

Aftercare Guidebook Series





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*In this world nothing can be said to be certain, except death and taxes.
— Benjamin Franklin*



What a Will can do for you

- **A Will allows you to name your executor.** If you don't decide who your executor will be, the state will make this decision for you. Most people choose one of their sons or daughters or another close relative. *You* should decide who is best... not the courts.
- **A Will allows you to select a guardian for your minor children.** This is something that only *you* should decide. A judge will choose if you don't and your relatives may not all agree on this important decision.
- **A Will allows you to determine how your assets will be distributed.** You determine who gets what when it comes to distributing your assets. Without a Will, the courts will usually pass the assets to next of kin. If next of kin doesn't exist, your assets will become property of the state you reside in.
- **A Will allows you to gift specific items to your family and loved ones.** For instance, if you have a sentimental item that you want to gift to your children upon your death, your Will is the way to carry that out.
- **A Will can sometimes save on estate taxes and probate costs.** Check with your tax advisor and/or attorney to see if this applies to you.

A Will does *not* affect:

- Property you hold a joint tenancy with rights of survivorship with another co-owner
- Money in a pension plan, IRA or other retirement plan with a named (living) beneficiary
- Stocks and bonds held in a beneficiary, transfer-on-death form
- Life insurance proceeds if a (living) beneficiary is named on the policy
- Property you have transferred to a living trust

If you die without a Will:

- *The distribution of your estate will not be decided by you*
- *Your personal representative may not be the person you would have chosen*
- *Your assets may be distributed differently than you would have wanted*



Information about making a Will

- **It is best to work with an attorney on your Will.** You can legally create your own Will without an attorney, but it is probably not the best idea to do so. Do-it-yourself Will kits or computer software are no substitute for good legal counsel.
- **Your executor is entitled to reasonable compensation.** When you draw up your Will you can state the amount that you want them to have. If you don't address it, your executor can request it from the court.
- **A Will is *not* the best choice to instruct your family of decisions about organ donation or provide instructions for funeral, cremation or burial arrangements.** In most cases, no one looks at the Will until after the funeral and burial, so it is quite likely that your instructions would be found too late to be carried out.
- **If you remarry, you need to update your Will.** Failure to update your Will after you remarry has caused highly emotional disagreements in many families. Your spouse may have the right to take an Elective Share of your estate if you have not provided for them in your Will in a proper manner.

Basic elements of most Wills are:

- A description of your assets
- Names of all your beneficiaries
- Alternate beneficiaries
- Specific gifts
- Establishment of Trusts
- Forgiveness of debts
- Name of executor
- Name of guardian for minors
- Your signature
- Witnesses' signatures

You may delay, but time will not.

— Benjamin Franklin



Advance Medical Directives

Why you need Advance Medical Directives.

Have you ever told your spouse or children: “If I am ever injured or incapacitated to the point where I need life support to continue living, just let me go. I don’t want to live like that.”

Advances in modern medicine have allowed our lives to be prolonged. While this is a very positive advancement and allows us to live longer and enjoy more healthy years, it can also allow us to live under less desirable conditions.

Our lives can now be prolonged whether we have a good quality of life or not. What if the time comes that you do not want your life to be artificially extended?

The courts have decided that all mentally competent adults have the right to refuse medical care. But what if you are not able to communicate your wishes due to a head injury, stroke or other ailment? Telling your family is *not* good enough. You need to prepare an Advance Medical Directive.

There are two parts to an Advance Medical Directive... A Living Will and a Medical Power of Attorney.

- **Living Wills** — A Living Will is a set of written instructions that explain your choices in the event of medical emergency or terminal condition at a time when you would be unable to communicate or make decisions. Your Living Will effectively removes the burden of a “let live” or “let die” decision from your family.
- **Medical Power of Attorney** — A Medical Power of Attorney is a document that allows you to appoint someone that you trust to make medical decisions for you in the event that you could not make them for yourself. The appointed person is allowed to speak for you anytime that you are unable to make your own medical decisions regardless of whether you are terminal or not. These documents are sometimes called a *Durable Power of Attorney for Health Care* or a *Health Care Proxy*.



