

Funeral Planning Guide



*A funeral is a service of worth,
a rite of passing, a ceremony for
those one leaves behind to afford
them a chance to say goodbye.*

CMA
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Understanding Your Pre-Need Agreement

At the time of filling out your Pre-Need Agreement, there are certain points you will want to cover with your funeral director.

You want to review your selections for your funeral and be clear as to what may and may not be guaranteed.

You should be aware of where your funds will be deposited and in what manner they may be invested, as well as any fees that may be charged. In Trust Accounts and Savings Accounts, some state laws allow the funeral director to take a percentage of the funds associated with the Pre-Need Agreement at the time of its creation as a consultation or administration fee. This is similar to commissions paid to funeral directors who sell insurance-based products.

You should discuss the effect of cancellations or changes to your Pre-Need Agreement. Many states require a “Right to Rescind” clause or a cooling off period. If you cancel the Agreement prior to the expiration of this time period, you will receive a full refund. After this time period, there may be an administration fee withheld from your refund.

After this time period, an irrevocable Pre-Need Agreement may not be cancelled. However, it may in many cases be transferred to another funeral establishment. This may be desirable should you move from one area of the country to another. A transfer may void any guarantees that you secured from the originating funeral director.



About This Guide

It is the intention of this guide to assist anyone contemplating arranging a funeral: his or hers, a relative or a friend. It attempts to provide information helpful in making the three major choices:

- The Funeral Home,
- The Final Disposition and Service, and
- The Time and Method of Funding.

Funeral Planning

Funeral planning is something that will be done, to some extent, at least once by everyone. In many cases it is done by somebody else after the individual has died. For surviving loved ones, this is a very difficult task as they are still trying to sort out their emotions and deal with their loss.

Planning one's funeral in ADVANCE has been an accepted course of action for hundreds of years. There are many benefits to making Pre-Arrangements.

Making funeral arrangements in advance (Pre-Arrangements) greatly reduces the burden and stress, placed on a surviving loved one, of having to make difficult decisions while dealing with grief.

Pre-Arranging one's funeral assures the person that his or her personal preferences are heeded as to where the funeral and burial or other final disposition will take place. Further, it assures one that the service will reflect his or her personal beliefs, standards and lifestyle.

As it is your family that will be most affected by your death and subsequent funeral, be sure to involve them in your thought process. Get together with your family and discuss the pertinent issues surrounding your eventual passing: your will, the funeral, the cemetery, and any wishes you might have.

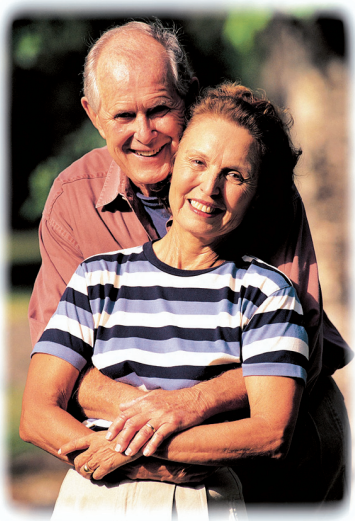
In the event that there are excess funds after the provisions for the funeral, the remaining funds will be refunded to the purchaser (if different than the beneficiary) or the beneficiary's estate.

Medicaid & Social Services

Many individuals will find it necessary to apply for financial assistance under Title XIX of the Social Securities Act. In order to qualify for State Medicaid or the Social Security Administration's Supplemental Security Income Program, one must be below a certain dollar amount in personal assets. Any assets unjustifiably transferred over the preceding thirty-six (36) months from the date of the application may cause problems and disqualify the applicant.

An Irrevocable Prepaid Funeral Agreement is an allowable transfer and exempt from being counted as part of your assets. Some states may limit the amount that may be established in an irrevocable trust, while others may only require that the funds be established in an irrevocable account prior to application.

Your funeral director deals with these issues on a daily basis. He or she is the best equipped to guide you in these matters.



