



# Funding Your Farewell

Answering Consumers' Top 10  
Estate Planning Questions



# Planning Your Legacy is the Greatest Gift You Can Give Your Family



Thinking about the future is an act of profound care. By planning your estate and final arrangements now, you ensure two critical outcomes: your wishes are followed precisely, and your loved ones are spared the emotional distress and sudden financial burdens that follow a loss. This guide will walk you through the essential legal and financial tools that work together to protect your legacy and guarantee peace of mind.





# Your Legal Foundation: The Four Pillars of Planning

A complete estate plan rests on four essential documents that manage your affairs both during your life and after you pass away.



## Last Will & Testament

- **Function:** Names an Executor, distributes assets, and—most importantly—names a guardian for minor children.
- **When Used:** After Death (Requires court approval/probate).



## Revocable Living Trust

- **Function:** Holds and manages major assets (home, investments) to avoid the probate court process.
- **When Used:** During Life & After Death.



## Durable Power of Attorney (Financial)

- **Function:** Appoints an Agent to handle your financial affairs (banking, bills) if you become incapacitated.
- **When Used:** During Life.



## Advance Health Care Directive

- **Function:** Provides instructions for end-of-life medical care and names a Health Care Agent to speak for you.
- **When Used:** During Life.



# A Common Mistake Can Invalidate Your Final Wishes

**Putting burial or cremation wishes in your Will is a critical error. The Will is often not found or read until weeks after the funeral, making those instructions useless.**

Without separate, clear legal direction, state law dictates who decides. This is the Next-of-Kin (NOK) Hierarchy.

## **Conflict Highlight**

This default hierarchy can cause major conflicts, especially in blended families or when a long-term, non-married partner is involved.

- 1.** Surviving Spouse  
↓
- 2.** Majority of Adult Children  
↓
- 3.** Parents  
↓
- 4.** Siblings



# The Solution: Legally Appoint Your Sole Decision-Maker

## The Tool

The most effective way to guarantee your wishes are followed is a standalone legal document: the “**Appointment of Agent to Control Disposition of Remains.**”

## How It Works

- **Names one person** (your Designated Agent) as the sole decision-maker for your funeral, burial, or cremation.
- **Legally overrides** the default family hierarchy, ensuring the person you trust has the final say—even if they aren’t a blood relative.



**Critical Warning:** Your Designated Agent is not obligated to carry out costly wishes if you fail to provide the funds. You must pair this legal instruction with a financial plan.



# Planning vs. Paying: Choosing Your Level of Commitment



## Pre-Arrangement

### What It Is

You plan all the details (casket, service, music) but do not pay upfront.

### Pro

Maximum flexibility; you can change your mind easily.

### Con

The family pays the **future, inflated price** at the time of death.



## Pre-Need Plan

### What It Is

You plan the details and pay for them today through a contract.

### Pro

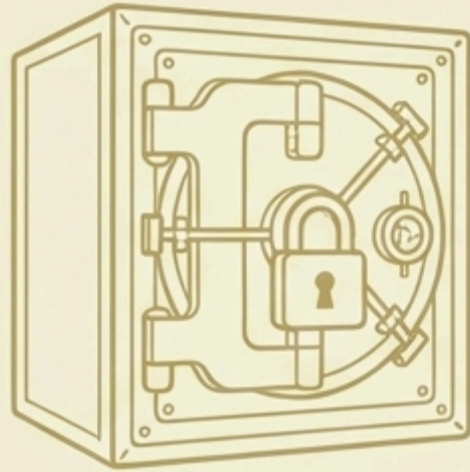
Provides a **price guarantee** against inflation and gives the greatest peace of mind.

### Con

Less flexible. Funds are tied up, and moving the contract can be difficult.



# The Critical Funding Gap: Why Your Estate's Assets Are Frozen



Estate Assets



Immediate Funeral Costs

## Day 1 (Death Occurs)

Funeral homes require prompt payment, often before services are performed.

## Day 2-30+ (Probate Process)

The deceased's bank accounts and estate assets are legally frozen. They cannot be accessed until an Executor is formally appointed by the court.

**The Core Problem:** A financial hurdle where immediate bills are due, but the money to pay them is locked away for weeks or months. Your family is left to cover the costs out-of-pocket.



# Bridging the Gap: Three Tools for Immediate Cash Flow

The best funding options bypass probate, ensuring your family has ready cash within days, not weeks.



## Tool 1: Payable on Death (POD) Account

**How It Works:** Add a beneficiary to a standard bank account. They present the death certificate and access the cash immediately.

