



People's Memorial Association

Funeral Education & Advocacy 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. Since PEOPLE'S MEMORIAL 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. Because People's Memorial offers affordable burial and cremation plans, it may not make sense to prepay. **We seek to educate you 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. Most funeral homes no longer guarantee funeral costs for prepaid plans.

Should I Pre-plan?

Regardless of whether you choose to prepay, **it is always wise to pre-plan your final arrangements.**

There are several advantages to pre-planning:

- 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 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 the type of final arrangements.

How to Pre-Finance Arrangements:

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

- **Pay-on-Death Account** This is a special type of bank account that you may 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 caused by inflation.

- **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 go out of business.

- **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.**

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 I change my mind and wish to withdraw the funds prior my death?
- If I'm paying over time, will the total of my payments be more than the benefits? What happens if I miss a payment?

If you do decide to prepay, you must keep the signed contracts and let your next of kin know where to find the documents.

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 be Covered by Prepayment:

These items may not be anticipated in advance:

- Extra refrigeration costs if there are delays.
- Expenses of an outside funeral director if 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