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Special Section : Health Care

Pre-planning a funeral

Peace of mind for you and your loved ones

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Imagine you have been in the hospital all night visiting with and caring for your loved one. You've been making trips between home and hospital for the last few weeks and have put your responsibilities on the back burner.

It's now 3 a.m. and your loved one's struggle to cling to life has just ended. Doctors have made pronouncement of death and are addressing with you the issue of the funeral plans.

Funeral plans?

While you hoped for the best, you likely expected the worst. But funeral plans were not even given a second thought. What did my loved one want? Where should the funeral service be held? Do we have a cemetery plot? What type of casket should I purchase? Did I do enough at the end of my loved one's life? How much money should I budget?

Why pre-plan?

One of the most difficult times in life doesn't have to be wrought with last-minute decisions that lead to additional stress. Pre-planning a funeral offers a number of benefits primarily that it provides peace of mind for the planner and his/her family. It also lifts the burden on family members during the grieving process and prevents them from having to make important and expensive decisions on their own.

Consumer advocates, funeral directors and families alike recommend pre-planning. In fact, consumers in New York state have some of the strongest rights in the nation. PrePlan, the funeral funding program established by the New York State Funeral Director's Association (NYSFDA) in 1998, allows consumers to set money aside securely and safely prior to the time of death.

It is not uncommon for funeral homes to increase their rates at least once per year, generally between 3 percent and 5 percent. However, pre-planning guarantees funeral home costs at the time of the arrangement, regardless of when the death occurs.

Such costs can include body transfer, operational fees, use of funeral home facilities and transportation (hearse). Pre-planning also helps to offset the rate of inflation at the time of death.

There are certain costs, however, that are not guaranteed, including cemetery charges, death certificates, clergy and other cash advances, which are monies paid by the funeral director on behalf of the family or individual.

Arrangements: revocable and irrevocable

There are two types of pre-planned funeral arrangements: revocable and irrevocable. Revocable arrangements are established primarily for peace of mind and allow the planner to collect interest on funds deposited into the PrePlan fund. In 2006, the annual net consumer yield in the fund was 3.71 percent. The December 2006 monthly net consumer yield was 3.81 percent. However, PrePlan account holders must also pay tax on interest accrued.

Consumers opting to open a PrePlan account may also withdraw funds from the account without penalty. However, interest accrued on the account helps to offset price inflations, so withdrawal is not typical. One major benefit of withdrawal, though, is that the monies can serve as a "safety net" for the account holder if and when funds are withdrawn.

For those seeking Medicaid eligibility and coverage while pre-planning a funeral, New York state requires that the arrangement be irrevocable. For an irrevocable arrangement, the individual must have no more than \$4,200 (the 2007 limit) in noncountable assets, which are those assets not taken into consideration when determining if an individual qualifies for Medicaid.

The value of an irrevocable pre-paid plan is excluded in determining whether an individual qualifies for Medicaid benefits. Therefore, an individual with more than the \$4,200 limit may spend-down assets to \$4,200 or less by purchasing an irrevocable pre-planned funeral arrangement.

Changes to an irrevocable funeral arrangement can be made prior to the death of the individual, but funds may not be withdrawn. Additionally, any funds in excess of the final funeral contract from an irrevocable arrangement are paid back to the county where and when the death occurred.

It is imperative that consumers not only know their rights when planning a funeral, but that they also understand the laws surrounding funeral arrangements. Be sure to gather information from trusted sources. When it comes to arranging a funeral, it truly pays to make an informed decision.

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