A Living Will and a Medical Power or Attorney are both needed.

The Medical Power of Attorney is the most flexible and your appointed agent can respond to the different situations as they come up. You could never predict and prepare for every type of crisis, so it is best to have a person that you know and trust available to make these life and death decisions.

The Living Will is needed since your appointed individual may be unavailable when you need them. Their decisions could also be challenged by other family members and the Living Will would be solid proof that they are doing as you instructed.

It is best to have only one appointed individual. If you appointed two individuals equally, they could disagree on your health care treatment and defeat the purpose of your Advance Directive. It is a good idea to have an alternate individual in case your first choice is not able to serve when needed.

Carefully choosing the individual to act for you is the most important decision of your Advance Directives. Choose someone you trust and are comfortable with. He or she should fully understand your medical care wishes and philosophy. It is helpful (but not required) if they live in the same vicinity as you.

Where to go for help with your Advance Medical Directives.

- Free Living Will and MPA kits are available from Partnership for Caring. Visit www.caringinfo.org for downloadable forms for each state.
- Your funeral home's Family Service Counselor can also provide these forms.
- You can also have Advance Medical Directives created by your attorney. This may be advised if you have family members that would contest your decisions or if you do not fully understand the state specific forms.

Advance Medical Directives are state specific. Make sure the forms you use are current and legal in your state. Your funeral home's Director of Pre-need Planning can provide you with standardized Advance Medical Directive forms.

Copies of your Directives should be given to your appointed agent, your family members, your doctor, your hospital, your attorney and you should keep a copy with your important documents when traveling.



Funeral pre-planning

When making important decisions such as the purchase of a house or automobile, we all know that we need to do some research. You look at your options, compare prices and service, review payment choices, check your personal budget and make an educated decision based on your research.

But for many people, the purchase of a funeral is handled as a reaction to a crisis. They make no arrangements in advance because they didn't know how to go about it, or because they just never got around to it.

Funeral pre-planning is a simple part of estate planning and immediately following your death, it will be very important to your family.

A pre-planned funeral has both emotional and financial benefits for your family. It is very comforting for them to have your guidance and instruction about your final wishes. And since funeral prices, on average, have doubled every 12 to 15 years, pre-planning now, based on today's price is the best way to save on future funeral costs.

More than one million people pre-plan their funerals every year. This guidebook should help you understand why so many families make this decision, along with the do's and don'ts of funeral planning.

What is a funeral pre-plan?

A funeral pre-plan is a contract for future funeral services between you and your funeral home. It is tied to a guaranteed funding vehicle (usually an increasing-benefit insurance policy). The funeral home is not paid by the trust or insurance provider until *after* your death has occurred.

Most (but not all) funeral homes will guarantee acceptance of the pre-plan as payment in full regardless of future inflation of the funeral price. This enables you to pay for tomorrow's funeral need based on today's price.



Benefits of pre-planning

Over one million people each year plan ahead with an insurance-funded funeral pre-plan. Here are some of the advantages that pre-planning offers:

- **Comforts your family**
You make decisions about your funeral wishes now. This prevents your family from having to make decisions for you when they are emotional and distressed.
- **Saves you money**
A pre-need funeral plan is designed to cover your funeral expense for the rest of your life. In the past, funeral prices have usually doubled every 12 to 15 years. Basing your cost on current prices prevents you from paying more later.
- **Fits with good retirement planning**
One of your main retirement goals should be to retire debt-free. A funeral pre-plan allows you to pay your funeral in a single payment or over several years.
- **Totally portable**
Your funeral pre-plan will have insurance protection that is nationally transferable.
- **Allows additional benefits to pass to your family**
If you die while covered by employer or other insurance, your funeral pre-plan will allow your other coverage to be paid to your family for their ongoing living expenses. They will not have a funeral bill to pay.
- **Protects funds from nursing homes and medicaid**
In most states, most whole-life insurance policies are a countable asset when trying to qualify for Medicaid assistance. Your pre-plan policy can be an exempt asset in most states.
- **Limits your payments**
The coverage lasts the rest of your life, but the payments do not.
- **Insures you from the very first payment**
Insurance-funded funeral pre-plans cover you from your first payment (some health restrictions apply).
- **Allows you to make decisions together**
Pre-planning allows you to make informed decisions together rather than leaving your spouse or family to make decisions when they are least prepared.
- **Financially responsible**
Pre-planning will relieve your loved ones from the financial responsibility of your funeral.
- **Affordability options**
Pre-planning offers payment terms that are not available at the time of the funeral.
- **Tax advantages**
The increasing death benefit grows tax free. Many other types of investments could require you to pay income tax each year on the growth.



