SingleDadLifeInsurance

FREE GUIDE

Single dad life insurance starter guide

Six decisions, in order, for a dad raising kids on his own.

Life insurance for a single dad comes down to six decisions. Take them one at a time. Nothing here is a quote, legal advice or tax advice. Ask a licensed attorney about your will and any trust, and a licensed agent about price.

1. Decide what the policy is for

Term life pays a death benefit if you die during a set number of years, often 10, 15, 20, 25 or 30. It builds no cash. For a dad with young kids that is usually the right tool, because it gives the biggest payout for the least money. Permanent coverage, such as whole life, lasts for life and costs much more per dollar.

2. Find the amount

Many agents start at**10 times yearly income**. Check that with DIME. Add four numbers, then subtract what you already have.

Letter	What to add	Example (made up)
D	Debt, not counting the mortgage: car loans, cards, student loans	$20,000
I	Income: yearly pay times the years your kids need help	$55,000 x 10 = $550,000
M	Mortgage: what you still owe on the house	$240,000
E	Education: what you hope to set aside for each child	$100,000 for two kids

The example adds up to $910,000. After $10,000 of savings it is $900,000. Most single dads land between $250,000 and $1,000,000.

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

> DIME is a rule of thumb, not a law. Round up, then ask for prices at your number and at a lower amount so you can compare.

3. Pick the length

1. Count the years until your youngest turns 18.
2. Add any years of school or training after that.
3. Check the years left on your mortgage.
4. Take the longest of the three and round up to the next common length: 10, 15, 20, 25 or 30 years.

If a mortgage runs longer than your kids need, ask about a ladder: two smaller policies of different lengths. Many term plans can be converted to permanent coverage in a set window with no new health questions, so ask when that window ends.

4. Name a guardian and a beneficiary

A**guardian** raises your kids. A**beneficiary** receives the insurance money. They are separate choices and can be different people. A will can name a guardian, but a court decides, and a living parent usually has priority.

A minor cannot manage a large payout. If a child is named directly, a court may have to appoint someone to hold the money. Many families name a trust, or a custodian under their state's Uniform Transfers to Minors Act, where the age of control is often 18 to 21. Ask an attorney which fits your family.

5. Answer the application honestly

- Most policies have a contestability period, usually 2 years. If you die in that window, the company can look closely at your application.
- Tell the truth about tobacco, medicines, diagnoses and dates. Insurers often check records, and on many policies an exam.
- Keep any old coverage until the new policy is in force.
- After the policy arrives, use the free look window to read it and cancel for a refund if it is wrong. It is often 10 to 30 days and your state sets it.

6. Put it on paper

Tell the guardian and the person in charge of the money that the policy exists and where the papers are. Check the beneficiary after any divorce, death or new baby. Look at the whole plan once a year.

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> Coverage through work helps, but it is usually a small multiple of pay and often ends when the job ends. Own a policy of your own.

Death benefits are generally not taxable income to the person who receives them, the IRS says in Publication 525. Ask a tax professional about your own case.

Sources

- NAIC: Life insurance consumer guide
  content.naic.org/consumer/life-insurance.htm
- Social Security Administration: Survivors benefits
  www.ssa.gov/benefits/survivors/
- IRS: Publication 525, life insurance proceeds
  www.irs.gov/publications/p525

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