

How life insurance can protect from debt risks

Using a personal line of credit to pay tuition could leave you liable



by [Janet Gray](#)
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Q: Our 19-year-old son has been accepted into an aviation program. The cost of the program is \$100,000. Government Student Loan funding is not enough to cover the program cost, therefore we looked into a student line of credit. Unfortunately, a pilot was not listed as a profession that would get approval for a \$100,000 student line of credit; the only option was to use our own personal line of credit.

In order to protect ourselves financially in case something happens to our son, I would like to purchase life insurance but I'm not sure what type of life insurance and if disability insurance is also needed. Once his debit is paid off I would like to see him continue with the life insurance policy so he has coverage if he decides to start a family. Would he be able to increase the policy coverage? Or is it in his best financial interest to incorporate future costs now? —*Diana*

A: Diana, this is a great question. This is a good example of life insurance protecting a financial risk, which is one of the main purposes of life insurance.

In this case, your son's passing could leave you with a large debt risk. At his age and presumed good health, you should be able to obtain a large amount of coverage for a relatively small cost. A good option would be buying a Term Life Insurance policy that renews (increases) the price at the end of each term (10 or 20 years generally). You could own the policy yourself and make the payments on your son's life insurance policy for now and at some point, you could transfer the ownership as well as the payments to him.

Typically, he would not be able to increase the policy's coverage amount but some types of insurance may allow that as an option. It's a good time to look into permanent insurance due to his younger age and the (lower ongoing) permanent premium amount. He will not be able to obtain disability insurance until he has an income to protect, but you may want to consider Critical Illness Insurance. Please discuss this further with an insurance representative.