

Prepaying funeral costs allows you to pay for service used tomorrow in today's dollars

By Brian Costello

Thinking about preplanning your funeral? A lot of people are. In fact, many even pay for everything in advance - right down to the newspaper notice.

Big advantage - you're doing it when you and your spouse are in a rational state of mind.

That's important because you'll be making decisions about the kind of funeral you want - not what your children or relatives think you should have.

The average cost of a funeral today is

about \$5,000 plus another \$1,000 to \$1,500 for extra services provided by the funeral home on your instructions. These include death and regulatory fees, the cost of opening and closing the grave, church/clergy fees, newspaper notices, flowers and even GST.

If you prepay these costs, you'll be paying for a service you will use tomorrow in today's dollars.

Here's how it works

After you decide on all these things, including the kind of casket you would like and type

of church service, you write a cheque to the funeral home for the total - for example, \$6,500.

The funeral home prepays all items it is able to in advance, such as cemetery and cremation charges. The cemetery/crematorium issues a certificate to the funeral home indicating that these services have been paid for and will be rendered when required.

The balance of the funds is placed in a third party trust in your name, not in the name of the funeral home. These funds are not dispersed to the funeral home until the trust is satisfied that you have died and funeral arrangements have been carried out.

Find out what guarantee the funeral home offers on the prepaid funds. Not all funeral homes offer the same guarantee.

Here's what to look for

If the trust fund, with accumulated interest, has more money in it than the funeral home's costs at the time of the funeral, the surplus is returned to the estate.

If the fund does not have enough money in it to meet

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these costs at the time of your death, the shortfall is assumed by the funeral home. As long as you don't change these arrangements, the funeral home will guarantee that the funds on deposit, plus accumulated interest, will provide these services when required.

In Ontario, the funeral home places your money with an institution called Guaranteed Funeral Deposits of Ontario, which was set up to administer funds for funeral homes.

Under this arrangement, the funeral home must invest this money to a level of interest at least equal to the interest paid on Canada Savings Bonds in any given

year.

Funeral service costs, like any other service, are subject to inflation. As a rule, the increase in funeral costs is somewhat less than the annual rate of inflation.

Cemetery costs are normally based on the cost of replacing the plot they sell you at the time. In that sense, cemeteries are like any other piece of real estate - the closer they are to downtown, the more the plots will cost.

A note of caution: make sure you discuss your plans with your family before preplanning your funeral, in particular, what you plan to do and why you've done it.

If no one in your family has ever been cremated - and this is what you plan to do - it can be quite a shock to your family if they don't know in advance.

Always keep in mind that your funeral is not for you but for your family and friends.

Cremation, by the way, has become quite popular in recent years. In Toronto, about half of all funerals end in cremation and the trend is accelerating.

A final note on costs

The Canada Pension Plan has a death benefit that can be used to pay for the cost of your funeral, amounting to a \$3,500 lump sum payment for someone who has never taken any benefits.

For someone who has, the benefit amounts to five times his/her monthly CPP cheque.



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