



Life Insurance or Funeral Insurance

Pro—

- The funds are easily portable if you move (but a new funeral home does not have to honor the same prices you were given at the first funeral home).
- The insurance company is the taxpayer and pays taxes on the income earned. You won't be bothered by any paperwork.
- If a funeral home is the beneficiary and the contract is irrevocable, it won't be considered an asset for Medicaid eligibility.

Con—

- The full death benefit may not be paid during the first two years if paying on the installment plan and/or if death was due to a pre-existing condition.
- If you have a standard life insurance policy with a next-of-kin as the beneficiary (not the funeral home), it will be considered an asset for Medicaid eligibility. You will be forced to cash it in for maybe half its face value.
- If you are using insurance to pay for your funeral and paying over time, you may end up paying twice what the funeral actually costs. Be sure to get the total of all payments disclosed ahead of time.

- There may be a 30-day delay in payment from the insurance company, and the funeral home may charge a finance fee or demand the money before the funeral regardless.

Questions to ask—

- If I am paying over time, what will the total of all payments be?
- What if I can't keep up the payments?
- How much will I get back if I move to another town or state or change my mind and just want a refund?
- Can I transfer my preneed funeral arrangements to another funeral home?
- What do I need to know about Medicaid eligibility?
- How can I be sure the money I'm paying will be there when I die? What if the funeral home or insurance company goes out of business?
- Is the preneed seller giving me a choice of how to pay for my funeral and adequate time to think about it so I can choose what's best for me, or does the seller seem quota-driven or commission-driven?
- Am I being asked to make out the check to the funeral home instead of the bank or insurance company?

For more information or to file a complaint, contact:

State Board of Funeral and Cemetery Service
 402 W. Washington Street, Room W072,
 Indianapolis, IN 46204
 317-234-3031
<http://www.in.gov/pla/funeral.htm>

What you need to know and what you should watch out for when

Pre-paying for Your Funeral in Indiana

Prepared by
 Funeral Ethics Organization
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 Hinesburg, VT 05461
 802-482-3437
<http://www.funeralethics.org>

Funding Your Prepaid Funeral Plan

There are several ways to pay for your funeral. You should know the plusses and problems of each.

Pay-on-Death Savings Account or CD at the bank

Pro—

- If you can't afford to put aside the full amount of your funeral right away, you can add payments slowly without incurring finance charges which are permitted by Indiana law for other preneed funeral purchases.
- Money is readily available at the time of death if a next-of-kin or other is named on the account, too.
- The money in a savings account is yours and can be used for emergencies if needed.
- You can easily change your funeral plans because you control the money.
- All of the interest is yours. There will be no administrative charges withdrawn from your account.
- A CD may pay more interest than a savings account or trust.

Con—

- You will have to declare the interest income on your tax return. (But if you don't have a lot of income, there won't be any taxes due.)

- It is likely to be considered an asset if you are applying for Medicaid eligibility. You will need to use this money to pay the funeral home directly at that time.
- There is no penalty for cashing in a CD early if there is a death, but there is a fee charged otherwise.



A Qualified Funeral Trust

Pro—

- The trust is the taxpayer and pays taxes on the interest earned. You won't be bothered by any paperwork.
- If you move you will be able to transfer at least 90% of what you paid plus interest.
- Because all preneed contracts must be irrevocable, it will not be considered an asset for Medicaid eligibility.
- There is a consumer protection fund to protect against provider default.

Con—

- You will lose 10% of what you paid if you move and need to transfer your arrangements.
- Many funeral directors do not like the paperwork it takes to set up a qualified funeral trust and for filing the annual tax return.
- If you are low-income, Uncle Sam is getting taxes on interest that otherwise wouldn't be taxed.
- No annual report to the consumer is required.

All preneed contracts in Indiana must be irrevocable, so you wouldn't be able to change your mind from a one-of-everything funeral to a more modest exit and ask for some money back.

A Master Trust or Simple Trust (Pooled funds or individual account)

Pro—

- If you move you will be able to transfer at least 90% of what you paid plus interest.
- You are supposed to receive an annual report of the interest earned which will serve as reassurance that your funeral funds are in safe-keeping and haven't been embezzled.
- Because all preneed contracts must be irrevocable, it will not be considered an asset for Medicaid eligibility.
- You should be able to make time payments to build the trust, but watch out for possible finance charges.
- There is a consumer protection fund.

Con—

- You will lose 10% of what you paid if you move and need to transfer plans.
- You will have to declare the interest income on your tax return. (But if you don't have a lot of income, there won't be any taxes due.)
- Many funeral directors do not like the paperwork for sending the annual report of interest income.