

Young Families Considerations

As a newly married couple, perhaps with children under 5 years of age, your financial situation changes at this stage of your life, your considerations include purchasing a home, protecting your family in the event of a spousal death and making sure you have adequate health insurance for you and your children.

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Auto 201: And Baby Makes Three

Having a child, of course, affects all of your insurance considerations. But focusing on the family car, here are some special concerns.

- At this stage of your life, you begin to interact with other parents, perhaps driving their children in your car while carpooling. To protect yourself, you might want to consider increasing your liability insurance in case of an accident.
- During this time you will likely be accumulating more assets, and therefore you might want to consider purchasing an umbrella policy that will better protect your financial resources in case of a law suit stemming from a car accident or an accident occurring in your home.
- As your family is expanding, you might be thinking about purchasing a bigger car to fit additional family members. Since auto insurance premiums are linked to the type of vehicle driven, check the insurance rates before you make your final choice of a car. SUVs, convertibles and performance vehicles typically cost more to insure than some other vehicles.

And finally, if you haven't yet merged policies held by separate spouses, now's a good time to do it to control costs, as consolidation will potentially offer you a decreased rate in your premiums or enable you to acquire more insurance at the same level of spending.

Home 201: Owning Up to Your Home

At this life stage, young families often take the big plunge into home ownership – a step that instantly requires you to get smart about home insurance.

- If you are purchasing your first home, or reviewing a new homeowner's policy, remember that you only need to insure the home itself and your possessions – not the land your house sits on. Thus, you should expect that the insured value of your home will be less than the market value.
- Growing families often find that their 'starter home' needs improvement. Be sure to alert your insurance company when making any major home improvements – usually anything over \$5,000 – as you will want to update your homeowner's insurance policy to reflect the new enhancement and prevent being underinsured.
- In maintaining your residence you must realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Also as you install backyard items for your active kids – swing set, trampoline or swimming pool – inform your insurance company. These items may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables – jewelry, family heirlooms, antiques, art – you might want to consider purchasing an additional "floater" or "rider" to your homeowner's policy to cover these special items. They're typically not covered by a basic homeowner's or renter's policy.
- Finally, we all know that raising kids can be tough on your budget. One way to keep your yearly premium costs down is to consider increasing your homeowner's deductible. Bear in mind that raising your deductible increases the out-of-pocket costs you will have to pay in the event of theft or damage to your home.

Life 201: We are Family

Having children is often the ‘catalyst’ for buying life insurance, as young parents recognize the awesome, life-long responsibility they have assumed.

- When purchasing life insurance, consider covering both spouses – even if one stays at home and is not employed. In the event of the stay-at-home parent’s death, the surviving spouse will need to shoulder all the responsibilities of the household.
- In determining the amount of life insurance to purchase, make sure to take into account your full childcare costs – especially for children under 5 years old and for kids with special needs. Take the time to estimate these costs carefully, and factor them into your decision-making process.
- Weigh the costs/benefits of purchasing whole life vs. term life insurance as part of your financial planning strategy. Whole life insurance policies build cash value and also pay a death benefit. But they are more expensive. If you can’t afford whole life insurance right now, but think you may want it in the future, you may want to consider term life insurance with a conversion option that will let you change to a whole life policy for a fee when you are ready.
- Or you may want to purchase term life insurance, which offers death benefit protection for a specified time period. For example, term life insurance may be appropriate to provide coverage during your child-rearing years or while paying off a mortgage. Term life premiums increase as you age. Term life is typically less expensive in your younger years than permanent life insurance, which covers you for your entire life and typically has level premiums. You may also want to consider purchasing a combination of term life insurance and whole life insurance.
- Remember to update your policy to include your children as beneficiaries, especially in the event of a divorce. You might want to consider naming a trustee for your children in the unfortunate event that both parents die before the children turn 18.
- Some people purchase life insurance for healthy newborn babies because their insurability is high and the premium costs are low. If health issues develop later in life, individuals may not be eligible for life insurance coverage.

Here are some tips to prudently control life insurance costs:

- Many life insurance plans offer discounts for improved health (quitting smoking, lowering cholesterol, etc), so make sure to inquire about these potential benefits.

- If you are in the military, consider Serviceman’s Group Life Insurance (SGLI) – a program of low cost group term life insurance automatically available to all military members. This policy is automatically activated unless the service member opts out.
 - If you have decided to purchase additional life insurance outside of the SGLI, review the list of exclusions to the policies, and make sure that the benefits will be payable even if the death is a result of war, the action of a military force or traveling on a non-commercial aircraft.
 - Individuals who sell life insurance at military installations are required to obtain authorization from the Department of Defense, so ask to see the agent’s permit or license.
- Finally, remember the impact of key factors that can affect your life insurance premiums. These include:
 - Pre-existing and/or chronic health problems, such as diabetes, heart disease or cancer
 - Poor health habits, such as smoking and excessive drinking
 - Your driving record
 - Engaging in dangerous hobbies, such as skydiving, skiing or rock climbing

Health 201: I Do! - Health Insurance for Two (or more)

Here are some special considerations for young families:

- If both parents are working in full-time jobs, it is recommended that you compare these health insurance policies to see which best fits the needs of your family:
 - Employee
 - Employee and Spouse
 - Employee and Family
 - Employee + one, where the spouse has separate coverage

Make sure to review the co-pay amounts and different options carefully to see exactly what is covered – and what isn't – for both parents and children.

- Check to see if your employer offers a flexible spending account. These plans, which allow you to set aside pretax dollars for medical expenses and childcare, are a good way to reduce your out-of-pocket medical costs.
- When expecting a child, review the coverage options available to you, and find out exactly how your healthcare plan handles the costs. Remember to consider the costs of prenatal vitamins, prenatal and neo-natal screenings and tests, emergency procedures, delivery – C-section and traditional – and pediatric care.

Also, make sure you are aware of the deadline to register your newborn with your health insurance company. Consult with your employer and health insurance provider regarding the requirements before your child is born. If you decide to adopt a child, consult with your employer and health insurance provider regarding the requirements for obtaining health insurance coverage in advance, and also check with your state health department.