



Funeral Consumers Alliance™

How To Safely Set Money Aside For Funeral Expenses

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Unless you're pre-paying to qualify for nursing home Medicaid, we do not advise that you pre-pay your funeral expenses. Even in states where consumer protection laws are good and the money is refundable and transferable, there are still too many risks to justify it. The main argument for pre-paying—that it saves stress and work for your heirs—is simply not true. Planning and funding funeral arrangements will always require some time and effort and pre-paying can give survivors a false sense of security, adding stress if things go awry. The best way to reduce stress for your survivors is to talk to them about your preferences (if you have any) and set money aside in a safe and simple account. We recommend Payable on Death (POD) and similar accounts. These funds are immediately accessible and transferred to the beneficiary; survivors won't have to wait for probate. Here are the FAQs:

Where to apply	The banks' new-account officer
Also known as	Totten Trust (ITF), Transfer On Death (TOD), Revocable Trust Pay on Death (POD),
How much money?	Enough for estimated funeral and last bills
Best interest rates	Ask. You can let a CD continue when it matures, or exchange for one with better rates at the time of maturity.
Bring	Picture ID, Social Security number, name(s) of beneficiary(ies)
Interest and income taxes?	The owner of the account gets the interest and pays the taxes (usually minimal)
Activity and dormancy	Rules about how often there needs to be activity (withdrawals or deposits) to prevent dormancy vary by state. If the account becomes dormant, the money may be turned over to the state and it's a hassle to restore. There is no dormancy with CDs.
How to withdraw money after death	The beneficiary shows a certified death certificate and his/her own identification. There is no financial penalty to withdraw from a CD before maturity in the case of death of owner.
Who to name as beneficiary	If the bank permits more than one beneficiary, name two in case the first dies or can't act. Funds will be split 50/50 between them. Choose your Executor, Power of Attorney, Agent for Health Care, Next of Kin, or someone you can trust who has some business sense. You won't be able to make the person use the funds for funeral expenses, so make a thoughtful choice.
Tell your family/friends	Tell family/friends/interested parties. Add the account information and that it is "for the convenience of paying funeral bills" to all copies of your will.