**Benefit:** Fast, easy, and free to set up. Funds are flexible.



## Tool 2: Final Expense Insurance

**How It Works:** A small life insurance policy where the benefit is paid directly to a named individual.

**Benefit:** Very fast payout, typically within 1-2 days.



## Tool 3: Pre-Need Funeral Trust

**How It Works:** Funds are paid to a funeral home and placed in a regulated third-party trust.

**Benefit:** Locks in the cost of specific services with a price guarantee.



# Protecting Your Pre-Payment: Critical Questions to Ask



## 1. Safety & Security

**Question:** Is my money in an independent, state-regulated escrow or trust account?

- **Action:** Demand written proof. Investigate the financial rating of the trust administrator or insurance company.



## 2. Flexibility & Refunds

**Question:** Is the contract Revocable (cancellable with a refund) or Irrevocable (locked in)?

- **Action:** Verify the exact cancellation policy and any potential penalties or fees in writing.



## 3. Portability

**Question:** If I move or die while traveling, can the funds be transferred to another funeral home?

- **Action:** Get the transferability policy and any associated fees in writing.



# A Powerful Strategy for Long-Term Care: The Irrevocable Funeral Trust

## The Problem

To qualify for government programs like Medicaid, you must “**spend down**” your **countable assets**, typically to about \$2,000.

## The Solution

An **Irrevocable Funeral Trust** (IFT) lets you set aside money for funeral costs.



Assets



IFT



Protected &  
Non-Countable

## The Benefit

By making the trust irrevocable, you **legally convert those funds into non-countable assets**. This allows you to protect money for your farewell without jeopardizing your Medicaid eligibility.

**Key Fact Callout:** This planning tool does not violate the Medicaid 60-month ‘look-back’ rule.

Disclaimer: The rules are highly complex. Professional estate planning advice is required to implement this strategy correctly.



# Demystifying Taxes on Final Expenses

## Part 1: Taxes on Interest Earned

**Question:** Is the growth on my prepaid funds taxable?

**Answer:** Yes. Interest earned in a pre-need trust is considered taxable income. The trust itself is typically responsible for reporting and paying these taxes.

## Part 2: Deducting the Funeral Bill

**Question:** Can my family deduct the funeral bill?

**Answer:** Yes, but only the ESTATE can. Funeral expenses are a high-priority, deductible debt of the deceased.

## Crucial Process for Families

1. Family member pays the funeral bill out-of-pocket.



2. Executor must formally reimburse the family member from estate assets.



3. Executor claims the deduction on the estate's final tax filing.

**Warning:** If this process isn't followed, the tax benefit is lost.



# Your Shield from Overspending: Know Your Rights Under the FTC Funeral Rule

This federal law protects you from being pressured or overcharged. It requires funeral homes to be transparent.



## 1. Right to Prices

**Rule:** Must give you a printed General Price List (GPL) to keep.

**Your Action:** Get the GPL from at least three providers to comparison shop.



## 2. Right to Itemize

**Rule:** Cannot force a “package deal.” You can select only the items you want.

**Your Action:** Say no to packages with unnecessary items.



## 3. Right to External Merchandise

**Rule:** Cannot charge a fee for or refuse a casket or urn you bought elsewhere.

**Your Action:** Shop online or at third-party vendors for potentially big savings.



## 4. Embalming Disclosure

**Rule:** Must disclose that embalming is not legally required in most cases.

**Your Action:** Ask if it is legally mandatory for your situation; often, it is not.



# The Final Financial Step: How Your Family Gets Reimbursed

## Recap of the Challenge:

### Recap of the Challenge:

Funeral homes need immediate payment, but estate funds are frozen.

### The Solution in Practice



#### Step 1: Immediate Payment

A surviving spouse or next-of-kin must usually front the cash.

**Source of Funds:** Personal savings, a Payable on Death (POD) account, or a Final Expense Insurance payout.

#### Step 2: Guaranteed Reimbursement

By law, funeral expenses are a high-priority debt of the estate.

**The person who paid must file a formal creditor claim with the Executor** to be reimbursed from the estate assets.


**Key Assurance:** Reimbursement for this expense is almost certain, even if the estate has other financial troubles.



# Your Path Forward: A Proactive Planning Checklist

- ☐ **Set Up Your Legal Foundation:** Execute a Revocable Living Trust and a Will.  
*Why: Avoids probate and protects assets.*
- ☐ **Name Your Decision-Maker:** Create the *Designation of Agent* document.  
*Why: Prevents family disputes over your final wishes.*
- ☐ **Create Immediate Cash Flow:** Establish a POD account or Final Expense Insurance.  
*Why: Guarantees cash is available to pay the funeral bill.*
- ☐ **Shop Around for Services:** Collect and compare the General Price List (GPL) from multiple providers. *Why: Ensures you only buy what you want and aren't overcharged.*
- ☐ **Review Pre-Payment Safety:** If you pre-pay, get written proof of safety, refundability, and portability. *Why: Protects your investment.*
- ☐ **Educate Your Executor:** Tell your key people where all documents and funding accounts are located. *Why: Allows them to act quickly and secure tax benefits for the estate.*





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