 years from now. "Once a term-life policy is in force, you generally cannot increase coverage," adds Bland, noting that it might be cheaper to buy a little extra coverage now to save money down the road.

Finally, don't overlook a non-working spouse. "There is so much value they bring to the household,"

says Frank Rocha, with Penn Mutual Life Insurance Company in La Jolla, California. “It’s important to insure that person too.” To determine how much insurance you need, estimate the cost of hiring outside help over the number of years that this person would be caring for the kids or handling other essentials.

2 Take stock of the coverage you have.

Couples who were savvy enough to buy insurance when they got married should reevaluate their needs as soon as they start a family. If you opt for more coverage, it’s generally simplest to add a second policy (especially if you’ve had the first one for at least five years). But compare the cost of each option. It might be cheaper to buy a single, new policy and cancel the existing one, suggests Bland. While insurance generally gets pricier as you get older, you can accrue incremental savings by buying a larger policy. That said, “never cancel or replace until you have new coverage in place,” advises Tergas.

Likewise, if you have insurance through work, don’t rely on it as your primary insurance, says Lie Nielsen. Some policies might allow you to convert to a permanent policy—and take it with you when you leave—but most policies aren’t portable.

3 Pick the right policy.

Your top priority should be to ensure that you have protection for when your kids are young. That’s why term-life policies are the most popular choice among parents. These provide coverage for five to 30 years, and their annual premiums are within reach of most families. Although the cost rises as the policy length increases, invest in a term plan that covers you until your youngest child finishes college.

If your needs are for a longer time period, permanent insurance (such as whole, variable, or universal life) are worth a closer look. These plans have two key advantages over term ones: First, they don’t expire, so it’s likelier that the policy will get paid out. Second, they typically include a savings component that can appreciate in value. Whole-life premiums are much higher, though. The same 35-year-old woman mentioned earlier would pay \$1,825 a year for a \$500,000 permanent policy in which the premiums and coverage stayed level, according to LifeQuotes.com.

Can’t swing the higher premium? One option is to split the difference by getting most of your coverage with a term policy but supplementing it with a smaller permanent policy. Alternatively, you can look for a term policy that has the option to convert to permanent insurance without having to go through another health examination and underwriting process. This option was key for Jorge Gurian, of Coral Gables, Florida, a 46-year-old client of Lie Nielsen’s who was treated for prostate cancer a few years ago. “My wife and I had term policies set up for over a decade,” says Gurian, who is the father of Lucas, 3, and a baby, Joshua. “We’ve since converted them to permanent.” Now, he says, he doesn’t ever worry about buying more insurance, which could be difficult given his health history.

4 Start your search.

While you don’t want to delay your insurance application, there are two moves you should make before applying. The first is to take better care of yourself. Even small changes in your weight can mean big savings on your premium. It also pays to visit a site that provides quotes from multiple carriers, such as LifeQuotes.com or AccuQuote.com.

Need more guidance? Choose a financial planner who sells insurance, or go with an insurance agent who comes recommended. You can also visit LifeHappens.org to search for agents. Before picking someone, ask to meet in person or chat on the phone. You need to feel confident that the broker is acting as your advocate.

Whichever route you choose, be truthful about everything from your blood pressure to your exercise routine. If you don't disclose your health issues, your actual premium (which isn't determined until after a medical exam) could end up being a lot higher than you were initially quoted, or you could be denied coverage altogether, notes Bland.

One more thing: Check that the insurer has at least an A rating for financial health at Insure.com. After all, you need to know that the company will make good on its promise to you, so you can make good on yours to your loved ones.

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» Don't Forget Disability

Disability coverage ensures that you maintain some income in the event that injury or illness prevents you from working. Try bundling your life and disability coverage. Some life policies offer a disability rider, which might be more affordable than à la carte coverage.