Single Mom Life Insurance

FREE GUIDE

The Single Mom's Life Insurance Starter Guide

Five steps from worry to a plan, for a mother raising kids alone

If you are the only grown up in your home, your paycheck is the plan. It pays rent, food, childcare and school. Term life insurance pays a set amount to the person you name if you die during the years you chose. It is meant to keep your kids' life steady, and it is not meant to make anyone rich. This guide takes you from the first question to a finished plan in five steps.

Why the paycheck is the plan

When one person earns the money and raises the kids, there is no second income to fall back on. If that person dies, the rent, the groceries and the childcare do not stop. A policy turns a few dollars a month into a lump sum that your children's guardian can use to keep life steady.

> Social Security helps but does not replace a paycheck. The Social Security Administration says a child generally gets 75% of the worker's basic benefit amount, within a family limit of 150% to 180% of it. It stops at 18, or 19 if the child is still in high school.

Step 1: Find your starting amount

The NAIC says the right amount depends on the needs that continue after your death, such as support for your family, childcare, debt repayment and funeral costs. Write down each one for the years your kids need you.

- Daily living costs for every year until your youngest is on their own
- Childcare, school and after school costs
- Debts, and the mortgage if you want your kids to keep the home
- Funeral costs

General education, not insurance, legal or tax advice. Figures are examples unless a source is named. Prices and rules vary by state and insurer.

- Then subtract savings you could spend and life insurance you already own

Some guides give a rule of thumb, such as several times your yearly pay. They disagree, so use a rule only to check your own list, not to replace it.

Step 2: Match the term to your kids

Your youngest is	A term to price	Why
A baby or toddler	20 to 30 years	Covers the years until they are grown, and a 30 year mortgage
In grade school	15 to 20 years	Reaches the end of high school and the first years after
A teenager	10 years	Covers the last years at home and the cost of starting out

Longer terms cost more each month. Most term cover can be renewed when it ends, even if your health has changed, but the NAIC warns the new premiums are higher. Ask what they would be before you buy.

Step 3: Name who gets the money

The NAIC says experts advise against naming a minor child as beneficiary, because insurance companies will not pay a minor. Without a plan, a court may have to appoint someone to manage the money. You have four choices:

1. A trust you set up, with a trustee you choose
2. A trusted adult named as custodian for your child under your state's Uniform Transfers to Minors rules
3. Your estate, which may mean delay and a court
4. An adult you trust to use the money for the kids, which relies on trust alone

Rules differ by state, so ask a family lawyer to confirm the choice. Name a backup too, and review every beneficiary every few years and after a birth, a move or a death. As the owner you can change them at no cost.

Step 4: Apply honestly

Tell the truth on the application. The NAIC warns that if the insurer finds false statements after it issues your policy, it could reduce or cancel your coverage. Plans that ask for less health information, such as no exam plans, usually cost more and provide less cover than plans that ask for more.

> Have ready: your doctors, your medicines, your height and weight, your tobacco use and your children's names and birth dates.

General education, not insurance, legal or tax advice. Figures are examples unless a source is named. Prices and rules vary by state and insurer.

Step 5: Set it up so it lasts

- [ ] Read the whole policy during your free look period and fix any mistake
- [ ] Set the payment as a bank draft for the day after payday
- [ ] Tell your guardian and your beneficiary where the policy and the insurer's phone number are kept
- [ ] Put a yearly reminder in your calendar to review amount, term and beneficiaries

Mistakes that cost families the most

- Naming a child directly and leaving a court to sort it out
- Counting work life insurance that ends when you change jobs
- Picking an amount so large that the payment lapses
- Leaving a medical fact off the application
- Never telling anyone the policy exists

General information only, not insurance, legal or tax advice. Life insurance proceeds are generally not taxable income to the person who receives them (IRS Publication 525), but interest the money earns may be.

Sources

- NAIC: Life insurance buyer's guide (PDF)
  content.naic.org/sites/default/files/publication-lig-lp-consumer-life.pdf
- Social Security Administration: Survivors Benefits booklet
  www.ssa.gov/pubs/EN-05-10084.pdf
- IRS Publication 525: Taxable and nontaxable income
  www.irs.gov/publications/p525

When your numbers are ready, get your price at singlemomlifeinsurance.com/quote.

singlemomlifeinsurance.com/quote or call (888) 635-3511

General education, not insurance, legal or tax advice. Figures are examples unless a source is named. Prices and rules vary by state and insurer.