The importance of pre-funding

Pre-funding is a choice.

Pre-funding your funeral is *optional* at most funeral homes. You *can* make selections and set up a pre-need file that is information only, with no funding involved. But, non-funded pre-plans do not offer your family the advantages and protection of a funded and fully-insured funeral pre-plan.

If you do not fund your funeral plan, you are leaving loose ends for your family. Your family will still be responsible to pay for your funeral and the price will likely be thousands of dollars higher in the future than it is today.

Often, surviving family members will have to pay the funeral out of their own pockets and wait until later to be reimbursed out of the estate settlement. This is inconvenient and stressful for your family.

People will often explore whether they can invest their own money and come out ahead over the funding choices that the funeral home will offer. Some methods they may look at include term life insurance, whole-life insurance with a fixed death benefit, the stock market, mutual funds, savings accounts or certificates of deposit.

These are all great investment choices to protect your family, but none of them are designed for funding a pre-planned funeral. None of these choices can match all the benefits of a funded funeral pre-plan such as tax free growth, lifelong coverage, immediate availability of the funds when needed, Medicaid exemption (in most states) and guarantee that the funeral is covered regardless of inflation.

To best understand why a guaranteed funeral pre-plan funded with an increasing-benefit insurance policy is the best choice to fund your pre-planned funeral, you need to understand what problems may come from the alternate funding choices. We will look at these other choices.

Term Life Insurance

Term life insurance is a good form of insurance that gives a very high amount of coverage for an extremely low premium for healthy, young to middle-aged people. It is used mainly as a replacement of income coverage for younger individuals or couples during their working years.

There could be issues if you are counting on term life insurance to cover your funeral expenses. Term life is only in force for a term (a period of time) and if you don't die during that term, the coverage is over and there is no death benefit.

The reason term insurance is so inexpensive is because the majority of people covered by it *do not* die during the coverage term. Term insurance is very good coverage to have in *addition* to your pre-planned funeral policy, but it does not replace the need to fund your funeral plan.

The disadvantage of term life insurance as a funding vehicle for your funeral is: if you outlive the term, you will have no coverage at all.



Whole Life Insurance with a Fixed Death Benefit

There are many varieties of whole life insurance. The most common type that is marketed as “burial insurance” or “final expense insurance” usually has a fixed amount death benefit. They often have a payment structure that will last for the rest of your life (or to age 100).

These policies are often described as coverage where: “the payment will never increase, and the coverage will never decrease” in their advertising. While that *sounds* good, the problem is that even though these policies have a death benefit that does not decrease it *doesn't* increase either (fixed death benefit policy). But the funeral that you want the policy to pay for *does* increase.

It's common to underestimate how much the price of your funeral (and everything else) will go up during your lifetime. Fixed benefit policies offer a high amount of coverage for a very low monthly payment in the beginning. But 20 or 30 years later, the price of the funeral has inflated and the policy has not. The risk of these policies is that they won't keep up with your funeral price and will place the burden on your family.

The disadvantages of fixed benefit whole life insurance as a funding vehicle for your funeral are:

1) The coverage does not grow to keep up with inflation. 2) Many of these policies require a life-long payment. 3) The cash value of these policies may count against you as a countable asset if you need to qualify for Medicaid (in most states). 4) The insurance benefit may not be available until weeks or months after the funeral causing your family to pay expenses out of their own pocket or possibly incurring interest charges. 5) The funeral home can not guarantee coverage on a fixed benefit policy (due to lack of inflation protection). 6) The amount that you pay for your funeral will not be based on today's quote and will likely be higher in the future.

