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# Plan ahead, yes, but prepaying may not add up

ROB CARRICK

It's your funeral, so it's natural to wonder whether you should have a direct hand in planning and paying for it.

Funeral homes will welcome your request to prearrange and prepay for your burial, cremation or whatever thing it is that you want done to yourself. Should you take advantage? At the advice firm Kerr Financial, they suggest clients prearrange, but not prepay.

Robert Kerr, the company's president and founder, said that while there's nothing financially suspect about prepaying, there are reasons why it doesn't make financial sense. For example, you could move to another city far away from the one where your funeral is booked, or to another country.

"Things change, that's the whole point," Mr. Kerr said. "Why put down money?"

The latest attempt to answer this exact question comes from a company called **Everest Funeral Package**, which began in Canada in 2003 and has just opened in the U.S. market. Everest ([everestfuneral.ca](http://everestfuneral.ca)) sells a funeral planning service bundled with a small life insurance policy that can be used to pay off the cost of your funeral, or anything else.

Everest sells policies for \$5,000, \$7,500 or \$10,000 that you can buy from a financial adviser or direct from the company. Upon the death of the person named in the policy (it can be you or someone else), the beneficiary receives the money and the option of using a "concierge" service that offers advice from unbiased, non-commissioned advocates on the planning of a funeral. Everest will help compare prices and even negotiate with a funeral home on your behalf.

There's a lot more flexibility to Everest than a prepaid funeral because you can use the proceeds of the life insurance policy at any funeral home. You don't even have to spend the money on the funeral if you don't want to because the money is paid free and clear.

Really, Everest is just a miniature version of the life insurance that people with dependents probably have, if not on their own then through a group plan

at work. So why buy Everest in addition to regular life insurance?

"There are a lot of people who say they want to have a smaller policy to pay off their funeral expenses," said Mark Duffey, co-founder and president of Everest. "They say, I'll have this money over here for my funeral, but all this other money over here is to take care of my wife and kids if I pass away."

The problem with Everest is that the cost is a bit stiff if you pay the premiums over many years. A male who at age 65 takes out a \$5,000 policy would pay \$45 a month. If he lived until 85, the total cost of the premiums would be \$10,800. A 75-year-old woman with a \$5,000 policy would pay \$59 a month, or \$7,080 if she lived 10 more years.

Everest allows customers to pay their premiums in a lump sum, but there's only a benefit in doing this if you buy in middle age or younger. At age 50, it would cost \$4,112 for a woman to buy a \$5,000 policy. It's worth noting here that \$4,112 invested for 20 years at just 3-per-cent interest would be worth \$7,427.

Prepaid funerals work a bit differently in that you pay the full cost of a funeral in into an interest-bearing account, where it sits until needed. These accounts are held in trust at financial institutions that are members of Canada Deposit Insurance Corp., so your money is safe. The deposit is tax-exempt, as is the accumulated interest if it's put toward funeral costs. You can get your prepaid funeral money back if you want to, and you may also be able to transfer the contract to another funeral home in another city.

You've probably gathered at this point that prepaying a funeral or using Everest doesn't make any great financial sense because of the cost and lack of flexibility. This is all the more true when you consider that many people will be in line to receive a death benefit of up to \$2,500 from the Canada Pension Plan. That's half the cost of a modest funeral and should largely pay for a cremation, which happens to be an increasingly popular option in Canada.

There's also life insurance to consider. With adequate coverage, there shouldn't be any problem paying for a funeral out of the money paid to your beneficiary.

Still, if you want to make absolutely certain your family won't have to bear the cost of your burial, then financing your funeral in advance will solve the problem. You'll pay a hefty premium to do this if you use Everest and you may box yourself in if you prepay at a particular funeral home, but that's the cost of peace of mind.

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