# The Insurance That Plays On Your Emotions -- And Wastes Your Money

Buying life insurance is daunting enough. No one wants to think about when they'll die and how their loved ones will continue without them -- financially and otherwise.

So it's fair to say that buying life insurance for a baby can be filled with a lot more emotion. Part of doing so is accepting the possibility that your child may die well before you do, leaving you grief-stricken and in one of the worst insurance payout possibilities ever.

"If your 5-year-old gets hit by a car and killed, do you really want a check for $10,000 from Gerber?" said Zac Bissonnette, author of "How to Be Richer, Smarter, and Better-Looking Than Your Parents," a followup to his popular personal finance book about how to pay for college.

Insurance money from a child's death doesn't replace an income that the rest of the family relies on -- as is typically the purpose of life insurance. Instead , it's meant to help young families to pay funeral costs that could otherwise devastate their finances.

Even though such insurance only costs "pennies a day," as the Gerber Life Insurance Co. says, it's not a smart investment for two overriding reasons: low odds of death for children and better ways to invest those few dollars each month, said Tony Steuer, an insurance literacy advocate and former insurance salesman and consultant.

"It's one of the worst buys out there, statistically speaking," Steuer said.

As the actuarial life table from the U.S. Social Security Administration shows, death is so unlikely during childhood that insurance isn't worth buying, he said.

[InvestingAnswers Feature: Don't Waste Your Money On These 5 Types Of Insurance]

Steuer offers this perspective: Baby insurance is whole life insurance that's overpriced. Whole life insurance, which insures someone for their entire life and often requires annual premiums to be paid into it, is different than term life insurance, which pays only within a certain time span, such as 20 years.

Baby insurance costs relatively little, but there are much smarter ways to spend that money, Steuer said. The Gerber Life plan, for example, costs $6 a month, or $72 a year, for $10,000 in coverage. Invest that same amount of money elsewhere and over the child's life you'll have more than you would by maybe getting $1,000 in cash value from the whole life insurance policy, he said.

"Saving $70 a year is going to take you a long time to get to $10,000," but after 10 years you may get close to $1,000, he said.

On the other hand, some experts out there are proponents of purchasing baby insurance.

Juvenile insurance, as it's also called, is available only after the 14th day of life for a newborn baby because most infant deaths happen before that point, said Kevin Lynch, an assistant professor of insurance at The American College of Financial Services in Pennsylvania. There's also a spike in deaths during the teenage years, Lynch said.

"Sometimes you'll have people who say, 'That's gross. That's morbid to buy baby insurance,'" Lynch said. But it's more morbid to grieve and not be able to afford to bury your child, he said.

Funeral expenses are just one reason Damian Rothermel's wife, Julie Stahl, bought $20,000 in coverage through her employer for their months-old son for 37 cents a pay period, or $26 a year, said Rothermel, of Portland, Ore. The bigger issue was to be able to afford to take time off from work to grieve, he said.

For people who don't have access to an insurance agent -- such as young couples without life insurance -- buying insurance for a child through Gerber Life or another company can be their introduction to life insurance. But most people buy it through their insurance agent, said Lynch, who often recommends it during an annual review of customer policies.

It can also morph from baby insurance when a child gets older. Lynch said juvenile insurance policies end at age 18 unless the parent, or the new adult with the coverage, continues paying the premium. This "guaranteed purchase option" at age 18 allows the coverage to be increased without getting medical preapproval for up to twice the amount of the original coverage and can be added to every three years through age 40, Lynch said. Another benefit is that a family with a lot of kids -- up to 10 -- can insure all of them for about $50 a year, he said.

Still, the prevailing perspective is that money allocated for this type of insurance could be better spent elsewhere. And an even smarter idea is to invest. Consider these numbers: If you saved just $6 per month at 5% interest for the first 18 years of your child's life, you will earn $2,104 -- $1,296 of which would be in contributions.

**The Investing Answer:** If you have the wherewithal to invest $70 or the amount you'd normally spend monthly on life insurance for your child in a savings or college account each month, you'll be better off in the long run. But if a funeral would deplete your expenses so much and the low odds of a child dying don't dissuade you, then life insurance for your child will do what life insurance is meant to do: give you peace of mind and pay for expenses you can't afford in a major life event.

Like all insurance, paying a small premium now is the chance you take for hopefully not ever having to use the policy. But given the odds of using it, you're better off putting aside the money spent on premiums in a rainy-day fund or another investment.