Below is a real world example of a common problem that can come from fixed benefit coverage.

Why Mom didn't have enough insurance to cover her funeral

Mom bought an insurance policy in 1975 for the purpose of covering her funeral expenses. An average funeral was \$2,100, so she bought a \$3,000 fixed benefit whole life insurance and thought she was more than covered.

But, by 1990, her \$3,000 policy had already fallen short of paying for the average funeral expense which had now inflated to \$4,100.

Average Funeral in 1960	\$1,100
Average Funeral in 1975	\$2,100
Average Funeral in 1990	\$4,100
Average Funeral in 2010	\$7,755
Average Funeral in 2025	????????

And by 2010, she was still committed to a life-long payment for policy that now falls *many thousands* of dollars short of her goal.

Our family will have to pay the higher funeral price at the time of her death with the policy covering a smaller and smaller percentage through the years.

Today the numbers are bigger with “final expense” policies averaging \$10,000 to \$15,000, but the concept is the same. Prices will rise... coverage will not... the payments will never end... and your family may have to pay the higher funeral cost by some other means.



Stocks and Mutual Funds

Funding a pre-planned funeral should not be confused with other investments where your goals are much different and some risk is acceptable in exchange for increased opportunity. The only good reason for funeral pre-planning is to make the time of your death less stressful for your family.

With stocks and mutual funds, timing when to buy and when to sell is important. Even the most stable stocks and mutual funds will have high and low points each year. Timing the sell to an arbitrary date (your death date) that has nothing to do with market conditions may result in less than ideal performance.

Stocks and mutual funds are excellent investment vehicles, but since they can decrease in value as well as increase in value, they are not ideal for people that want to *definitely* have their funeral funds available when needed for their loved ones.

The disadvantages of stocks and mutual funds when funding your funeral plan are: 1) They put your principals as well as growth at risk. 2) The growth may be taxable. 3) Your family may not have quick access to the funds when needed. 4) May require investing more money than you could buy the funeral for today. 5) May count against you if qualifying for Medicaid.

Savings Accounts and CDs

Savings accounts and certificates of deposit (CDs) do not put your principal investment at risk. But they do have the risk of low growth rate and the risk of being reduced by taxes and/or bank fees. Often, the funds in these types of accounts will not be accessible by your family as quickly as needed for your final arrangements.

The problems with savings accounts and CDs as a funding vehicle for your funeral plan are: 1) they may pay rates too low to keep up with inflation. 2) They are a single payment vehicle with no payment options. 3) They may require more of an investment than what you could actually fund the funeral for today. 4) They may not have the tax advantage of an insurance-funded funeral plan. 5) They may be subject to bank administration fees, further reducing growth.

When seeking advice, make sure the advisor understands your goal

It is interesting to note that many of the Financial Advisors who recommend investing your funeral funds in stocks, mutual funds or CDs will often ask you to invest substantially more than the funeral would cost today in order for them to better assure (but still not guarantee) that enough money will be there in the future.

For example: If the funeral you select today would cost \$8,500 they might recommend that you commit \$10,000 into their investment.

Does it ever make sense to pay \$1,500 more into an investment that won't guarantee your goal, when you can pay \$1,500 less into an investment that will?



Funeral pricing

When you decide to buy a new house, you know there will be a wide range of prices. There are homes you consider average priced and there are homes that cost much more and much less than average.

You also know if you priced the exact same house 15 years ago it would have cost much less than it does today. And in the future it will most certainly cost more.

Funerals are exactly the same. The National Funeral Directors Association says that the average cost of a funeral was \$7,755 in 2010*. That was the median price with half the funerals costing more and half costing less.

Time plays a big factor in what your funeral will cost. People who made their funeral arrangements 15 years ago, paid approximately half of what you would pay for the same funeral today.

Pre-planning allows you to pay for tomorrow's funeral based on today's price. You should do your research now and make your funeral decisions long before you need it. And you should fund your funeral with an insured pre-need funeral plan with your funeral home.

