



The Basics

## How to insure your growing family

When children enter your life, the right coverage becomes critical. Here's what you need to know to select life, health, home and disability insurance.

By [Liz Pulliam Weston](#)

Your insurance needs skyrocket once your life becomes intertwined with others'. Whether you're a traditional family, a single parent or someone who's adopting, here's what you need to know.

### Coverage you should buy now

**Life insurance.** If anyone depends on your income or the services you provide to your family, you almost certainly need life insurance.

If you work, your spouse may need your income to help pay the mortgage, buy groceries and save for your children's education. If you're a stay-at-home parent, your spouse most likely would need to hire someone to provide child care.

You have two basic types of coverage to choose from: term or "pure" insurance, and cash-value insurance, which combines pure insurance with an investment component.

Before deciding which one to choose, however, you should determine how much coverage you need. You can use the [Life Insurance Needs Estimator](#).

Because cash-value insurance can cost 10 times as much as term insurance, most young families will find they need to buy term in order to get enough coverage.

**Disability insurance.** This is even more important when a family depends on your income to survive. You should aim for coverage that replaces at least 60% of your current salary.

If you can't get or afford coverage, make sure you have a substantial emergency fund -- equal to at least three months' worth of expenses, and preferably six months -- to tide you through any short-term disaster.

**Health insurance.** Young families tend to spend a lot of time in the doctor's office, so health insurance is a must -- and a good reason to switch employers if yours doesn't provide this benefit. Even if you have to pay part of the premiums, health insurance is a lot more costly when you try to buy it on your own. The typical employee covered by health insurance at work pays only 20% of the total cost.

Trying to decide what kind of health coverage to get, and coordinating the coverage of two working parents, can be a challenge. There's no substitute for studying your options carefully and asking plenty of questions. In general, many young families find that getting HMO coverage is the most cost-effective option, but you'll need to compare the costs and flexibility of the plans you're offered to be sure.

**Homeowners insurance.** If you own a home, you need this coverage, unless you have enough cash on hand to completely rebuild and refurnish your home. (In the unlikely event that you did, however, you'd still be required to buy a policy if you had to obtain a mortgage to buy your home.)

The key is to buy enough coverage, but not too much. Don't use your home's purchase price or current value as a guide. What matters is what it would cost to rebuild your home. A contractor can give you an idea of the average cost per square foot to rebuild in your area.

Your policy will offer a certain limit to replace your belongings. You may need to purchase extra coverage if you have valuable antiques or a lot of electronic gear, jewelry, furs or firearms.

You can trim homeowners insurance costs by shopping around, getting your homeowners and auto coverage from the same insurer and boosting your deductible.

**Liability coverage.** Realize you probably need even more coverage as your assets and income grow, since you become more of a lawsuit target.

If your homeowners and auto policies don't provide enough protection, you may need to buy a personal or "umbrella" liability policy. These kick in when the limits on your auto or homeowners policies have been exhausted. Fortunately, umbrella policies are relatively cheap -- about \$250 for \$1

million of coverage. Talk to your homeowners or auto insurer or an independent agent to get quotes.

### Coverage you probably don't need

**Life insurance for your children.** You have many better ways to spend your money, including saving for your own retirement and for the kids' college funds.

**Long-term care insurance.** Long-term care is a significant and serious problem, but most financial planners don't recommend buying coverage until you're in your 50s -- if then.

*Liz Pulliam Weston's column appears every Monday and Thursday, exclusively on MSN Money. She also answers reader questions in the [Your Money message board](#).*

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