



People's Memorial
A s s o c i a t i o n
Funeral Advocacy & Education since 1939

Benefits & Risks of Prepaying for Your Funeral

Is prepayment right for me?

People's Memorial Association wants all consumers to make informed decisions, so we're providing both the benefits and risks of each of the ways to prepay for funeral expenses to assist in your decision-making. Prepayment in any form involves trusting that someone else will securely hold and manage your funds, and deliver them in full to the funeral home of your choice at time of death.

Should I pre-plan?

It's always wise to pre-plan your final arrangements regardless of whether you choose to prepay. By preplanning, you will:

- Choose the type of funeral service you desire and execute legal documents to assure they are carried out;
- Save your survivors from the stress of making these decisions at the time of your death;
- Have time to do comparison shopping and make choices that are within your budget;
- Have time to make knowledgeable and thoughtful decisions and discuss it with others; and
- Minimize family conflict since you have clearly directed your funeral arrangements.

Significant Considerations:

- Most funeral homes no longer guarantee that prepayment will cover future funeral costs in full.
- What assurances do you have that the insurance company, bank, funeral home or

individual will be there at the time of need to pay for your funeral?

- Is the plan transferable if you move or change your choice of funeral home?
- Is there a penalty if you change your mind and wish to withdraw the funds prior to your death?
- If you're paying over time, will the total of your payments be more than the benefits? What happens if you miss a payment?

Medicaid Spend-down:

To spend down your assets to qualify for Medicaid, Washington State allows you to set aside up to \$1,500 either in a bank account designated for funeral expenses or to purchase an irrevocable policy. That amount can be increased without limit, as long as it's reasonable for the services it's designated for.

If you decide to prepay, you must:

- **Keep the signed contracts and give copies to your next-of-kin;**
- **Ensure your next-of-kin know where to find the original documents; and**
- **Communicate with your next-of-kin exactly what you've paid for and what needs to be done.**

**Membership with PMA is not a prepayment plan. Members access affordable funeral arrangements at participating funeral homes in Washington State. PMA is not responsible for keeping track of your prepayment plans or receipts.*

© 2021 People's Memorial Association
2011 1st Ave N, Seattle, WA 98109

Office: 206.325.0489 info@peoplesmemorial.org Fax: 206.529.3801
MAY BE REPRODUCED FOR PERSONAL USE ONLY – NO COMMERCIAL USE APPROVED

Prepayment Options:

There are three basic ways to set aside money or prepay for funeral arrangements:

1. Pay-on-Death Account: This is a special type of bank account for your final expenses. You control the account, can save at a pace that fits your budget, and can withdraw from it at any time. If you move, you won't have to bother with transferring funds (unless the bank is local only). You name a beneficiary of the account. These funds will be available once the beneficiary is able to present a copy of your death certificate to the bank, which is typically within a few weeks of death. Accumulated interest may or may not cover the cost increases by inflation.

2. Regulated Trusts: This method of prepayment involves the placement of your funds into a trust account with the funeral home. Sometimes the fund is managed by the funeral home and other times it is placed with a third party trustee. This option makes it a little more difficult to transfer the funds should you move, change your mind, or the funeral home goes out of business.

3. Life Insurance: Life insurance may provide for an ever-increasing death benefit to account for inflation. In Washington State, the insurance industry is highly regulated by the State Insurance Commissioner. Most funeral homes now offer life insurance for prepayment. Insurance is highly portable meaning the policy may be payable to any funeral home that actually handles the funeral arrangements.

Benefits of Prepaying:

By paying in advance you may:

- Ensure that money is available to cover your final arrangements;
- Provide that your funeral will be the way you want it;
- Minimize stress on your survivors; and
- Set aside exempt assets in case you need to apply for Medicaid.

Risks of Prepaying:

By prepaying you may find that:

- Money paid today may not cover inflated future funeral costs;
- There may be a penalty if you change your mind and withdraw the funds prior to death;
- The seller of today's funeral services may not be in business at the time of your death; or
- Your survivors may not be aware you have prepaid for your funeral and may pay for it themselves.

Charges Not Covered by Prepayment:

Many choose to prepay in the hope that their loved ones don't have to do anything at time of death. However, there will be some tasks to complete and fees due at time of service.

These items may not be anticipated in advance:

- Extra refrigeration costs if there are delays;
- Use of an outside funeral director if death occurs away from home;
- Additional embalming fee because of an autopsy or organ/tissue donation; or
- Special cosmetic procedures because of the condition of the body.

The cost of these items cannot be predicted by the funeral home or cemetery because they may be purchased from outside vendors and therefore are due at time of service:

- Opening and closing of the grave or niche;
- Cemetery set up;
- Grave vault or liner;
- Certified copies of the death certificate;
- Medical Examiner fees or other permits;
- Use of a facility for service;
- Honoraria for clergy, celebrant, or musicians;
- Engraving charges for monument or niche;
- Newspaper obituaries or memorial video;
- Catering or floral arrangements; or
- Hearse, limousine, or motorcycle escorts.

** Information on this document is not intended to be tax or legal advice applying to your specific situation. Advice from a qualified professional should be sought if you need guidance.*