

FUNERALS – BONDS & PRE-PAID OPTIONS

A funeral bond and a pre-paid funeral are two arrangements, which allow you to set aside money so that your funeral expenses can be met. This will relieve your relatives of the financial burden.

Pre-arranged funerals:

A pre-arranged funeral is where a client may discuss with a chosen funeral director their preferences for a type and style of funeral and the Funeral Director may record these preferences for future reference, but no formal agreement is entered into for that specific funeral. It will be the responsibility of the client's family or executor to arrange the funeral and to pay for it at the time of the funeral

Pre-paid Funerals:

A funeral bond and a pre-paid funeral are two arrangements, which allow you to set aside money so that your funeral expenses can be met. This will relieve your relatives of the financial burden.

With **pre-paid funeral** expenses, you set up an arrangement with a particular funeral director in an approved fund. You can pay by instalments over several years or in a lump sum, the instalment plan normally costing more. The funeral director will give you a document stating the arrangements. This is an opportunity to specify your personal choices for the ceremony. Some people mistakenly believe that their funeral directions should be stipulated in their Will, but the Will may not be read until several days after the funeral, hence it will be too late.

Should the funeral director go out of business before your funeral, your payments are safe as they are held in trust. The interest earned in the fund goes to the funeral director but the funeral cost is fixed at the price prevailing when the contract was signed. Offsetting that benefit, you cannot access the funds you have invested through the funeral director. If you die in a different state or territory in Australia, or overseas, additional charges will be incurred for the transportation of the body. If a death and funeral happens overseas, the funeral plan funds will be paid to the estate. The money you put into a pre-paid funeral is not taken into account in Centrelink's or Veterans' Affairs assessment of your assets and income, and the amount is not limited, but you must have a contract setting out the services you have paid for.

Funeral Bonds:

With a **funeral bond** you are not committed to a particular funeral director. The bond is rather like any other managed fund and you will pay management fees. Interest earned must be added to your initial capital outlay, and will be taxed at 30%. You can pay by instalments. Centrelink recipients can invest up to \$12,250 (interest not included) in one or up to two funeral bonds, and still be exempt under current legislation from Centrelink and Veterans Affairs asset and income tests so that pension entitlements are not at risk. (as at 1/7/15. **This limit is indexed in line with CPI pension increases every 1 July**). If you contract a bond in joint names, it is considered to be one bond towards your allowable total of two per person, but the total amount paid for the bond counts towards each individual's \$12,250 allowable limit. If more than \$12,250 is invested, then the whole sum of the original amount paid, will be assessed.

The bond can only be paid on death and must be used for funeral expenses; the money paid for the funeral is tax exempt but any funds remaining and paid into the estate, will be liable for income tax. If there is not enough money for the funeral, the family or executor will need to arrange and pay the difference. **No funeral bonds will be exempt if you also have pre-paid funeral expenses.**

When investing in a Funeral Bond it is important to file a copy of the receipt with your Will and tell your family and/or Executors. With a funeral bond you are not committed to a particular funeral director, but it is worth considering effecting a pre-arranged funeral, then details of both the bond and funeral could be stored together at the office of the Fund Manager.

Funeral Insurance Plans

This is an insurance policy, similar to life insurance or accident cover, where you are not saving to pay for a funeral but paying premiums to insure against the family having to face the cost of one earlier than expected. But in 24/11/2014 **CHOICE** found:

- you can end up paying more in premiums than the value of the funeral cover
- pre-paid funerals, funeral bonds and life insurance are better options.

According to financial and insurance researchers *Rice Warner*, taking out funeral insurance at age 65 could mean your premiums almost add up to the costs of **four funerals** if you live until 91

<https://www.choice.com.au/money/insurance/life/articles/funeral-insurance>

One example tested by **Money Magazine** 11/5/15: if the funeral was in 20 years, under the Standard option the over-65 consumer would have paid \$27,252 in premiums for a \$15,000 funeral.

<http://moneymag.com.au/whats-the-deal-with-funeral-insurance/>

Fair Trading NSW warns: With funeral insurance, people are usually required to make regular payments in exchange for payment of a cash amount when they die. These payments are ongoing and refunds are not generally provided if a payment is missed or the policy is cancelled. Under a number of insurance contracts, premiums rise as the policy holder gets older.

http://www.fairtrading.nsw.gov.au/ftw/About_us/News_and_events/Media_releases/2013_media_releases/20130322_warning_on_pre_paid_funeral_products.page??

Burial Plots:

Pre-purchased burial plots will not be included in your assessable assets for the age pension, regardless of its value. You are not required to tell Centrelink if you own one.

A burial plot is either a specific place (for example a cemetery plot, interment niche, mausoleum) or a right to be interred at a general location (for example in any available plot in a specific cemetery).

(For information about natural burials see our fact sheet on 'Cremations and Burials')

Centrelink Financial assistance after someone dies:

Bereavement Payment helps ease your adjustment to changed financial circumstances after the death of a partner or person you were caring for. The Bereavement Allowance is a short-term income support payment for recently-widowed people to help them adjust following the death of their partner. Contact Centrelink to check eligibility.

Reference List

Centrelink - 13 23 00 www.humanservices.gov.au

Department Veterans Affairs - 13 32 54 www.dva.gov.au

Funeral Director's Association of NSW - 1800 613 913 www.fdansw.com.au