



# All About Insurance

Expert advice on protecting your loved ones

By LAURIE ADAMS, CFP®, CLU

**A**s a new parent, you have many decisions to make on a daily basis — all of which may seem more immediate than long-term financial planning. But it is also very important to get your growing family on the road to financial security. You can begin by reviewing your insurance needs.

**PRIORITIES** You should review all coverage for adequacy, prioritizing life and disability

insurance, as both are intended to protect your family income. It is highly unlikely that you have sufficient coverage — if any — through your employer. You should not assume that any disabling condition would be covered by worker's compensation. Most disabilities and premature deaths occur outside of work.

**COST** There is a life and disability insurance program for every budget. Prices will vary based upon age, gender, occupation and health.

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While there are different types of coverage, some provide pure protection and others offer savings options. Your first priority is obtaining adequate coverage.

**TYPES** There are two kinds of life insurance: term and permanent. Term offers protection for temporary needs, such as a debt or dependency period. It increases in price as you get older. Permanent insurance includes whole, universal and variable life. This type of policy builds cash value. It is a reserve meant to keep premiums level as you age, but the cash value is also available to the policy owner. If



### Work with an accredited financial advisor

your budget permits, you can combine a long-term need with other financial goals. Some people use these plans as additional savings for emergencies, college expenses or retirement due to the tax-sheltered advantage of the contract. For many families, a combination of term and permanent will be the best program to address multiple short and long-term needs.

**TIMING** When should you start? Now. Your need doesn't begin when the baby arrives, but when you conceive. In most cases, your pregnancy will not negatively affect the underwriting of your policy. Furthermore, most companies will allow you to add a rider to insure your children. This is an economical way

to insure multiple children, and may automatically cover newborns, usually once they are 15 days old. This can be important if the child is born with any health problems that may make coverage difficult to obtain later.

**HOW MUCH YOU NEED** For disability insurance, determine the monthly total of your basic household expenses as well as the number of months your savings could replace your paycheck if you are unable to work. The first figure will tell you the monthly benefit to purchase, and the second will indicate the waiting period your budget can survive.

For life insurance, you need seven to ten times your annual income in coverage. For help with calculations, the nonprofit organization Life Insurance Foundation for Education (LIFE) provides free needs calculators on its Web site. Visit [www.lifehappens.org](http://www.lifehappens.org) and enter the consumer section for more details.

**SEEKING ADVICE** While there are many tools available to guide you, working with a professional advisor can be beneficial. Ask family and friends for recommendations, then check to see if the individual belongs to a professional association. National Association of Insurance & Financial Advisors (NAIFA) members, for example, follow a code of ethics that guides their advice. Accredited designations such as CLU, ChFC and CFP® indicate that the advisor is committed to professional education to benefit clients. But the best advisor will listen carefully to your needs and goals before making recommendations.

*A 27-year veteran of the financial services industry, Certified Financial Planner® and advisor Laurie Adams, CFP®, CLU, is a financial representative for Country Financial in Peoria, IL.*