Average Funeral in 1960	\$1,100
Average Funeral in 1975	\$2,100
Average Funeral in 1990	\$4,100
Average Funeral in 2010	\$7,755
Average Funeral in 2025	????????

*You control the cost of your funeral by what
you select and when you pay for it.*

* Average funeral costs include funeral service charges and casket only. This figure does not include burial vaults, cemetery fees, newspaper obituary fees, flowers, clergy honorarium, musician's fees, or state sales tax.



How a pre-paid funeral plan works

Your funeral home representative will provide a price quote that your funeral or cremation service would cost today. They can also provide you with price projections for the same funeral in 10 and 25 years based on past inflation.

What happens now?

You pay your plan based on today's price for your funeral (either as a single payment or multiple payments over several years). A contract is made with the funeral home selecting specific future services. The money is held in an increasing-benefits insurance policy, which is the funding vehicle for your funeral pre-plan contract.

What happens in the future?

Your funeral is carried out exactly as you planned by your local funeral home. Your funeral home will bill the pre-need insurance company (not your family) after the funeral has been provided. Your family is relieved from the emotional and financial burden of making funeral arrangements at the time of a family crisis.

Important information about pre-planning.

People often (but incorrectly) describe funeral pre-planning as “freezing” or “locking-in” the price of your funeral. The funeral price does not freeze. It will still be affected by inflation through the years. But the amount that you pay for is based on today's funeral price. The insurance policy that funds your pre-plan contract will have a death benefit that increases each year to offset the inflation of the funeral price.

Some funeral homes will guarantee that all future price increases are covered by the pre-plan policy but others do not. Review the price guarantee offered by your funeral home so you fully understand the terms they offer.

Cash advance items, like newspaper obituary charges and flowers, are usually not guaranteed if the funeral home is not the actual provider of them.



Pre-planning at younger ages

Lifelong coverage without the lifelong payments.

In the past, most people have pre-planned as they approached retirement age. But pre-planning is becoming increasingly popular with younger people in their 30s and 40s due to the affordable insurance benefit that is available as part of a funeral pre-plan.

If you are a healthy young individual or couple, funeral planning is probably not at the top of your to-do list. However, you are at the age where you should be making important decisions about your life insurance coverage. Some insurance policies require that you commit to lifelong payments if you want lifelong coverage. That is why you need to know about the Young Family Protection available through your local funeral home.

Here are some points to consider about protecting your family with life insurance during your working years:

- **Many whole-life insurance policies will require a premium payment for the rest of your life –** The Young Family Plans that are offered through your local funeral home are paid off in a few short years, but protect you for the rest of your life.
- **Insurance that you have through your employer may end if you are laid off, move to another city, retire or just change jobs –** Your funeral home can offer you coverage that stays with you for the rest of your life regardless of your employment. And if you move, your coverage moves with you.
- **Most insurance policies do not have an increasing death benefit and can fall way short of covering your funeral expenses as you get older –** The Young Family Plans that are available through your funeral home will start at the amount of your funeral today and will increase in death benefit every year to keep up with funeral inflation.
- **Parents and grandparents can purchase this coverage on their children and grandchildren –** You can own the policy but have coverage on your children or grandchildren. This is an excellent way to gift your family with lifelong protection at reduced cost due to their young age.



Making selections

Once you decide to get a quote for funeral pre-planning, you will need to make some decisions and selections about what you want included in your funeral.

Your funeral home's representative will first give you their General Price List (GPL) that lists all goods and services they offer and the individual price for each. The only required item will be the funeral home's Professional Service Fee. Everything else is at your option as to whether you want it included or not in your services.

Your funeral home will have a selection room where you can select caskets, vaults, urns, etc. or can show you these items out of catalogs. Each item that you look at should be clearly marked with price and a description of the item.

Your funeral home representative can give you a workbook that is designed for you to write as much detail as you wish about your funeral preferences. You can decide on music selections, prayer readings, clothing, flower arrangements, pall bearers or any other items that are important to you.

