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<http://www.life-line.org>

Single Parents: The Necessity of Life Insurance
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As a single parent, your child depends on you for the world. You're the primary caregiver, breadwinner and so much more. But what if tragedy struck and you were no longer around for your child?

The child's other parent or designated guardian might be able to care for your child, but would that person have the financial means to provide the kind of life you always hoped your child would have? For many single parents, the answer to that question probably depends on how much life insurance they have.

When someone's life is cut short, proceeds from their life insurance are typically the primary source of income for surviving family members. For single parents, life insurance proceeds may be the sole means of financial support for their children. That is, of course, if the single parent has life insurance.

Remarkably, nearly four in ten single parents have no life insurance coverage of any kind. Of those who have coverage, nearly two in three consider their coverage inadequate. And they should. The typical two-parent household has \$250,000 in life insurance coverage, compared to just \$60,000 for their single-parent counterparts.

While \$60,000 still may sound like a lot of money, it costs a lot more than that to raise a child today. According to the 2001 USDA annual "Expenditures on Children by Families" report, it costs an average of \$165,000 to provide a child with the necessities of daily living from birth to age 18. If a college education is in your plans for your child, consider that a year at a public college will cost an average of \$28,000 by 2010.

Getting Started: Insurance Basics

If you're one of the many single parents who feels they need more life insurance, there's no time like the present to purchase the coverage you need. But how much and what kind should you purchase? Here are some important guidelines to get you started.

The amount of coverage you need depends on your individual financial circumstances, and can change over time. A good rule of thumb is to purchase coverage equal to five to ten times your annual income. However, events such as the purchase of a new home or a promotion at work can change your financial needs and warrant a reevaluation of your coverage.

There are two basic types of life insurance, term and permanent.

- Term life insurance provides coverage for a specific period of time and typically offers the greatest amount of coverage for the lowest cost. One downside to term insurance is that it only pays if the owner dies during the term of the policy, typically 10, 20 or 30 years. Also, you may find that once the term has expired, your age or medical condition may make renewal expensive or impossible.

- Permanent life insurance provides lifelong coverage as long as you continue to pay your premiums. Though premiums are typically higher than term when initially purchased, they generally do not increase over time and can stop completely later in life, depending on the type of policy purchased. Also, permanent life insurance accumulates a cash value that grows on a tax-deferred basis, and can be borrowed against or redeemed when the policy is surrendered.

Finding an Agent

While these guidelines explain some insurance basics, the best way to determine your individual insurance needs is to consult an expert, a licensed professional. Be sure to inquire about their experience, their clients and the types of plans they prepare. Ask your friends and relatives for referrals as well as professionals you trust, such as your attorney or accountant. It is important to have confidence and trust in your insurance advisor; after all, this person is not only working to secure your financial plan, but also your family's future.

Insurance: The Foundation of a Sound Financial Plan

Life insurance is a consideration that few parents can afford to ignore. However, for many single parents, the financial strain of supporting a household on one salary may make life insurance seem like a luxury item. In fact, it's the exact opposite. Life insurance is the foundation of a sound financial plan. It ensures that the financial dreams you have for your children - a comfortable upbringing, a college education - will be completed even if you're not there to witness them.

For more information about life insurance, answers to frequently asked questions, and a list of licensed life insurance professionals in your area, visit www.life-line.org or call 888-LIFE-777 for a free Consumer's Guide to Insurance.