

# Doing It Right

The  
Canadian Financial Security  
Program

## Report on Covering Funeral Costs in Canada

*“Confusion and deceptive information lead many Canadians to purchase overpriced and inadequate products to cover their final expenses. This waste is not necessary.”*

### Some Of The Topics Covered In This Issue

- What seniors should know before buying life insurance
- Prepaid funeral plans for all ages
- TV advertised life insurance - what to be careful of

### Introduction

Selling life insurance that is **tailored for seniors** has become a big business in Canada in recent years. Many insurance companies, using TV ads, bulk mail flyers, and telemarketing are aggressively marketing small life insurance policies, often referring to them as "Final Expense Plans" or "Funeral Plans".

Are they really Funeral or Final Expense Plans? **Are they really the best thing to buy?** Is there a better way to provide for your final expenses?

The Funeral Home industry has also become very aggressive in seeking your business. Direct salespeople are using a number of sales methods including bulk mail and telemarketing to sell you a Prepaid Funeral Plan. And, this very aggressive marketing is certainly not only aimed at seniors. Other options may be more suitable for pre-planning **your** final wishes, especially if you are young and healthy.

**The fact is most people are not buying what is best for them.**

We want to be clear on the intent of this Report. There is nothing wrong with planning to leave money behind to loved ones just because you want to, but the majority of this article is about **covering the necessities** - "final expenses", and **leaving clear instructions** to your loved ones as to how you want your final plans carried out. Here, we are referring to the things we should look after - our responsibilities. Assuming you have no one depending on you for support, which requires much more financial planning, there are **two financial needs** that most people want to look after when they die so they don't burden their family - **funeral costs**, and any **debts**.

Also, it is very important, and far too often overlooked, that you leave **clear instructions** about how you want things done relative to **your final wishes**.

**Here are the ways most people cover these issues:**

- Save and put aside enough money to cover the expenses and any debts.
- Purchase in advance and pay fully for their own funeral arrangements.
- Carry enough proper life insurance to cover the expenses. (Accidental Death Insurance is not proper life insurance)
- Leave written instructions as to how they want things handled when they die.

If you have saved for, and put aside, the money for your final expenses, the only other thing you need to be sure of is that you have left proper instructions for whoever would look after your affairs.

If you are a Member of The Canadian Financial Security Program, go to the Member's site and access the free document ***"My Final Wishes and Instructions"***, which will help you leave proper instructions. You can find that document on the page with the free Will Kit.

Make sure these instructions are accessible. It would be useless to find them **after** your funeral.

If you are confident that you **have adequate life insurance** already, then again, you just need to make sure you have left clear instructions of your wishes.

## **Prepaid Funeral Plans**

There are two different products commonly referred to as prepaid funeral plans:

1. You go to a funeral home, (or a representative comes to you) and you make the actual arrangements. You either pay for it in full, or like most people, you agree to a payment schedule.
2. You buy one of the many life insurance policies that are being sold today as part of a final expense plan.

## **Buying A Prepaid Funeral From A Funeral Home**

If you have the money to **pay in full** for your funeral, this is not an entirely bad idea, notwithstanding the fact that there **is** a small **risk** of the money being mishandled. Money funeral homes take in for this purpose is subject to government regulations meant to protect the consumer, and as long as the people you are dealing with are honest **and** financially stable, the money should be there when you die. However, there have been some cases where money was mishandled, and it was not there when needed. The fact that a case like this may lead to criminal charges for the funeral home owner or others is no consolation to the family who is informed that the prepaid funeral has to be paid for again. So, if you choose this option, **make sure you are dealing with a reputable company**. This risk **does exist** and you should understand it. For many, you may be paying for a service that you would not use (hopefully) for many years, and unexpected things can happen, even to large corporations.

## **A Non-Insurance Alternative**

Although the money paid for a prepaid funeral is to be kept in an investment account by the funeral home until you die, the interest it earns covers the funeral home's inflation concerns, and does not benefit you further. If you choose not to go the insurance route or cannot buy insurance because of health issues, consider putting the same amount of money you would pay for a prepaid funeral into a good investment in a lump sum or monthly, which, if you live for many years more, could grow into enough to cover your final expenses **and** leave a substantial amount of money behind for your loved ones as well.

When you consider this alternative, there are **only two reasons** to purchase the prepaid funeral. One, you just can't trust yourself to save the money and leave it there until you die. And two, the prepaid funeral has the added benefit of "pre-arrangements", so the decisions are all made and recorded.

You can solve the instruction issue by accessing our free document, ***"My Final Wishes and Instructions"***, filling it out, and making it accessible to your loved ones. Also, if so inclined, you can go to a funeral home where you can get help in making the choices you want, and put them in your instructions with all the necessary specifics. Many funeral homes will even keep a copy of your instructions on file for you, if you ask, without having to prepay anything. The only thing to be careful of here is that many will probably try to sell you a prepaid plan. If you don't want to prepay, just tell them so.

