

Life Insurance on a Minor

An often neglected, peripheral aspect of family financial planning is the purchase life insurance on children or grandchildren. At first thought, this may seem premature, or be thought of as an unconscious evil wish that the devil somehow has the power to grant, but let's look at the objective, concrete advantages of a parent or grandparent owning a universal life insurance plan on the life of a minor.

One obvious, financial rationale is to purchase a policy at a very young age when the premium is low and the cash value has more years to accumulate. Underwriting is usually quicker and easier, and this type of permanent plan can have an option provide a *guaranteed* death protection until age 100, or even 120, irrespective of the performance of the cash value. You may also choose an option where the cash value will be paid to the beneficiary *in addition* to the guaranteed face amount. Further, a universal life insurance plan has the built-in option to greatly compress premiums so that once the policy is gifted to an adult child, no more premiums are necessary for the life of the insured. The policy face amount *and* any cash value will be the guaranteed death protection for the life of the insured. If the minor becomes a homemaker, the objective of a life insurance policy on their life is so that the tax free death benefit proceeds can be invested to provide the necessary income to pay a caretaker for children so that the surviving spouse can continue to work. If the minor becomes a breadwinner, having life insurance in place is even more valuable.

So, why not wait until your child or grandchild is out of college to do the same thing? Because the premium will be higher, and be paid for a longer period of time in order to achieve similar results. Further, the child has the risk of becoming uninsurable, or being placed in a rated class because of a past or present physical condition, substance abuse history, tobacco use, a poor driving record, living or working abroad, working in a hazardous job, have a penchant for a risky avocation, or other life situations that insurance companies see as more risky. Most relatives and friends will make gifts of cash or material, but your unique, lasting gift of a fully paid, guaranteed life insurance plan will be just what's needed at the opportune time. This gift is at least a home run, but becomes a grand slam if the minor winds up in a rated insurance classification as an adult, and a grand slam in the bottom of the ninth inning that wins the ball game if the minor becomes an uninsurable adult.

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