

# **Prepaid funeral plans may not provide peace of mind**

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The cost of a funeral has increased steadily during the past two decades. In fact, once all funeral-related costs are factored in, the typical traditional funeral service will cost an average family \$8,000 to \$10,000.

To relieve their families of the burden of planning a funeral, many people plan their own and pay for them in advance. Unfortunately, prepaid funeral plans are fraught with potential traps.

## **Avoiding the pitfalls of prepaid plans**

Some plans end up costing more than the benefits they pay out. And there may be a risk that you'll lose your investment if the funeral provider goes out of business or you want to change your plans. Some states offer protection — such as requiring a funeral home or cemetery to place funds in a trust or to purchase a life insurance policy to fund funeral costs — but many do not.

If you're considering a prepaid plan, find out exactly what you're paying for. Does the plan cover merchandise only (casket, vault, etc.) or are services included? Is the price locked in or is there a possibility that your family will have to pay additional amounts?

In addition, the Federal Trade Commission recommends that you ask the following questions:

- What happens to the money you've prepaid?
- What happens to the interest income on prepayments placed in a trust account?
- Are you protected if the funeral provider goes out of business?
- Can you cancel the contract and get a full refund if you change your mind?
- What happens if you move or die while away from home? Can the plan be transferred? Is there an additional cost?

### **Another option**

One alternative that avoids the pitfalls of prepaid plans is to let your family know your desired arrangements and set aside funds in a payable-on-death ("POD") bank account. Simply name the person who will handle your funeral arrangements as beneficiary. When you die, he or she will gain immediate access to the funds without the need for probate.

If you have questions on the best way to fund your funeral expenses, we'd be happy to be of assistance.

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