



## **Personal Finance: Pre-Paid Funerals Are Grave Concern**

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The world of the funeral director may seem a quiet backwater in financial terms.

But all is not entirely quiet on the funerals front and a Birmingham company has been created to answer concerns about the finances involving the increasing numbers of funerals being planned in advance up and down the country.

The rising fees for doctors, clergy and crematoria have resulted in the cost of funerals outstripping inflation in recent years. Doctors' charges, for example, have doubled in the past two years.

A funeral that would have cost pounds 850 ten years ago costs about pounds 1,800 today.

With Britons living longer than ever, increasing numbers are regarding the pre-paid funeral as a way of avoiding escalating costs.

You can work out the funeral arrangements you want and pay today's prices for a future funeral. Arranging your own funeral may seem a daunting prospect for many but it can offer peace of mind, saving your family the emotional upheaval of having to decide now best to arrange a burial or cremation.

However, in financial terms this has become an area of some concern. Customers may have a guarantee that a pre-paid funeral will cover the costs of the future event. But funeral directors have become rather wary as pre-paid funeral money has been used by major companies to pay administrative costs.

With trust fund money at the mercy of adverse stock market trends in recent years, this can be a worry.

C Bastock Ltd, established in 1856 and one of Birmingham's oldest funeral directors, was unhappy that the major company handling its pre-paid funerals had a deficit running into many millions in its trust fund, partially due to the fact trust money was being used to administer the business.

As a result two friends, David Bastock, a director with the company, and sales and sales and marketing consultant John Taplin, joined forces to create Open Prepaid Funerals Ltd two years ago.

In my own role as one of the Open trustees overseeing the trust investment portfolio, I became aware this Birmingham company was creating a new blueprint in this field.

'David and his family and many other independent funeral directors around the country were dissatisfied with the pre- planning funeral products that were available,' Mr Taplin said.

'Companies providing pre-paid funerals had all suffered from fluctuations in the stock market. The firm handling their pre-paid funerals were taking administration fees somewhere in the region of 20 per cent out of the initial costs of the plan, which meant the trust fund was automatically in a negative situation.

'Let's say a plan is sold for pounds 1,500 and pounds 300 is taken for administration. If that person dies next year, they would have had to turn pounds 1,200 into pounds 1,500 in 12 months.

'Wherever you invest money, it can't be done. The funeral might be taking place even sooner than a year after the arrangements were agreed. We have had plans redeemed within four weeks.'

Bastock and Taplin decided there would be a fixed charge of pounds 195 to run the scheme for every pre-paid funeral no matter what its cost and no administrative fees would be taken out of the trust fund.

They also created a secure website for Open Prepaid Funerals so that each funeral director involved with their scheme could get an up-to-date check on how much the money originally paid for a pre- paid funeral had risen in value.

Birmingham fund managers Williams de Broe has been handling the trust money, operating a low-risk investment strategy aimed simply at raising enough money to cover any increased funeral charges.

In Mr Taplin's words: 'The theory is not to make loss as opposed to necessarily making a profit.'

This has come to pass. Since the scheme became operational in October 2003, some 30 funeral directors up and down the country have provided just above pounds 1 million for Open pre-paid funerals and the value of the trust money has risen at a rate of five per cent per annum.

'To best of my knowledge we are only people who charge an on-top administration fee and do not deduct any administration fees from the trust fund,' says David Bastock, 'Our view is it is not our money in the trust - it is the funeral directors' money.

'Some companies seem to be very, very cagey about where the money is invested. With us you can ask anything - that is what makes us different from other companies and why we are called Open Prepaid Funerals.

'We were not comfortable with the administrative fees being taken out of trust in the previous scheme we were in or the rate of return for the money we had paid for the funerals.

'The figures were sketchy but we believe anything between 18 and 24 per cent was being taken out of the money we paid for the pre- paid funeral plans. It meant the investment strategy for trust funds had to be very aggressive to make up for the shortfall in the trust from day one.

'We were worried we might be involved in a loss carrying out pre- paid funerals in the future. When we looked at doing our own pre- paid funerals, the cost was too prohibitive. We decided to get expert help to

create a national organisation - if we were able to get other funeral directors on board, it would become financially viable.'

Exceptional circumstances could mean the pre-paid funeral money in the Open trust fund might not meet the entire costs of future funerals. The current worry is that crematorium costs could rise drastically if current emissions from flues do not meet the standard required by planned future legislation. But investment results have covered the costs of all the plans redeemed under the Open scheme.

Some 60,000 prepaid funeral plans are being taken out each year - a very small figure compared to high levels in the United States and some European countries. But it is a growing market and the last thing anyone wants are future financial problems in something as sensitive as the world of funerals.

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