# THE GRIM READER

a publication of Funeral Consumers Alliance

protecting a consumer's right to choose a meaningful, dignified, and affordable funeral



## Funeral Insurance: Not a Magic Money Pot

-Josh Slocum, exec. director

Strega Nona ("Grandma Witch") had a magic pasta pot. In Tomi dePaola's beloved children's story, Strega Nona's pot produced such a pile of pasta that it ennoodled the entire village. It's like the fable of stone soup— what comes out of the pot is a whole lot more than what goes in.

It's fun to believe in magic pots as a child. Carrying that belief into adulthood. . .not so much. And yet the majority of grown-ups I talk to at Funeral Consumers Alliance think a "burial insurance" or "funeral insurance" policy is a magic money pot that will spew forth more cash than what's paid in. "What's the most affordable burial insurance I can get?" is a common question. A good number of people even think they can scare up enough for a princely funeral by buying funeral insurance when dad gets diagnosed with a terminal illness.

That's not how insurance works. Except in very unusual cases, burial insurance is a bad deal. What is insurance? Wikipedia's definition is as good as any:

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

Note the bolded words.
"Risk." "Uncertain." Insurance
is a product you buy to protect
yourself in the case of an unusual

problem you can't predict but that would really break your budget. My homeowner's insurance protects me against the unlikely event that my house burns down. Same with my car insurance and

accidents. The premiums for these policies are affordable because most of us will never have to ask the insurance company to pay out. Most of us will not lose our homes to fire. Most of us will not be in a devastating car accident that totals our car and injures the other driver. Some of us certainly will, but only a small percentage. The insurance company adjusts its premiums (that's the money you pay) accordingly. In general, the higher the risk of a terrible thing happening the higher the premiums.

Death is the antithesis of the "uncertain"—every single one of us is guaranteed to die. That means the funeral insurance company will have to pay out to

HONEY,
I PROTECTED
OUR FAMILY WITH
FINAL EXPENSE
INSURANCE AT
AFFORDABLE
MONTHLY
RATES!
THAT WAS

**every single customer** (excepting cancelled policies, etc.). See where this is going?

SUPER DUMB

Premiums for so-called funeral or burial insurance will be high enough on average that you're likely to pay **as much or more** in premiums as you'll eventually get as a pay-out for your funeral. It's the reverse of Strega Nona's pasta pot—you get less out than you put in.

Let's see how this works in a real-life example. Mrs. L, who lives in Florida, bought a prepaid cremation with an insurance contract from National Guardian Life Insurance Company in 2011.

The policy was worth \$2,490. That's the amount it would pay out for her funeral. But how much would it cost to get \$2,490?

If she paid the whole bill up front it would be \$2,490. Fine, but why bother, especially when she could keep it in her own bank account. What's worse, if she changed her mind and wanted to cancel and get her money back, she'd get only \$215 in the first year!

But the "affordable monthly payments" is where it gets really interesting. If she paid every month she'd have to pay for five years:

Monthly Payment - \$73.99

Months to Pay -60 (5 years)

#### **TOTAL PAYMENTS:** \$4,439,40

That's right. Mrs. L would have to pay almost double the amount she'd ever get as a pay out! This is precisely like taking your money, handing it to a salesman, and having him make instantly worth half what you handed him.

Mrs. L's situation is not uncommon. Sure, the insurance industry says, if she died after just six months she'd get a great value for her money! Don't buy it. Most customers are not going to die in just a few months and the insurance companies know this. If more than a small handful did the insurance companies would go out of business from all the pay-outs. This is just like Las Vegas—the house almost always wins. It knows how much it needs to get from you so that it makes a profit at your expense.

This isn't even the worst example. In our book Final Rights, Lisa Carlson and I wrote about a couple in Iowa with a policy that would cost \$28,000 in payments for only \$14,000 in benefits. Several years ago I helped an elderly Ohio couple escape from a policy that would have cost them almost \$10,000 for about \$5,000 in payout.

