Raising Children

IN THIS ARTICLE

Children are the future. We need to plan for their future and we need to protect it. As the saying goes, it will be here before we know it. A family?s insurance and financial needs will grow and change over time as we take steps to manage our finances; and protect our property and lifestyle against significant changes in our life or health.

AUTO

As the children grow up, families spend more time in the car ? or so it seems ? dropping kids off at school, driving to basketball or soccer games and other youth activities. But, as parents, we tend to become more careful behind the wheel and generally enjoy lower insurance rates. The family car is not likely to be a Ferrari, but a mini-van, which is less costly to insure. It?s important to pay attention to the children?s safety. Infants should ride in car seats that are properly installed. Youngsters should sit in the back and wear seatbelts. Parents should set a good example, even if the police don?t write tickets for non-use of seatbelts as a primary offense. The insurance industry supports the presence of side and smart air bags, which are less likely to cause injury if deployed and more likely to save lives in the event of a serious accident.

HOME

With children, we acquire more ?stuff,? particularly electronic equipment. Between homework research on the Internet and after-school relaxation, we now tend to have multiple televisions, computers and stereos in the house (with the volume too high). Make sure your homeowner?s insurance keeps pace with a growing family. The larger the home, the more it will cost to insure it, because the insurance company is assuming more risk. Consider inflation protection so that the homeowners insurance automatically rises with property values in your region. Safety features such as alarm systems, smoke detectors, strong doors and deadbolts not only keep the family safe, they save money because they reduce the likelihood of insurance claims. If you plan to add a family dog, check with your insurer before bringing home an aggressive breed. If you have a backyard pool, trampoline or swing set, consider increasing your liability coverage through an umbrella policy in case someone is injured while playing on your property.

LIFE

Couples should take a close look at life insurance once children arrive. This is when it hits home that others are depending on you and your income. You want to be sure the family has the resources to maintain the home and have all the opportunities you want them to if you are not there. If you don?t have a strong savings program, a small life insurance policy on your children may make sense.

HEALTH

Most people get their health insurance through an employer. These plans include family members. Medical inflation is rising dramatically today and employers are increasing the amount they expect workers to pay as they cope with health care costs. Families with two working spouses should compare coverage, co-pays and costs and choose the best mix that offers the best coverage for the least amount of money.

DISABILITY

When you are a relatively younger, you are four times more likely to be disabled than to die. Thankfully, neither one is likely, but it is something to strongly consider, particularly if your lifestyle would be threatened if you are physically unable to work. Most large companies offer group disability coverage. Small companies may or may not have similar coverage.

LONG-TERM CARE

Middle age is the best time to consider whether to buy long-term care insurance. This is when you will most likely to be eligible and when the premiums will be the lowest. A healthy 65 year-old person can expect to pay between $2,000 and $3000 a year for a policy that covers nursing home and home care.

FINANCIAL PLANNING

If kids were born with a price tag on how much they cost through age 21, we?d undoubtedly have a moment of sticker shock. But once children come into our lives, it?s time to really get serious about a savings program. A major issue for families with children is how to best prepare to send the kids to college. The cost of tuition and room and board for four years now approaches $40,000 for public universities and exceeds $73,000 for private schools. In general, most students qualify for some kind of financial aid. But the current budget squeeze is requiring schools to raise tuition to close budget gaps, so costs are increasing in double-digits in many cases. There are a variety of plans available that are geared towards educational expenses, from the Coverdale IRA to 529 Plans. Depending on qualifying levels of income, contributions to these accounts may be tax deductible. In both cases, money grows tax-deferred. In both cases, proceeds are not taxed if used for qualifying educational expenses. Families looking for additional ways to shelter income can also look at Uniform Gift to Minors accounts. Parents serve as custodians during the early years, but when your kids reach the age of 18, the money is theirs and they can spend it any way they want.

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