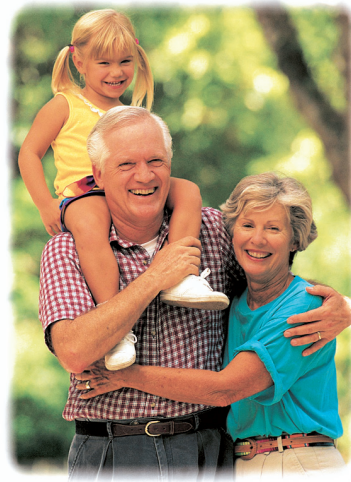
Annuities

Annuities are the least common of the four methods used to fund Pre-Need Agreements. These are insurance-based financial instruments that earn and accrue interest somewhat similar to a certificate of deposit. There are federal tax liabilities involved with annuities; however, they are deferred to the time of death.

Excess Funds

If the Pre-Need Agreement is *guaranteed*, the interest helps the funeral director to offset any impact that inflation may have on his or her costs. In this situation, any excess funds belong to the funeral home.

If the Pre-Need Agreement is *not guaranteed*, the interest enhances the ability of the account to accommodate your funeral.



Selecting Your Funeral Director

The first step in planning a funeral, at time of need or in advance, is selecting your funeral director. This is quite possibly the most important decision. Take time to talk to one or more funeral directors. Visit their funeral home. Do not hesitate to ask questions. You should feel comfortable with your selection; that he or she will listen carefully, understand, and be sensitive to your needs as to your lifestyle and religious preference.

Consider his or her firm's reputation in the community and its ability to offer a wide selection of products and services that are within your budget.

Selecting the Funeral Arrangements

Once you have selected your funeral director, you will be surprised at how easy the remaining process becomes. Your funeral director is a professional. He or she has the experience to assist and guide you through the selection process.

Determining your budget is an important part of the selection process. You should have a dollar amount in mind as to what you want to spend or can afford as you make your selections. Be open with your funeral director in this regard to avoid any confusion later. He or she can also be an invaluable source of information in identifying alternative sources of funds that you might be entitled to: Social Security, Veterans Administration, union or employee pension funds, or state or local governments.



Insurance

Life Insurance policies may be used to fund Pre-Need Agreements. In some cases, a pre-existing life insurance policy's death benefit may be pledged, or if permitted, directly assigned to the funeral home. In some states, funeral directors may also be licensed to sell life insurance policies. You may have to answer questions about your age and health in order to qualify for life insurance. Also you should ask the insurance sales agent if the particular policy has a fixed death benefit, or if it will increase over time to cover your funeral needs. There are no tax liabilities on death benefits paid on life insurance policies.



Prepayment

Prepayment is not a requirement of Pre-Arrangement. It is quite acceptable to make your selections or preferences known to your funeral director without paying in advance.

However, there are very sound reasons as to why you would want to prepay for your funeral arrangements.

By prepaying for your funeral arrangements, you further reduce the stress placed on loved ones by eliminating the financial burden at the time of your death.

In funding your Pre-Arrangement, you ensure that the money is available to carry out your choice at the time of need. If nursing home care should become necessary, it could deplete much or all of your assets.

Another advantage to prepayment is that you may secure a “Guaranteed Agreement,” which would lock in the cost of part or all of your funeral at today’s prices.

Funeral Service

Funeral Service involves:

- The professional services of the funeral director and his or her staff.
- Removal and transportation of the deceased.
- Embalming and preparation of the body.
- Use of the funeral home for visitation and ceremony.
- Hearse and limousine transportation.

Cash Advances

There are other goods and services offered by the funeral home that are provided by outside sources, such as:

- Cemetery grave opening expense
- Flowers
- Crematory
- Musician
- Hair Dresser
- Medical Examiner
- Clergy
- Newspaper Notices

These are commonly referred to as cash advances or disbursements. In many states, the funeral director may only charge the actual cost incurred by these goods and services. As such, they are a courtesy service provided by your funeral director. In planning a service at the time of need, it is not uncommon for the funeral establishment to ask for monies in advance of the funeral to cover these cash disbursements.

In making your Pre-Arrangements, be comfortable with your choices. You can be as detailed or vague as pleases you.

Financial Concerns

Having selected your funeral director and completed your Pre-Arrangements to the degree that you desire, there is one more consideration: how you are going to pay for them?

