



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

Benefits & Risks of Prepaying Your Cremation or Burial

Is Prepayment Right for me?

There has been much hype in recent years regarding prepaying your funeral expenses. Because People's Memorial Association wants all consumers to make informed decisions, we want you to know both the benefits and risks of each of the ways to prepay for funeral expenses. We seek to educate you regarding the options and let you choose what is right for your situation.

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. That means trusting that the bank, insurance company, funeral home, family or friend will perform their duties responsibly.

Most funeral homes no longer guarantee funeral costs for prepaid plans.

Should I Pre-plan?

It is always wise to pre-plan your final arrangements regardless of whether you choose to prepay

There are several advantages to preplanning:

- You may 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
- Time to do comparison shopping and make choices that are within your budget
- Time to make knowledgeable and thoughtful decisions and discuss it with others
- Minimize family conflict since you have clearly directed your funeral arrangements

How to Pre-Finance Arrangements:

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

1. Pay-on-Death Account: This is a special type of bank account that you earmark for your final expenses. **You control the account and can withdraw from it at any time.** You name a beneficiary of the account. These funds will be available within a week or two of your death, once the beneficiary is able to present a copy of your death certificate to the bank. Accumulated interest may or may not cover the cost increases by inflation.

2. Regulated Trusts: This method of financing 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, the policy may be payable to any funeral home that actually handles the funeral arrangements.**

If you decide to prepay, you must:

- **keep the signed contracts**
- **give copies to your next of kin**
- **let them know where to find the original documents**

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
- Set aside exempt assets in case you need to apply for Medicaid

Medicaid Spend-down:

If you anticipate that you may need to spend down your assets to qualify for Medicaid, the State of Washington allows you to set aside a funeral fund of \$1,500. Simply put \$1,500 in a bank account for cremation expenses and it would be exempt under Medicaid. If you wish for burial, the funds should be set aside in either a life insurance policy payable to the funeral home or an irrevocable trust account. Reasonable burial funds would be exempted from Medicaid if set up this way.

Significant Considerations:

Before you buy a prepaid funeral plan, consider these things:

- 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?

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
- Your survivors may not be aware you have prepaid for your funeral and may pay for it themselves

Charges Not Covered by Prepayment:

These items may not be anticipated in advance:

- Extra refrigeration costs if there are delays
- Expenses of an outside funeral director when death occurs away from home
- Cost of receiving remains from another funeral home
- Extra embalming costs because of an autopsy or organ/tissue donation
- Special cosmetic procedures needed 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:

- Opening and closing of the grave or niche
- Grave vault or liner
- Newspaper obituaries
- Floral arrangements
- Cemetery charges for setup
- Certified copies of the death certificate
- Cost of an outside facility for service
- Honoraria for clergy, celebrant, or musicians
- Third-party crematory fees
- Medical Examiner fees or other permits
- Engraving charges for monument or niche
- Catering costs for a reception
- Hearse or Limousine costs
- Motorcycle escorts
- Memorial Tribute Video