

SHOULD I PREPAY MY FUNERAL EXPENSES?

When considering an estate plan, many often wonder whether they should prepay their funeral expenses. In most cases, it is of great advantage to individuals and their families to prepay funeral expenses.

On average, a traditional funeral costs around \$8,000. Since the cost of funerals continues to increase, one should take advantage of any opportunity to limit these costs. When individuals prepay their funeral expenses, they do not actually pay the funeral home. Rather, the individuals purchase an insurance policy in the amount of the goods and services selected. The policy then gets irrevocably assigned to the funeral home. By purchasing the policy, the cost of the funeral goods and services are locked in for the consumer, with the funeral home assuming the risk of future inflation. Also, purchasing an insurance policy provides consumer protection. Years ago, if the funeral home went out of business, the consumer usually lost the value of the prepaid goods and services. However, if an insurance company goes out of business, under Indiana law, another insurer will assume all obligations to the insured.

Another benefit of prepaying funeral expenses concerns Medicaid. Should individuals need to qualify for Medicaid to help pay for nursing home care, proper prepaid funeral arrangements are exempt assets. This benefit also extends to certain life insurance policies. If a life insurance policy (or combined life insurance policies) has a face value of \$10,000 or less, and the beneficiary is either the insured's estate or a funeral home, the policy is exempt under the Indiana Medicaid rules. If an individual has other prepaid arrangements, the \$10,000 exemption is reduced by the amount of the prepaid arrangements. For example, if John has prepaid arrangements totaling \$5,000, along with a life insurance policy with a face value of \$5,000, and the beneficiary is his estate, his policy is exempt under the Medicaid rules.

Among the most valuable benefits of prepaying funeral expenses is peace of mind. Individuals will be comforted in knowing that their family will not be burdened with the time and expense of making funeral arrangements. Upon a loved one's death, family members will appreciate this as well.

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