



Paying for funerals



ASIC's
MONEYSMART
Financial guidance you can trust



ASIC

Australian Securities & Investments Commission

About ASIC and MoneySmart

The Australian Securities and Investments Commission (ASIC) regulates financial products.

ASIC's MoneySmart website gives people tips and tools to manage their money. Visit moneysmart.gov.au

About this booklet

The passing of a loved one is a sad and stressful time and funerals are expensive. Funerals can cost between \$6,000 and \$18,000, depending on the kind of service you want.

If you're thinking about planning ahead for your own funeral or the funeral of a family member, this booklet can help you.

If a family member has recently passed away and you need to arrange their funeral see page 20.

If things go wrong

If you are having problems with a funeral product you have bought you can call ASIC's Indigenous Help Line on **1300 365 957**.

If you need help with money contact a financial counsellor on **1800 007 007** or a Financial Information Service officer at Centrelink on **13 23 00**.



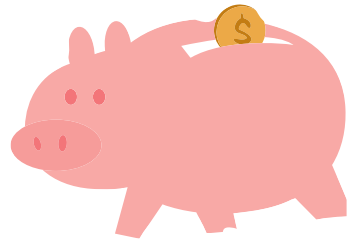
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Saving for a funeral

One of the easiest ways to pay for a funeral is simply to save for it. Setting up a savings account will mean you only put away as much as you need and you won't lose the money if you stop making payments. Also, there are no penalties if you can't make a payment every fortnight.



- ▶ **Contact your bank** – Contact your bank, building society or credit union to set up a separate high interest savings account specifically for a funeral. Make sure this account is separate from your everyday account.
- ▶ **Decide how much to put in** – Work out how often you want to make deposits and how much they will be.
- ▶ **Set up a direct debit** – This will help you save regularly but only do this if you can afford it. Make sure it comes out after you get paid or when you have enough money in your account because if not, you could be charged fees if your account is overdrawn.
- ▶ **Tell a trusted member of your family** – Then they will know that the money is for your funeral.

Smart tip



Talk to a financial counsellor

Financial counsellors offer a free service to help you sort your money problems. Financial counselling is offered by community organisations and community legal centres.

To find a financial counsellor near you, call the free hotline on **1800 007 007** from 9.30am to 4.30pm, Monday to Friday.



Questions to ask about saving for a funeral

Here are some questions to ask your bank, credit union or building society about setting up a savings account to pay for your funeral.

- ▶ Are there any fees or charges on the account?
- ▶ What is the interest rate and how does it work?
- ▶ Are there any rules about when I can withdraw the money?
- ▶ How can my family access the money when I pass away?
- ▶ If I have a direct debit, will I be charged if there is not enough money in my account?

Case study

Alice saves for her funeral

Alice is great at saving money. Every fortnight she puts a little bit away in a special account for emergencies and special occasions. She has \$5,000 which is enough for her funeral. She keeps it separate from her other money. She has asked the visiting legal service for help to write her will so her daughter and grandchildren will get her money when she passes away.



Pre-paid funerals

Pre-paid funerals let you pay for a funeral in advance through your local funeral director. You can pay in full or make a deposit and pay the rest off with regular payments.

Pre-paid funerals allow you to:

- ▶ Choose the type of funeral you want.
- ▶ Pay off the funeral over a period of time.
- ▶ Pay for the cost of the funeral at today's prices.
- ▶ Make regular payments that don't increase over time.



Different states have different rules

In some states, funeral directors must put your payments into a registered funeral fund, which protects your money if their business goes broke. If you buy a pre-paid funeral in the ACT or the Northern Territory there are fewer consumer protections. In those states, think about using a bond to pre-pay a funeral (see page 8 for bonds). Contact your local state or territory fair trading office for more information on the rules for pre-paid funerals.

Smart tip



If you move

If you are likely to move around, check whether the funeral plan you buy can be transferred to another funeral director. This may differ from state to state.



Questions to ask about a pre-paid funeral

Here are some questions to ask the funeral director before you sign up for a pre-paid funeral.

- ▶ Will my payments go into a registered funeral fund? (Funeral directors in New South Wales, Victoria, Queensland and South Australia must put your money in a registered fund so it is protected if the funeral director goes out of business.)
- ▶ What will happen if I change my mind or I can't make the payments?
- ▶ If I move far away, can I transfer my payments to another funeral director?

