

Pre-Planning a Funeral is a Good Investment in a Bad Economy



**BRENTWOOD
FUNERAL
SERVICES**

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With Bernie Madoff's and, more recently, Allen Stanford's alleged massive fraud schemes coming to light, more of their victims are crying foul. As each tells his or her story a recurring theme emerges. They didn't understand the investment strategy, but they could get returns much higher than other investments so they put all their money in it anyway.

Those of us who gasp at our grocery bill and cringe when the utility bill arrives sometimes have trouble mustering up a lot of sympathy or compassion for these ponzi victims. At a tender young age, we were all taught that "if it sounds too good to be true, it probably is."

But I'm finding out that a lot of people choose to wear blinders during hard times. More and more I see working-class people cling to ideas that are "too good to be true" when it comes to planning for funeral expenses in tough economic times. Here are a few:

Social Security – Many of the families we counsel believe social security will help pay for funeral costs. In fact, it only pays a one-time, lump-sum death benefit of \$255 to a surviving spouse. So if you're a widow, widower or an adult child, there will be no payment.

Department of Veterans Affairs (VA) – Families of veterans also have the misconception that the U.S. Department of Veterans Affairs (VA) will cover their funeral expenses. In reality the VA only provides a grave space in a national cemetery, a bronze or granite grave marker and a flag. All other costs associated with the funeral, mounting to thousands of dollars, must be paid by the family.

Life Insurance – A common fallacy people believe is that their life insurance will more than adequately cover funeral expenses. After all, that's why you have insurance. However, as a result of recent HIPPA laws, many insurance companies are not releasing policy information to funeral homes. This results in a family member paying the funeral expenses out of pocket and being reimbursed weeks later when the insurance company finally pays the death claim.

Additionally, most life insurance is provided as an employee benefit through work. In a bad economy, such as the one we are currently experiencing, if a person is laid off or forced into retirement they will be surprised to find their life insurance benefits have decreased or ceased!

Retired people are in a uniquely difficult situation. By the time a person retires and loses "work-based" life insurance, the retiree is often uninsurable because of age or health conditions.

Funeral Home Financing – There are many families that are surprised to learn funeral homes no longer offer financing options. This practice was discontinued years ago because many families failed to pay their accounts as promised. There was little funeral homes could do to recoup payment. As the old saying goes, "eviction is not an option."

If a family is suddenly faced with having to pay for a funeral during economic hardship, the impact can be disastrous. In 1970, the average funeral cost was \$800. Today it is closer to \$10,000 and is estimated to reach \$12,800 by 2010. Using history as our guide, consider a death a decade from now; a funeral in 2020 is expected to cost \$25,000.

Think in today's terms. Many families are living on the financial edge. Losing \$10,000 in income or being burdened by \$10,000 in credit card debt or medical expenses can drive a family into bankruptcy or foreclosure. The same is true with final expenses.

With home values on the decline and stricter lending guidelines, typical solutions such as a home equity line of credit or low-interest or no-interest credit cards are no longer options.

I urge families who know they will soon be facing a funeral buying decision during this economy to meet with a funeral professional. This should happen as soon as possible, even before the death occurs. More options are available the sooner you meet. Funeral directors can explain the various funeral related options, help structure a *(continued)*

funeral to meet almost any budget and prevent emotional overspending. Furthermore, many funeral homes offer state regulated pre-paid funeral plans that can be paid monthly *before* it is needed.

So if you avoided the Madoff ponzi scheme, didn't invest in Stanford's high yield CD's, don't allow the death of a family member to send you into bankruptcy. Talk to your funeral professional today about your financial situation before a death occurs. And remember, what we need to know about funeral expenses we learned as a child, "if something sounds too good to be true, it is." ■