Your funeral home should inform you that embalming is *not* required by law. Embalming is not necessary for immediate burial or direct cremation. Most funeral homes will require embalming for any service that will have a public viewing of the deceased.

Your funeral home should also inform you that burial vaults/outer burial containers are not required by law. However, your cemetery *may* require an outer burial container.

Peace of mind

People who have pre-planned often comment about how easy it was and that they surprised themselves by actually enjoying it. Making pre-arrangements while you are young and healthy is simply part of good estate planning. It gives you peace of mind that your loved ones won't need to make these same decisions and financial arrangements at a much more stressful time.



Funeral pre-planning and Medicaid

What is Medicaid? – Medicaid is a joint state and federal government program that provides health insurance to many people who can not afford to pay for their required medical care or treatment. One of the main criteria to qualify for Medicaid is that you must have a very low level of countable resources.

Why should I be concerned about Medicaid if I am not poor? – Many people will have expensive medical care or may spend time in a nursing home at the end of their life. Even people who have never been poor during their life, sometimes end up on Medicaid assistance due to the high cost of end of life medical care and nursing homes.

Many of them will spend all of their assets on their medical care and will need to rely on Medicaid once their assets are gone. Medicaid qualification is different in each state but all states allow you to legally set money aside for your funeral and cemetery expenses.

What does funeral pre-planning have to do with qualifying for Medicaid? – Rules for setting money aside are state specific but most require the use of irrevocable trust and a contract for specific goods and services with a licensed funeral home. This allows your pre-planned funeral to be an exempt asset when qualifying for Medicaid.

What happens if we don't exempt funeral funds before qualifying for Medicaid? – If you spend all your assets and qualify for Medicaid without exempting funeral funds then you have just missed the opportunity. The cost of your funeral and burial or cremation will have to come from other sources (usually your family). It is always wise to seek out advice about setting aside these funds before you spend down your assets. Most states and counties do not have programs to pay for the burial or cremation of people who die with no assets (indigent). That is why they all allow you to pre-pay your funeral and any other final expense costs through a licensed funeral home and have those funds exempt from Medicaid qualification.

The rules governing Medicaid are highly technical, complex, state specific and tend to change fairly often. This information is presented as a general overview to aid individuals in gaining a basic understanding of how funeral pre-planning affects eligibility for Medicaid. Material contained herein is not to be considered legal advice. Competent legal counsel should be sought before taking any action in reliance upon information contained in this book.



Cemetery information

- **Cemetery Spaces** – If you have a ground burial, you will need a cemetery space. They must be purchased separate from your funeral pre-plan.

When you purchase cemetery spaces, you are actually purchasing the interment rights to them - not the actual ground. You must obey the cemetery rules such as the type of monuments or markers that are allowed. Most cemeteries will also have strict rules about floral arrangements and other grave decorations.

- **Mausoleum Crypts** – If you are to have interment in a mausoleum rather than a ground burial, you will need a crypt. Mausoleum crypts replace the need for the cemetery space, ground vault and monument.

Most mausoleums will have choices of inside (chapel) and outside (garden) crypts. The height of the crypt will affect the price with lower level crypts being most desirable and higher level crypts being the most cost efficient.

- **Cemetery Monument** – Your cemetery monument or marker is usually not included in your funeral pre-plan. With upright monuments you have many choices of size, shape, color, engraving, etc. Bronze markers can also be personalized.

- **Burial Container** – The vault or grave liner is placed in the ground and the casket is lowered into it at burial. The purpose of a grave liner is to prevent the ground from caving in as the casket deteriorates over time. A vault is a higher quality grave liner that is designed to keep moisture and other elements away from the casket. State laws do not require a vault or grave liner but many cemeteries do require some type of outer burial container to prevent the grave from sinking.

- **Service Fee** – The cemetery service fee is sometimes called an opening/closing fee and is due before the grave will be opened for burial. It is often included in your funeral pre-plan so that it is immediately available when needed.

*If your plan is to be cremated, you will have additional interment and memorialization choices.
Your Family Services Counselor can discuss the many options with you.*



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BOOK TWO: LOOKING TOWARD TOMORROW
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