Case study

Barb decides to get a pre-paid funeral

Barb was worried that her family wouldn't have enough money to pay for her funeral when she passed away. She visited her local funeral director, who said she could pre-pay a funeral costing around \$7,000 by making fortnightly payments of \$40 for 7 years.

She decided to buy the pre-paid funeral as she only wanted to pay for the cost of the funeral and no more. She thought about buying funeral insurance but realised she could lose the funeral cover if she wasn't able to keep up with the payments.

She told her family the name of the funeral director so they would know who to go to when she passed away.



Funeral bonds

A funeral bond is a special type of financial product that helps you save for your funeral.

If you buy a funeral bond:

- ▶ You will make regular payments over time, your money is invested and grows in value.
- ▶ Your money can only be used for your funeral and can't be taken out earlier.
- ▶ You usually have to pay a bond deposit.



How to get a bond

You can buy a funeral bond from a funeral director, a friendly society or life insurer. Bonds are not widely advertised so you will need to ask specifically for a funeral bond.

Questions to ask about funeral bonds

Here are some questions you should ask the person who is selling you the bond before you buy.

- ▶ How much do I have to pay up front? (Different companies have different rules on this so shop around.)
- ▶ What are the fees and charges and when do I have to pay them?

Funeral bonds can have tax and Centrelink advantages. Ask a Financial Information Service officer at Centrelink on **13 23 00** for more information.



Read the documents

Make sure you read all the documents, including the product disclosure statement (PDS), and understand the costs before you sign up. Talk to your family or a financial counsellor if you need help to understand the documents.

Case study

Tom buys a funeral bond

Tom wants to make arrangements for his funeral. He visits his local funeral director who tells him he can pre-pay his funeral using a bond. Tom reads the paperwork, signs it, and pays his \$300 deposit to get started.

He starts making \$30 payments every fortnight and after about 7 years, he has paid for a bond of \$5,000. Tom is not a good saver and the bond gives him peace of mind that there will be money to pay for his funeral when he passes away.



Funeral insurance

You might have seen ads on TV or in the paper for funeral insurance (which may also be called a funeral plan or funeral cover).



If you buy funeral insurance:

- ▶ You make regular ongoing payments called 'premiums', that usually increase over time.
- ▶ Your family will receive a set amount of money to cover the cost of your funeral when you pass away. This amount is decided when you sign up.

Insurance can give you peace of mind, but here are a few things to think about before you sign up.

Will you always be able to pay?

With most funeral insurance plans, if you stop paying the premiums, your insurance will be cancelled. You will also lose all the money you have paid so far, you won't get a refund and you won't get a payout for the funeral.

Before you sign up, think about whether you will be able to afford to pay the premiums for the rest of your lifetime.

Smart tip



Not all funeral plans are the same

Some funeral insurance plans will let you stop paying your premiums once you have reached the amount needed for a funeral. That way, you won't have to pay more than you get back. Take the time to shop around.



Will you pay more than you get back?

When you start paying for funeral insurance, the premiums might be \$12 a fortnight, but they normally increase over time so you don't know how much you will be paying in 5 or 10 years.

Plus, if you start paying for funeral cover when you or your family are very young, you might end up paying a lot more than a funeral would actually cost.

For example, if you start paying \$12 a fortnight when you are 20 and your premiums increase with age, by the time you are 50 you will have paid a lot more than the \$10,000 it could cost for your funeral.



Important

Don't confuse funeral insurance with a savings plan. With insurance, when you pass away, your family will only get the set amount that you agreed to when you signed up, but not the premiums that you paid.

Are you always covered?

There will be situations where you are not covered by your insurance policy. These are called 'exclusions'. Some policies will not pay out in the first 2 years unless your death is accidental.



Questions to ask about funeral insurance

Here are some questions to ask the salesperson before you sign up for funeral insurance.

Payments

- ▶ How much will each payment be?
- ▶ How often do I need to make payments and for how long?
- ▶ As I get older, how will my payments increase and how can I avoid increasing premiums?
- ▶ How much will I pay in total?
- ▶ What happens if I miss any payments or can't afford them?

