

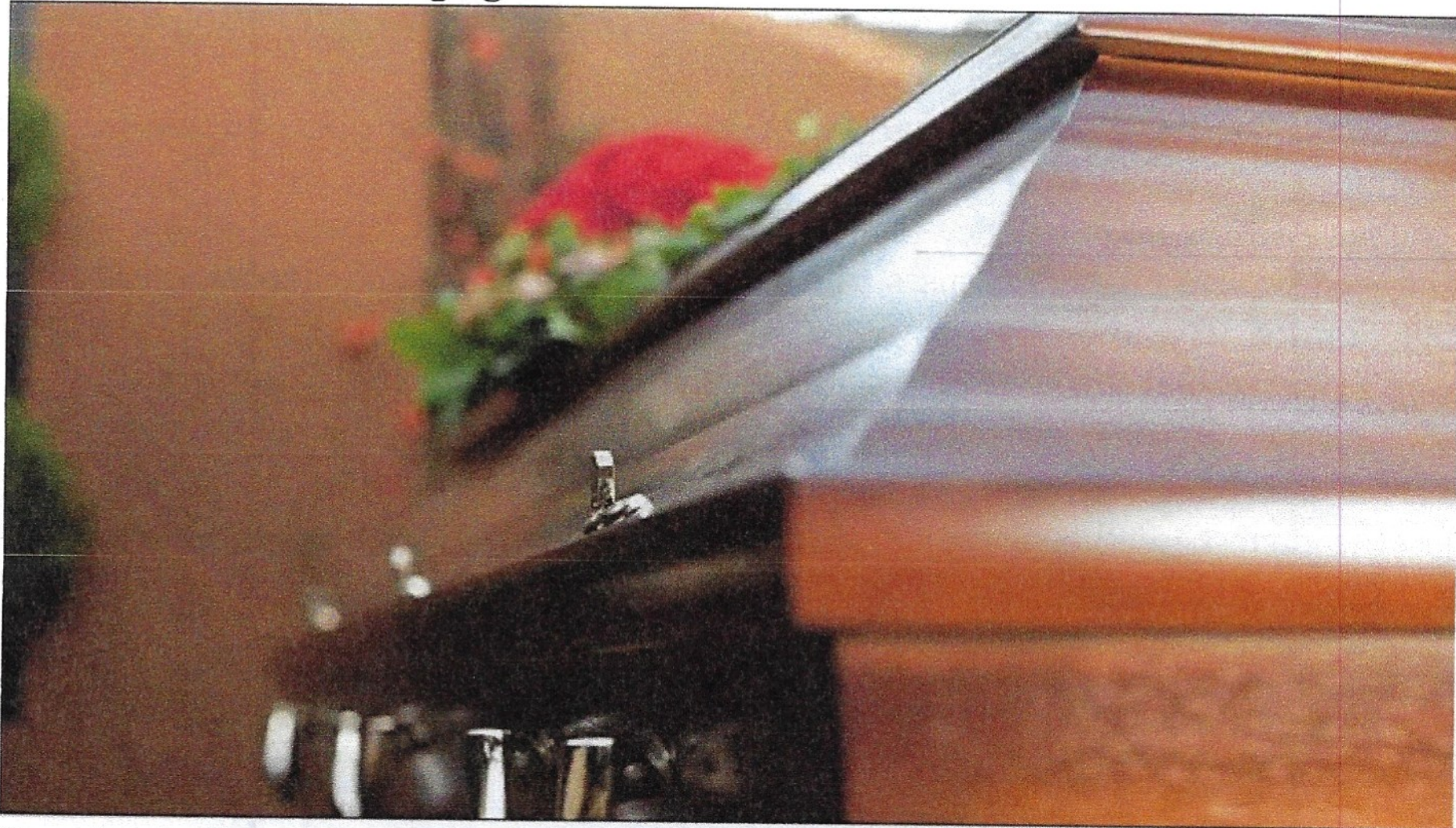
# What you should know about prepaid funeral plans

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Dear Savvy Senior, I have been thinking about planning my funeral in advance so my kids won't have to later but would like to inquire about prepaying. Is it a good idea to prepay for a funeral that you might not need for a while? — Aging Annie



Dear Annie, Planning your funeral in advance is definitely a smart move. Not only does it give you time to make a thoughtful decision on the type of service you want, it also allows you to shop around to find a good funeral provider, and it will spare your adult children the burden of making these decisions at an emotional time.

But preplanning a funeral doesn't mean you have to prepay too. In fact, the Funeral Consumer Alliance, a national nonprofit funeral consumer protection organization, doesn't recommend it unless you need to spend down your financial resources so you can qualify for Medicaid. Here's what you should know. Most funeral homes today offer what is known as "preneed plans" which allow you to prearrange for the type of funeral services you want and prepay with a lump sum or through installments. The funeral home either puts your money in a trust fund with the payout triggered by your death or buys an insurance policy naming itself as the beneficiary.

If you're interested in this route, make sure you're being guaranteed the services you specify at the contracted price. Some contracts call for additional payments for final expense funding, which means that if the funeral home's charges increase between the time you sign up and the time you sign off, some-



body will have to pay the difference. Here are some additional questions you should ask before committing:

- Can you cancel the contract and get a full refund if you change your mind?
- Will your money earn interest? If so, how much? Who gets it?
- If there is an insurance policy involved, is there a waiting period before it takes effect? How long?
- Are the prices locked in or will an additional payment be required at the time of death?
- Are you protected if the funeral home goes out of business or if it's bought out by another company?
- What happens if you move? Can the plan be transferred to another funeral home in a different state?
- If there's money left over after your funeral, will your heirs get it, or does the home keep it?

If you decide to prepay, be sure to get all the details of the agreement in writing and give copies to your family so they know what's expected. If they aren't aware that you've made plans, your wishes may not be carried out. And if they don't know that you've prepaid the funeral costs, they could end up paying for the same arrangements.

While prepaying your funeral may seem like a convenient way to go, from a financial point of view, there are better options available.

For example, if you have a life insurance policy, many policies will pay a lump sum when you die to your beneficiaries to be used for your funeral expenses. The payment is made soon after you die and doesn't have to go through probate.

Or you could set up a payable-on-death (or POD) account at your bank or credit union, naming the person you want to handle your arrangements as the beneficiary. POD accounts also are called Totten Trusts. With this type of account, you maintain control of your money, so you can tap the funds in an emergency, collect the interest and change the beneficiary. When you die, your beneficiary collects the balance without the delay of probate.