### Other problems with funeral insurance

Many policies have a graduated benefit. This means they only pay out part of the death benefit if you die within the first few years. This is why you can't get an affordable policy for someone who's already close to death.

If you change your mind and cash it out ahead of time you'll usually get back about half or less what you paid in. Why not put it in a savings account instead and keep your own money?

So-called funeral insurance is a predatory financial practice that should be outlawed. Poor people and those of modest means suffer the most because they pay over time, which we've seen means they pay more than they'll ever get back.

Protect yourself. Don't respond to solicitations for burial insurance. And whatever you do, do not sign a contract without reading the fine print. Get your calculator out and do the **math**. If you have to pay as much or more as you'll get back as a pay-out it's a bad deal. Go to the bank instead.



## Cremation and **Compromise**

-Shelby Gilje, a past president of People's Memorial Association, Seattle, and longtime journalist.

In his later years, my father, Nelson B Collard, Sr., was a forward thinking man. He had learned the hard way. In 1951, when his 41-year-old wife died in a car crash, he found without written documents and advance planning, funeral arrangements could be expensive and difficult for survivors.

Both my parents were cremation advocates. That choice followed by a scattering of ashes in nature appealed to them more than a traditional casket service in a religious setting or a funeral home. Interestingly, they had discussed some end-of-life issues as young people while skiing and hiking in the Pacific Northwest.

When she died, her family wanted a traditional funeral. He

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**Josh Slocum** and Laurie Powsner, editors explained her preference, but they did not favor cremation. He struck a compromise: Have a traditional funeral, followed by cremation and scattering her ashes. It meant a bigger expenditure, but it kept the family peace.

When he asked for his wife's ashes, his initial request was denied. It was clear the funeral home/cemetery wanted him to choose burial. But he persisted and finally received her ashes.

A nephew, who was a pilot, flew my father over Mt. Rainier, one of the majestic peaks in the Northwest, and he was able to honor his late wife's wishes.

The youngest child in a family of 10, my father was the first to lose a spouse to death. As years passed, his siblings often called him seeking help with funerals.

After one such phone call he turned to me and said, "Have a plan. Don't wait for death to come."

He followed his own advice: He and his second wife joined People's Memorial Association. In his 70s, he used stationery that my daughter had made, depicting the family log cabin my parents built on the Sunrise side of Mt. Rainier.

He wrote: "I wish to be cremated and have my ashes scattered in my beloved woods, if anyone can do this for me."

In 1994 when he died at age 84, we honored his request with loving memories. After the ritual of scattering, we returned to Seattle for dinner with family members and longtime friends, told stories about him, laughed and cried.

I like to think he was smiling somewhere in the universe and saying: "Thank you that was just right."

## IN THE MORTUARY MOOD &



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### Five Tips for Affordable Funerals

- **1. Talk about it today**—Funeral planning is no one's favorite subject but putting it off guarantees it will be harder and more costly at death.
- **2. Shop around**—The law requires funeral homes to give prices by phone and written prices in person. Prices vary widely in the same area.
- **3. Buy only what you want**—You get to pick item by item to customize your funeral and fit your budget.
- **4. Direct Cremation and Immediate buria**l are the most basic arrangements and all funeral homes must offer these.
- **5. DIY**—Yes, it's usually legal to take care of your dead privately as a family. Go to **funerals.org**--->**For Consumers**--->**Your Legal Rights**

### IN THIS ISSUE

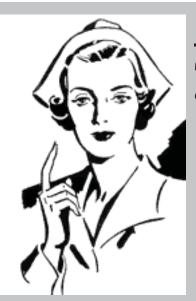
- Funeral Insurance isn't a magic money pot
- CataCoffins
- Five tips for affordable funerals
- Cremation & compromise



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Warning! Do not open this publication unless you want to save money and aggravation! Reading the contents may result in—

- Substantial savings on funeral costs
- Confidence and control over end-of-life affairs
- Putting the "fun" back in funerals

it's all inside...

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