

## *What is “Preneed”?*

“Preneed” is a term coined by the funeral industry to describe the arrangement and payment of a funeral prior to death. Obviously, if you are to have any say in it, you must plan in advance of your death. “Pre-arrangement” is also used interchangeably with “preneed,” but one can prearrange without prepaying.

The marketing of preneed plans for funeral services and merchandise is increasingly prevalent. Everyone connected with the funeral industry is promoting preneed purchases. Various companies, including insurance companies, for-profit “cremation societies,” and “preneed associations” flood the mail with advertising that touts the benefits of their preneed plans.

There are a number of pitfalls, as well as options, about which consumers should be well informed. Therefore, we say, “Let the buyer beware.”

## *Advantages of Planning*

There are several advantages to planning your funeral:

- You may choose the type of funeral service you desire.
- You will save your survivors from making choices during the stress of bereavement.
- You can do comparison shopping at available mortuaries.
- You can make knowledgeable and thoughtful decisions.
- You will stimulate family discussion, sharing, and decision making.

## *Financing a Funeral*

There are three basic ways to set aside money for funeral arrangements:

- **Pay-on-Death Account, or Totten Trust.** This is an individual trust or savings plan earmarked for one’s funeral. The consumer controls the account and can withdraw from it at any time. Usually a sum of money equal to today’s funeral costs is deposited in a passbook, certificate of deposit (CD), or money market account, payable to a beneficiary of the depositor’s choice. These funds will be available immediately at the time of death without the delay of probate. Accumulated interest may cover the cost increased by inflation. Interest is subject to income tax.

- **Regulated Trusts.** All states, but not the District of Columbia, regulate the sale of commercial trust agreements. Regulated trust laws generally provide for some degree of consumer protection, specifying the portion of your money that must be deposited in a bank or savings and loan. Some states, including New York, require 100% trusting and do not leave money in the hands of the mortician. Unless designated as “irrevocable,” individual savings and regulated trusts are subject to claim by the state if you receive social benefits.

- **Insurance-funded Plans.** Life insurance or an annuity contract may provide for an ever-increasing death benefit to account for inflation, but insurance value may not increase as fast as money in the bank. Morticians in many states can sell such insurance and can be named as beneficiaries, but New York State

prohibits this practice. Other insurance plans advertised as “preneed plans” are not tied to specific funeral goods and services. They are simply life insurance, and you may choose the beneficiary you want to control the use of the funds. Insurance may be more portable than other pre-paid plans if you move or die while traveling.

## *Advantages of Prepaying*

By paying in advance you may:

- Ensure that money is available to fund your funeral arrangements.
- Provide peace of mind if you have no others to make final arrangements.
- Set funds apart from other assets if you are applying for Medicaid.

Comparison shopping is important when choosing funeral arrangements. The costs of such items as caskets or “professional services” or “basic arrangements” vary dramatically from one funeral home to another. Compare prices from at least three funeral homes. You are entitled by law to be provided with a detailed price list or given prices over the phone. If you are not sure what is included in “professional services,” be sure to ask.

## *Watch Out For Pitfalls!*

Disadvantages of paying in advance:

- In many states, if you move, die while traveling, or simply change your mind—from body burial to cremation, perhaps—you will not receive a full refund including the interest.
- Money paid today may not cover inflated

future funeral costs, resulting in possible substitution of cheaper merchandise or a need for additional money from survivors (just what you tried to avoid).

- On the other hand, as more low-cost discount funeral homes open up (as we are beginning to see), the price may go down.
- Money you pay today for funeral arrangements may be needed for emergencies.

### ***More Pitfalls***

- If payment is made in installments and you do not complete the payments, your refund may be reduced by a sales charge.
- Cash value of insurance may be only a small fraction of premiums paid.
- The seller of today's funeral services may not be in business at the time of your death.
- In many states, but not in New York, part or all of the interest earned on your account may be withdrawn each year by the seller as part of his administrative fees.
- Your survivors may not be aware you have prepaid for your funeral.

### ***Significant Considerations***

Before you buy a prepaid funeral, consider these things:

- Your plan should allow for a full refund with little or no penalty.
- Your money should be safe, as in a federally insured bank. Funeral insurance plans are not as tightly governed, so take extra caution.
- Your plan should be transferable if you move.
- Some funeral homes do not guarantee that

your payment will cover the arrangement in full.

- In some states, including New York, survivors may alter your funeral plans. In other states, they have no authority to do so, even if circumstances have changed. You will need to decide what's important to you.

### ***Conclusion***

We heartily endorse the idea of planning your funeral in advance. However, be very cautious if you pay for your funeral in advance. Maintain control over your funds to assure they will finance your funeral when the time comes, and to confirm your money is protected. These are considerations of paramount importance. Your local funeral consumer group can assist you in the research, but the final decision is yours.

\*\*\*\*\*

The original title and text of this leaflet were modified slightly for New York State conditions by the

Funeral Consumers Alliance  
of the Finger Lakes.  
[www.fingerlakesfunerals.org](http://www.fingerlakesfunerals.org)

# **Prepaying Your Funeral in New York Benefits & Dangers**



***Funeral Consumers Alliance***™

33 Patchen Road  
South Burlington, VT 05403  
802-865-8300

[www.funerals.org](http://www.funerals.org)