Payouts

- ▶ How much will my family receive when I pass away?
- ▶ Are there any situations where the insurer won't make a payment for the funeral? For example, in the first year or in the event of suicide.
- ▶ Can I get a refund if my policy is cancelled or if I stop paying?

Take your time

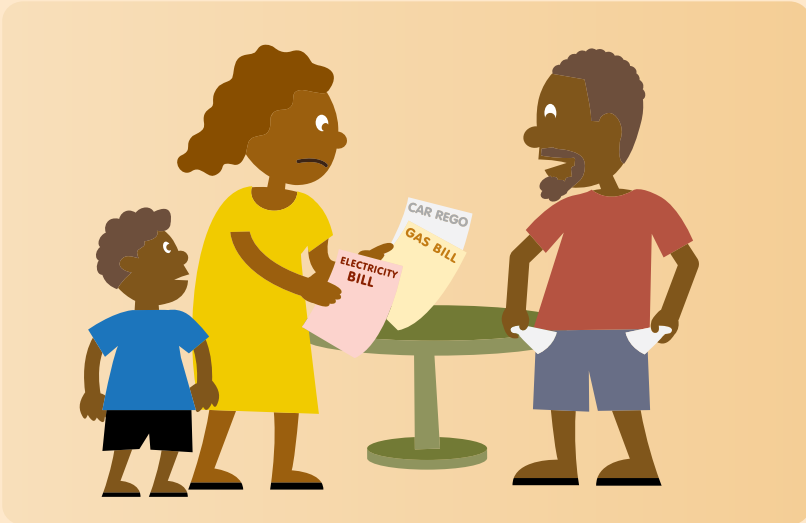
Don't let a salesperson pressure you to make a rushed decision. Tell them you need time to think and that you'll call them. It is important to read the paperwork carefully before you sign up. Get help from a financial counsellor, a legal service or a Financial Information Service officer at Centrelink if you need it.



Case study

Ruby buys funeral insurance

Ruby was 40 when she bought funeral insurance. She could afford the monthly premiums for the first 10 years but when she lost her job she struggled to pay them. The premiums also went up every year and got too expensive. It was only when Ruby cancelled the funeral insurance that she realised she had lost the thousands of dollars she'd paid over the years. If she'd saved the money in a savings account, instead of paying for funeral insurance, she would have at least had that money to put towards a funeral.



Funeral insurance 'expenses only' cover

When you sign up to an 'expenses only' plan it means your family will only get a payout for the actual cost of your funeral. You will need to make regular payments that will usually increase over time. If you stop paying, you won't get a refund or payout.

Here are more facts about 'expenses only' funeral plans:

- ▶ **Only funeral expenses are covered** – You may need to prove the funeral costs with receipts.
- ▶ **Door-to-door sales** – These insurance products can be sold door-to-door. If someone comes to your house selling you a funeral product, don't sign up on the spot. Take the brochures and think about it. Ask the salesperson to leave if you feel uncomfortable. Talk to your family or a trusted friend before making a decision.
- ▶ **Less protection** – The laws that protect consumers and their money when buying funeral insurance may not apply to 'expenses only' funeral plans.
- ▶ **Less coverage** – There might be exclusions such as less money paid out for the funeral of a person who commits suicide.

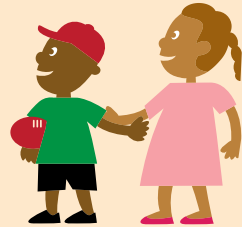


Smart tip



Be careful signing up children

As much as you want to care for your family you should think carefully before signing up your children for funeral insurance. If you sign them up when they are young, by the time they are 30 or 40 you may have paid a lot more than the cost of the actual funeral.



Questions to ask about 'expenses only' funeral insurance

You should ask the same questions you would ask about funeral insurance. See page 12.

Get advice before you sign

Read all the documents so you know exactly what you are paying for and how much you are paying. If you don't understand the documents, don't be afraid to ask questions or get advice from a financial counsellor.

Changing your mind

Funeral insurance must have a 'cooling off' period - a set time in which you can change your mind and get your money back.

If you feel you have agreed to a product you don't actually want, contact the business as soon as possible to tell them you don't want to go ahead.