Pricing

The funeral industry is strictly regulated both at the state and federal level. The Federal Trade Commission requires a funeral director to give you his or her current price lists, which will reflect the cost of each item or service offered. As you make selections, they are recorded on a “Statement of Goods and Services.” This Statement is divided into three sections: service, merchandise and cash disbursements.

The Statement will also have an explanation on embalming requirements, as it may not be necessary if your preference is direct cremation or immediate burial.



Funding a Pre-Need Agreement

There are four commonly used methods for funding Pre-Need Agreements.

Trust Accounts

Trust Accounts are one of the most common methods of handling funds paid on a Pre-Need Agreement. These funds are deposited in a bank or trust company in a trust fund, which earns interest that is accrued in the account. If the trust account is invested on a commingled basis with other similar accounts, usually a higher rate of interest is earned than on current savings accounts. There are federal tax liabilities associated with the interest generated on the trust account that are generally your responsibility.

Savings Accounts

Savings Accounts can be established with funds paid on Pre-Need Agreements. In the past, they have been set up in the individual's name to be held jointly with the funeral home. At the time of death, the account belongs to the funeral home. Interest earned on these accounts has federal tax liabilities and is generally your responsibility.

These accounts are not irrevocable trusts; therefore, the funds may be counted as personal assets in a review of qualifications for SSI financial assistance.

Final Disposition

There are three types of final disposition from which to choose. With each type, there are a variety of services and merchandise to enhance the funeral ceremony.

In-Ground Burial

This form of interment is the most common type of funeral and requires the purchase of a cemetery plot, possibly a vault, and a casket.

It is important when selecting your cemetery that you are aware of any religious affiliation it might have, as well as any requirements and restrictions pertaining to vaults and monuments. It is common for a cemetery to require an outer container or vault in which to place the casket. You should also ask if the cost of the plot includes perpetual care.

Above-Ground Burial

You may choose to be entombed in a mausoleum, which will require the purchase of a crypt in a building specifically designed for the placement of a casket or urn.

Cremation

This alternative reduces a body to ashes. One may choose to purchase an urn in which to contain the remains. Selecting cremation does not preclude one from taking advantage of a full funeral service prior to cremation.

Funeral Merchandise

Casket

In selecting a casket, you will find a great variety to choose from, differing in material, craftsmanship and style. Take the time to choose, so that you are comfortable with your decision in terms of style and cost.

Vault

This is an outer burial container, which is now required by many cemeteries. Vaults vary in material from cement, metal, plastic, or any combination of the three. They may be sealed or unsealed.

Urn

If cremation is the choice of final disposition, the ashes will return from the crematory in a small container that is suitable for burial or placement in a mausoleum. You may decide to purchase an urn in which to place the ashen remains. As with caskets, there are a great number of urns varying in material, craftsmanship and style.

Your funeral director is best equipped to discuss your options in selecting funeral merchandise. He or she is prepared to point out the benefits of each as well as the cost variations.

The funeral associated with a Pre-Need Agreement may be required in ten days, ten months, or ten years. Hopefully, the interest earned on the trust or insurance funding will equal or exceed any rise in costs for the funeral services or merchandise.

If the Pre-Need Agreement is *guaranteed*, the interest helps the funeral director to offset any impact that inflation may have on his or her costs. Under a “Guaranteed Agreement,” the funeral director may not seek additional payment when the actual costs of the guaranteed services and merchandise exceed the funds in the trust account. Should the funds exceed the costs, the excess belongs to the funeral director.

If the Pre-Need Agreement is *not guaranteed*, the interest enhances the ability of the fund to accommodate the funeral. The purchaser would be liable for any additional expenses when the actual cost of the funeral services and merchandise exceed the funds in the trust account. Any excess funds after the provisions for the funeral will be refunded to the purchaser (if different than the beneficiary) or the beneficiary’s estate.

As it is acceptable to Pre-Arrange without payment, it is also acceptable to prepay without Pre-Arrangement. Many people place funds with their funeral director to pay for their eventual funeral without making any specific selections. In many cases, this is done to shelter assets from attachment by state agencies or to reduce one’s assets to qualify for Medicaid or SSI.