

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia

*(The OFS Tip of the Week is available in PDF format at:
<http://financialsuccess.missouri.edu/tipoftheweek/juvenilelife.pdf>)*

Do I need to purchase life insurance for my child?

I'm sure you've seen the advertisements, designed to melt the heart of any new parent. The product? Life insurance for kids. Nearly 2 million policies were sold last year alone. "It's a \$5,000 insurance program that costs less than 11 cents a day ... Any healthy child 12 or under is eligible ... No medical exam necessary ... It's a small price to pay to protect your little one's future." While the commercials and sales agents may appeal to your emotions, the financial facts are that a loss of a child will actually relieve you of a financial commitment. That's not trying to make light of the emotional devastation that comes with a death of a child for which nothing can compensate. The fact, however, when looking at it purely from a financial perspective is that a family will not have to spend as much money when they no longer have a child to care for. It will cost less not having a child than having one.

According to Jim Hunt, life insurance actuary for the Consumer Federation of America, "People ought to stay away from juvenile life insurance." He states that if you examine the various features of policies sold to cover kids, none of them really make much sense. According to LIMRA, an insurance and financial services research association, premiums average \$213 per year and policies offer an average death benefit of \$35,310 (the \$40/year policy on the Gerber commercial pays \$5,000 to age 21). The odds a child age 18 or under will die is small (one in 3,000 according to actuarial tables used by the life insurance industry). For this reason, many experts urge parents to increase their own coverage instead, particularly because heads of household tend to be underinsured. For a healthy 40-year-old male, that same \$213 buys roughly \$150,000 in 20-year term life. If you feel it necessary to cover your child(ren) to cover funeral and burial costs (now averaging ~\$9,000), most adult life insurance policies also offer something called a child rider. These cost roughly \$60 a year and provide a death benefit of roughly \$10,000. More importantly, that one \$60 premium usually covers every child in the family. By comparison, to cover three kids with juvenile life, a family would have to buy three separate policies, costing upwards of \$600 in annual premiums. That's not to say everyone should have a child rider – many will argue that you can do better to simply set that money aside and you would be better off. It is simply a more affordable option than the juvenile life. The reality is that life insurance policies for children are sold more on emotion and less on true need. Avoiding this product doesn't communicate that you "love your child" any less ...

MIZZOU Personal Finance Course Offerings – fall/summer ...

I'm very excited to say that the Personal Financial Planning Department has agreed to offer the popular Financial Survival Course this coming summer and fall terms!

SUMMER:

Financial Survival (FINPLN 4318, ref# 23455); MWF 12-1; 1st 4 week session (1 cr).
Other PFP summer course offerings (<https://sis.iats.missouri.edu/soc/select.cfm>)

FALL:

Financial Survival (FINPLN 1183, ref# 44250); W 3-3:50 (1 credit).
Other PFP fall course offerings (<https://sis.iats.missouri.edu/soc/select.cfm>)

Student Loan Consolidation ... Consolidating your federal student loans during the current semester appears smart. You have the chance to lock your interest rates at **4.7%** by consolidating before June 30th. Consolidation does not trigger immediate repayment; you will still have the opportunity to consolidate future loans. Based upon the current 91-day T-bill, your variable loan rate would rise to **6.24%** on July 1st if you don't. This rate will "officially" be calculated the last business day in May. I will continue to update this rate information weekly ...

More information is available on the student loan consolidation section of our site (<http://financialsuccess.missouri.edu/consolidationhome.htm>) to gather information about calculating your weighted loan rate (if you consolidated last year at 2.77%), consolidating while in school, estimating your monthly student loan payment, etc.

Tip Archive.

Free access to recent weekly financial tips ...
<http://financialsuccess.missouri.edu/archive.htm>

A primary objective of the MU Office for Financial Success is to provide sound, non-biased information related to your financial life. Financial products are neither sold nor promoted. Our service is free to MU students and an inexpensive educational option for non-students. Visit (<http://financialsuccess.missouri.edu>) to learn more.

The Financial Tip of the Week is a service of the Office for Financial Success

Dr. Mark Oleson - Clinic Director

Department of Personal Financial Planning
College of Human Environmental Sciences
University of Missouri-Columbia

Interested in a career in Financial Counseling/Planning? (<http://pfp.missouri.edu>)
Contact me: olesonm@missouri.edu

SUBSCRIBE/UNSUBSCRIBE:

- Have friends that would like to receive the weekly financial tips?
SUBSCRIBE TO: financialsuccess@missouri.edu
 - You may unsubscribe at any time by sending an e-mail (see contact info below) with "unsubscribe" in the subject line.
-

CONTACT INFO:

- WEBSITE: <http://financialsuccess.missouri.edu>
- E-MAIL: financialsuccess@missouri.edu