

# **AARPBulletintoday**

## **Pre-paid funeral arrangements becoming more popular**

Source: New Bedford Standard Times | January 3, 2010

Pre-paid funeral arrangements becoming more popular

Most people have a family doctor, a lawyer, an accountant, maybe even a financial planner and a personal trainer; not many have a family funeral director.

Sitting down with a funeral director can accomplish three goals, according to the American Association of Retired Persons Web site (AARP.org). Map out a funeral in advance down to the last detail; free the family from making funeral arrangements in a time of grief, and provide the option of beating inflation by paying for the funeral in advance.

With 2 million deaths every year in the United States, according to the AARP ("Preplanning Your Funeral Arrangements"), and with funeral costs escalating at triple the rate of inflation, according to Funeral Help Program, the message from these and other consumer advocacy groups is — plan ahead.

"A funeral is one of the most expensive events in one's life," according to AARP. "It's not unusual for a family to spend \$10,000 for a funeral today."

"A detailed roadmap that provides for one's future funeral and burial needs ought to be part of anyone's overall financial plan," according to Joseph A. Marshall, registered financial consultant and president of J. Marshall Associates, a financial services and insurance provider in Fall River, Attleboro and Tiverton, R.I.

"It only makes good sense not to ask family and friends to deal with funeral arrangements at the same time as they cope with their personal grief at the time of a loved one's death," Marshall adds.

While Funeral Resources.Com points out that "70 percent of Americans have no form of estate plan," an informal survey by The Standard-Times shows local funeral homes reporting a 30 percent increase in the past five years in the number of consumers who preplan their funerals.

The big advantage to preplanning, according to a spokesman for Rock Funeral home in New Bedford, is that one can design the funeral exactly as one wants it. Cremation? Traditional funeral? Calling hours? Gravesite service or not? Public or private rites? These are all details that can be specified in advance and kept on file with the funeral home.

Of those consumers who preplan, the survey found, 50 percent to 85 percent prepay.

According to Richard T. Saunders, Jr., president of Saunders-Dwyer Home for Funerals in New Bedford and Mattapoisett, "Most people who do prepay are glad to spare their families from having to make all of the final decisions and from having to pay for the arrangements at the time of the death."

"Another reason people prepay is to beat inflation," says Thomas Perry, president and co-owner of Perry Funeral Home in New Bedford. "Better to lock in the costs of tomorrow's services at today's prices. Costs are not likely to go lower," he adds.

According to a pamphlet, "Make It Easier For Those You Love," published by Forethought Funeral Planning, an Indianapolis insurer with 2,000,000 pre-need funeral policies in force since 1985, "Funeral costs have doubled in the last 15 years."

Whether one's choice is direct cremation or immediate burial — the least expensive funeral options — costs on a sampling of funeral homes' price lists start with basic services, which cover the funeral home's operating expenses, salaries, licensure, salaries, taxes, vehicles, etc. For cremation, add the cost of transferring the deceased to the crematory, the cremation itself (which requires a fiberboard container), medical examiner and death certificates.

"In every case of cremation in Massachusetts," according to Saunders, "the medical examiner must view the remains prior to cremation, because if anything came up later as to cause or manner of death, there would be no remains to examine after cremation."

The average cost for direct cremation is \$2,500. For immediate burial, add to basic services charges for death certificates and transfer of remains to the cemetery. The average cost is \$3,300.

Although direct cremations accounted for 35 percent of funeral choices in 2007, AARP says, traditional funerals are still the most popular choice, according to Saunders. The traditional funeral involves a wake or calling hours at the funeral home, and a funeral or memorial service with limousine transportation. This choice requires embalming, preparation of the body, facilities for viewing, death certificates and a casket.

A casket can cost as little as \$295 or as much as \$12,000. An urn for cremated remains can be purchased for \$70 to \$2,500 from the funeral home.

In addition, "most cemeteries require the use of a grave liner or vault," according to an AARP newsletter. These burial containers "surround the casket in the grave to prevent the ground from sinking and settling over time." Local funeral homes price them from \$700 to \$8,500

Although buying a whole funeral package through the funeral home is far more convenient and often less expensive, the Federal Trade Commission has ruled that no one is obliged to buy caskets, burial containers or any other products in-house.

A Nov. 1 story in The Standard-Times reported that caskets are available online at Wal-Mart or Costco for \$999 to \$3,199.

The choice and purchase of a gravesite are considerations separate from funeral arrangements. According to an informal local survey, single burial plots in New Bedford area cemeteries cost \$475 to \$850, including "endowment care," a one-time charge for upkeep of the cemetery.

Some cemeteries distinguish between ownership (with a deed) and a permanent "right of burial."

When choosing a funeral home and a burial site, AARP and other consumer groups recommend shopping around; ask family, friends, neighbors and colleagues for recommendations.

Visit at least three funeral homes and ask lots of questions, AARP says.

Ask for a detailed price list of products and services.

In 1985 the Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)) instituted the "funeral rule," requiring funeral homes to provide price lists on request, even over the phone.

Funeral homes also can be researched with the Better Business Bureau.

If prepaying for the funeral, examine the insurance policy or the trust documents carefully, even have a lawyer review them.

Most problems cited by the BBB are the result of misunderstanding the terms of a contract.

Make family members aware of funeral plans, and keep all documents and receipts in an accessible place.

Many people preplan their funerals without prepaying, according to Saunders.

They just want to have their preferences on file with the funeral home so family members — and their funeral director — will know what they want.

They might prefer to set up a savings account, purchase a certificate of deposit or a regular term life insurance policy whose beneficiaries know that the proceeds are dedicated to paying funeral costs.

The most popular vehicles for prepaying, according to Saunders, are a bank funeral trust and a pre-need life insurance policy.

The advantage to both methods is that they guarantee the specified costs of the funeral at the time of the purchaser's death.

The disadvantage to a pre-need policy or an irrevocable trust is that the purchaser cannot cancel the policy or the trust to redeem the money if a need arises, financial planner Marshall says.

The big advantage for people who have prepaid as part of an overall financial strategy, he adds, is that such a policy or trust cannot be counted as a tangible asset if they should want to qualify for Medicaid later in life.

Of his clients, Saunders says, "the vast majority are spending down their assets in order to qualify for Medicaid benefits, usually for long-term nursing home care."

Some consumer groups do not recommend pre-paying.

Funeral Consumers Alliance is a nonprofit federation of 100 organizations that,

according to its Web site, "educate the public on sensible funeral planning and stand guard against exploitation of grieving consumers."

Alliance Executive Director Joshua Slocum suggested in a July 9, 2009, New York Times article, "It always pays to plan ahead. It rarely pays to pay ahead."

Slocum recommends the Totten Trust, also called "a poor man's trust" or a "tentative trust" because it is usually for a relatively small amount and it is dedicated specifically to cover funeral costs.

This is a "payable on death" savings account that designates a survivor who will be responsible for paying funeral expenses at the time of the account-holder's death. Such an account earns interest over time and can be withdrawn by its owner — not by its beneficiary — without penalty in case of need. The Totten Trust also is not subject to probate.

The negatives of any kind of revocable savings instrument, according to Marshall, are that it might not earn enough in interest over time to keep pace with inflation; and it must be declared part of one's assets should the owner hope to qualify for Medicaid later on.

Whether prepaying for a funeral or not, Funeral Resources.Com suggests, "Planning your funeral arrangements in advance is one of the greatest gifts you will give your loved ones."

Editor's note: Contributing writer Tom McGill is a recent graduate of The Standard-Times Advanced-Level Community Journalism Program.