## **Insurance Policies Called Final Expense Plans**

Although these companies may not actually call them "prepaid funeral plans" or "final expense plans", the way these policies are marketed and their literature certainly leads the consumer to see them as such. By using words and expressions like "plan", "funeral expenses", "accepted by funeral directors everywhere", and "who will pay for your funeral", the consumer often sees these insurance policies as a sort of prepaid funeral plan.

Most of these "plans" are simply life insurance in a different "package", and, in principle, we believe that, for most people, **life insurance is a better option** than purchasing a prepaid funeral from a funeral home. However, there are several important points to understand about these insurance policies that are designed and sold as "funeral" or "final expense" plans.

These policies *usually* fall into the category of "no medical questions asked", "limited medical questions asked", or "no medical required" life insurance. In reality, the company does not care what the proceeds are going to be used for – funeral or otherwise. These **are insurance policies** that are priced to make a profit for the company, and to cover the cost of a **higher risk category** of insureds. Because these policies are issued with no, or limited underwriting (scrutinizing of medical information), **they are more expensive** than regular life insurance, **sometimes much more expensive**. This is a very aggressive market, and there can be a vast difference from one company to another for these policies. You need to compare what is available to you.

**Now, be very aware of this next point.** There are a number of these plans that have a "**waiting period**" of (usually) two years before you are fully covered. They call it "limited benefits" but in actuality, they simply return what you have paid-in with a little interest if you die within the waiting period. So, **you have not removed the risk** (of someone else having to pay for your funeral) until the waiting period is over. Does this "two-year waiting period" make them bad? Not necessarily. There is **one situation** where this type of insurance is a reasonable purchase. If, because of health or other issues, **you cannot buy life insurance from any other source**, this might be a reasonable option. A person who has been diagnosed with any of a number of diseases with which, despite the medical condition, they might still live for more than two years, could benefit from a policy like this.

The issue we have with this type of policy is not with the policy itself, but with the number of people who purchase it **without understanding the waiting period**, so make sure you understand what you are buying. This is why we continually emphasize the advantages of dealing with a "trusted" financial advisor who has your best interest in mind as opposed to purchasing life insurance over the Internet, through the mail, or from a telephone call or a TV ad.

**You should always do some shopping first.** Buying life insurance today is very different than it was years ago. Underwriting is far more scientific, and many people who think they will be turned down for regular life insurance are actually approved.

### Is An Insurance Policy Better Than Prepaying?

If you are dealing with a major insurance company, there is **virtually no risk** of the money not being there when you die. *Virtually no risk* is better than a "small risk".

If you purchase a prepaid plan from a funeral home on **instalments**, and you die before you have paid in full, the only money available to pay your expenses is **what you have paid in**. It could be a number of years before it is paid for, so the risk of dying and leaving the expense to others will still exist **until it is fully paid**. With a proper life insurance policy, you are covered from the time you sign the application or the time you are approved depending on the policy.

What is a "proper" life insurance policy? Here is what to look for.

### Regular Life Insurance

**Before paying more than you should, see if you qualify for regular life insurance.**

If you are in reasonably good health, consider getting a quote on regular life insurance from a trusted financial consultant. Unless you have been told in the past that you are uninsurable, you have (almost) nothing to lose. A trained consultant can help you make the right choice. The reason we say you have "almost" nothing to lose is because there is **one caution** to be aware of. Some of the better "limited health questions asked" policies will decline you automatically if you have ever been declined in the past. This is why dealing with a consultant who will evaluate your medical condition, maybe even phone a few companies on your behalf **before** having you fill out an application, can give you advice on the best procedure for you. In some cases, if you are fairly sure you are going to be declined for regular coverage, it **may** benefit you to apply for the "limited questions asked" policy **first**.

## Buying One Of These Final Expense Policies

**If for some reason you cannot buy regular life insurance**, some of the “final expense” policies are really quite good. **Some** of these policies give you **immediate coverage** if you **qualify by answering a few general health questions**. Getting personal help from a qualified Financial Advisor **in your area** is your best course of action, and make sure you understand the details before you buy. Don't buy life insurance without talking to an expert.

### Summary

To summarize our findings and recommendations:

1. **Life insurance** is the safest, most expedient, and economically sound way to cover your final expenses if you can buy it.
2. The “limited questions asked” life insurance policies can be a good choice if you find the appropriate one. Try to qualify for one that has **no waiting period** first.
3. The “2-year waiting period” coverage is a reasonable choice **if** you cannot buy anything else.
4. Buying a prepaid funeral from a funeral home is not the best expenditure of your money, but if you pay it in full, you no longer have to worry about it as long as you are comfortable that you are dealing with a company that will be there when you die.
5. Be sure to make the decisions on your final wishes, write them down, and make them readily available to whoever will look after you final affairs.
6. Access the document **“My Final Wishes and Instructions”** from the Member's website.

Understanding the best way to cover your final expenses is just another step in achieving true financial security for you and your family.

If this report has been forwarded to you by a friend or family member, feel free to visit our website and access the many other **free** financial and legal books, reports and documents available to Members.

**Membership is free for Canadians.**

[www.truehelpfinancial.com](http://www.truehelpfinancial.com)

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