

Prepaid Funeral Contracts

A prepaid funeral contract is a legal agreement which requires payment in advance for funeral services, cemetery services or merchandise and the physical delivery and retention of which would occur after death. You can pay for the contract outright, through an insurance policy, or by an investment that you own. A prepaid funeral contract can be funded by a trust or by insurance. The seller may offer one or both of the following funding types:

- For a trust-funded prepaid funeral contract where payments are placed in an approved interest-bearing restricted bank account or formal trust account to pay for the future cost of the selected funeral goods and services. Payments on the contract are made to the seller.
- For an insurance-funded prepaid funeral contract where payments are used to purchase an insurance policy or annuity to pay for the future cost of the selected funeral goods and services. Payments are not made to the seller but to the insurance company that is funding the contract.

Before purchasing a prepaid funeral contract, you should:

- Find out if the funeral home is properly licensed, has a good reputation, and is financially stable. Not all funeral homes have a license to sell prepaid contracts. Ask family and friends for a recommendation. Shop around and interview several funeral homes. To verify a funeral home or funeral director's license, and to check for disciplinary action, you may contact the Corporations, Securities, and Commercial Licensing Bureau at: 517-241-9288.
- Be prepared. When you visit or call a funeral home, the personnel may try to sell you a contract. Have a checklist ready of items you want for your funeral and any questions you may have. Take a trusted individual when you visit each funeral home and ask that person to take notes for you. Make sure all of your questions are sufficiently answered.
- Obtain a written explanation of exactly how your money will be protected in each transaction and whether the pre-need contract is guaranteed, revocable, refundable, transferable, and portable.

After purchasing a prepaid funeral contract, you should:

- Be sure to tell your family about the plans you've made.
- Give a copy of your contract to someone you trust, such as a relative, friend, lawyer, or doctor.
- Keep the original contract with your important documents.
- If you live at a nursing home or hospital, give the facility a copy of your contract.

Prepaid Funeral Contracts and Medicaid

Buying a funeral contract and/or burial plot can help you "spend down" your assets to qualify for Medicaid. Since Medicaid does not count prepaid irrevocable funeral contracts that cost less than \$5,400 as an asset, you may want to buy an irrevocable contract which cannot be canceled or refunded. However, the irrevocable contracts are usually transferable, in the event you decide to transfer to a different funeral home.

Note: A funeral contract is different than "burial insurance," which is usually considered an asset. Consult your estate planning professional for more information on the differences between prepaid contracts and burial insurance.

Your Rights Under the FTC Funeral Rule

The Funeral Rule is enforced by the Federal Trade Commission (FTC) and includes the following:

- Buy only the funeral arrangements you want. You do not have to accept a package that includes items you do not want.
- Obtain price information on the telephone. Funeral directors must give you price information on the telephone if you ask for it. Although the Rule does not require them to do so, they can mail their price list or post the price list online.
- Obtain a written, itemized price list when you visit a funeral home. The funeral home must give you a General Price List (GPL) that is yours to keep. It lists all the items and the services the funeral home offers and the cost of each.
- Ask to see the casket price list before you see the actual caskets so that you can ask about the lower-priced products that may not be on display.
- Ask to see the outer burial container (vault) price list. Outer burial containers are not necessarily required by state law, but many cemeteries require them to prevent the grave from collapsing. If the funeral home sells containers, but does not list its prices on the GPL, they are required to have a separate container price list.
- Ask for a written statement of funeral goods and services after you decide what you want but before you pay. The statement should show exactly what you are buying and the cost of each item.
- The Rule requires the funeral home to provide a written statement that explains any legal cemetery or crematory requirement that requires you to buy any funeral goods or services.
- Use an “alternative container” instead of a casket for cremation. No state or local law requires the use of a casket for cremation. A funeral home that offers cremations must tell you which alternative containers are available. Containers may be made of unfinished wood, pressed wood, fiberboard, or cardboard.
- Provide the funeral home with a casket or urn you buy elsewhere. The funeral provider cannot refuse to handle a casket or urn you bought online, at a local casket store, or somewhere else. Also, it cannot charge you an additional fee to use a casket or urn you bought elsewhere. The funeral home cannot require you to be there when the casket or urn is delivered.

For more information on your rights under the FTC Funeral Rule, visit the website at www.consumer.ftc.gov

Funeral Pricing Checklist

Make copies of this page and visit several funeral homes to compare costs.

Name of funeral home: _____ Date visited: _____

“Simple” disposition of the remains (usually only available if the body is expected to reach its final resting place within 48 hours after death; ask the funeral home for more information):

Immediate burial _____ Immediate cremation _____

If the cremation process is extra, how much is it? _____

Donation of the body to a medical school or hospital _____

“Traditional,” full-service burial or cremation:

Basic services fee for funeral director & staff _____ Pickup of body _____

Embalming _____ Other preparation of body _____

Least expensive casket _____ Description, including model # _____

Outer burial container (vault) _____ Description _____

Visitation/viewing-staff & facilities _____

Funeral or memorial service-staff & facilities _____

Graveside service, including staff and equipment _____ Hearse _____

Other vehicles _____ Total _____

Other services:

Forwarding body to another funeral home _____

Receiving body from another funeral home _____

Cemetery/mausoleum costs:

Cost of lot or crypt (if one is not owned) _____ Perpetual care _____

Opening and closing the grave or crypt _____ Grave liner (if required) _____

Marker/monument (including setup) _____