

Paying for a Funeral

What is it?

When someone dies, you don't want to worry about how you're going to pay for the funeral. However, when it comes time to plan a service or choose a casket, you won't be able to escape the inevitable: Funerals cost a lot of money. How much a funeral costs depends upon what services and items you select, but even an inexpensive funeral can cost thousands of dollars. Whether you are planning your own funeral or someone else's, you'll be more satisfied with the result if you take measures to keep the funeral affordable and be aware of what payment options are available.

How expensive is a funeral?

The most recent price survey conducted by the National Funeral Directors Association found that the average cost of an adult funeral is \$7,848, not including burial costs (NFDA 2021 General Price List Survey). Of course, depending on the services and items selected, a funeral can cost much less or much more than this.

Keeping funeral costs down

Ask for a price list

To comply with Federal Trade Commission requirements, your funeral director must give you a general price list that itemizes the cost of all funeral arrangements. This list must be given to you at the time the funeral is planned or when you ask for information over the phone. The general price list should include the cost of transferring remains to the funeral home, preparation of the body, use of the funeral home facilities, transportation, and funeral-related merchandise such as urns, caskets, vaults, and clothing. Once you have planned the funeral, the funeral director must give you a signed statement summarizing your selections. If he or she does not give you such a statement or is reluctant to discuss prices, you may not be dealing with a reputable person.

Don't rush

When you're planning a funeral, even immediately after a loved one has died, you don't necessarily have to make a decision in a hurry. In most cases, funerals can be delayed if you need more time to plan or get advice. In addition, don't be afraid to look elsewhere if you are not satisfied with the service your funeral director is providing you. However, you should first give him or her the opportunity to correct the problem if possible.

Don't buy what you don't want

Get the funeral you want (and can afford) instead of being swayed into choosing expensive items or services you don't want. Remember that many services or items provided by a funeral home are optional. For example, opting for cremation instead of burial will save you a lot of money; the cost of a funeral can be cut dramatically if you don't have to pay for a casket, vault, burial plot, or grave marker. In addition, you don't have to hold a visitation or ride to the cemetery in a limousine if that's not important to you. Determining what you want before talking to a funeral director will help you buy only what you can afford.

Do it yourself

Planning a funeral yourself is neither easy nor simple, but it can be done. Even if you don't want to plan the entire funeral yourself, you can save money by doing part of it yourself. For example, avoid commission charges by printing programs at a local copy shop, ordering flowers from the florist you usually use, and writing the obituary yourself. Also, many of your friends and family will probably offer to help you in your time of need. Let them. The funeral you plan will be more meaningful if you involve people you love. For example, instead of hiring the church organist, ask your cousin to sing your loved one's favorite song, or ask your artistic friend to arrange flowers for the funeral.

Ways to pay for a funeral

Prepay through a regulated trust

People who prepay their own funeral usually do so because they don't want their survivors to worry about money when they are grieving. One way to prepay your funeral is to establish a regulated trust contract between you and a funeral home that sets up a state-regulated trust account to pay for your funeral expenses. You sign a contract with a funeral home that outlines the amount of money you have paid into the trust account, the services those funds will pay for, and the funeral home's responsibilities. Your money is held in trust until your death, then is disbursed by the terms of the contract to pay for your funeral. If you are interested in establishing a trust to prepay your funeral expenses, talk to your attorney and your funeral home director.

Before you sign any contract to prepay funeral expenses, make sure you understand it. In particular, determine whether the prepayment is refundable in any circumstances and what will happen if you move to another state or if the funeral home goes out of business or is sold. Going over the contract with your attorney would be wise. In addition, if you are placing money in a regulated trust account, make sure that the funeral director is licensed and that the trust complies with state regulations. And don't forget to tell a loved one about the contract and where you keep your copy.

Take out a loan

If you don't have the money to pay for a funeral, you or your survivors may be able to take out a secured or unsecured loan. You can use the loan proceeds to pay for the funeral, then pay it back in installments or in one lump sum, depending on the loan terms. Talk to your bank or other financial institution representative if you are interested in this option.

Use your savings

If you can afford it, using your savings is the easiest way to pay for a funeral. Savings earmarked for funeral costs can also help you qualify for Medicaid or Supplemental Security Income (SSI).

Use life insurance

The primary purpose of life insurance is to provide a death benefit. This benefit can be used, in part, to pay funeral and/or burial costs.

Use government benefits

Although your survivors won't be able to pay for your entire funeral with the \$255 death benefit they may be eligible to receive from Social Security, they may receive Social Security survivor's benefits that may help them pay for your funeral. In addition, if you are a current or former member of the U.S. Armed Forces, upon your death your family members may be eligible to receive a survivor's benefit and/or a burial allowance. If you are preplanning your funeral, check with your funeral director or the Department of Veterans Affairs office to find out about other burial benefits for which you may be eligible, such as a flag, an honor guard, burial in a national cemetery, and a headstone or marker.

Use employer-sponsored retirement plan funds

If you participate in an employer-sponsored retirement plan such as a 401(k), you may be able to access funds that you can use to pay funeral costs. Your ability to access funds depends upon the terms of your plan. For instance, if you're still working, your plan may allow you to borrow funds or take a hardship distribution. Check with your plan administrator or your company's human resource administrator for information. In addition, if you are a federal employee covered under the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS), your survivors may be eligible for a lump-sum death benefit or an annuity that may defray the cost of your funeral expenses.

Tax considerations

Certain burial costs may be deducted from your estate, thus reducing estate tax liability. For example, you may be able to deduct burial costs, costs for a burial lot, and costs for grave markers or headstones, among others.



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