Case study

Joe buys 'expenses only' funeral insurance

Joe was 30 when a salesperson came to his door selling 'expenses only' funeral plans. He signed up on the spot as he didn't want his family to have to pay for his funeral in years to come. He paid \$20 per fortnight and passed away when he was 70. In the end he paid more than \$20,000 towards his funeral insurance even though his funeral only cost \$10,000.

If Joe had saved the money for his funeral in a bank account he could have left his family the extra \$10,000.



Superannuation

The idea of superannuation or 'super' is to save money over your working life so that you have money set aside for when you retire. Here are some facts about super:



- ▶ If you are working now or have worked since 1992, and you earn \$450 or more per month, your employer must pay super.
- ▶ You can make extra payments into your super fund.
- ▶ When you retire you will get your super.
- ▶ If you pass away before you retire your children or partner will get the money from your super and from any life insurance policy. This is called a 'death benefit payment'.
- ▶ Your family can use your death benefit payment to help pay for your funeral.

To find out more about super go to moneysmart.gov.au or order our publication *Super and Us Mob* by calling ASIC's Indigenous Helpline on 1300 365 957.



Important

When you pass away, your family may not get your super straight away. They may need to pay for your funeral before they get money from your super fund.

Tell the super fund who should get the money

You can tell the super fund who should get your money when you pass away by filling out a 'binding nomination' form. You can ask your super fund to send you these forms.

Make sure your super fund has your latest address and make sure your family knows about your super.

Getting your super early

Super is usually not given to you until you retire (usually between 55 – 65 years old) but in some cases super can be given to people early for the following reasons:

- ▶ Compassionate grounds such as medical costs if you are seriously ill, funeral costs or to stop your home being sold if you have a mortgage
- ▶ Terminal medical condition
- ▶ Severe financial hardship
- ▶ Incapacity that stops you working.

To apply to get your super early, contact the Department of Human Services at humanservices.gov.au or phone **1300 131 060**. Your super fund, a legal service, or a financial counsellor can also help you with the application.

For more information on super and death benefit payments go to moneysmart.gov.au.

Lost super

If you have lost track of your super visit ato.gov.au and search for 'keeping track of your super', or contact your previous employers to find out which fund they paid money into.



Case study

Gary gets his super early

Gary was really sick and the doctor said he only had a few months to live. With help from the legal service, Gary was able to access his super because he was terminally ill. Gary used his super savings to help pay for his medical care and funeral expenses. It gave him peace of mind as his family would not have to worry about his funeral costs.



Financial help if someone has just passed away

If a family member or friend has recently passed away here are some places to go for help with paying for the funeral.

Department of Human Services (Centrelink)

If you or the person who has passed away received Centrelink benefits, contact the Department of Human Services within 28 days of the person's death to ask if you are entitled to any assistance. Call **13 63 80** or go to humanservices.gov.au.



Local Aboriginal organisations

Contact your Local Aboriginal Land Council or other local organisations to see if they can help you to pay for the funeral.

Local funeral directors

Ask your local funeral director how much the funeral is likely to cost and whether you can pay it off after the funeral has been held.

Superannuation funds

If the person who has passed away was working, contact their superannuation fund to find out if they have a death benefit payment. If you are not sure of their super fund, call the Australian Taxation Office's Indigenous Helpline on **13 10 30** or contact their last known employer. See page 17 for more on super.

Department of Veterans' Affairs

For people who were in the defence forces the Department of Veterans' Affairs may be able to help with funeral costs. Call **13 32 54** or **1800 555 254** for regional callers.





State-based agencies

Some state-based agencies have funeral assistance grants for people who have no other options available to them. These grants only cover the costs of the most basic funeral.




State	Organisation	Contact
Australian Capital Territory	ACT Funeral Assistance Program	Ph: 02 6207 0028
New South Wales	Aboriginal Land Council	Ph: 02 9689 4444 and 1800 647 487
Queensland	Coroners Court of Queensland	Ph: 07 3239 6193
South Australia	Funeral Assistance SA	Ph: 1300 762 577
Tasmania	Children & Youth Services - Department of Health and Human Services	Ph: 1300 135 513
Western Australia	Department of Communities	Ph: 08 9222 2555 and 1800 622 258 for country callers

If you live in the Northern Territory or Victoria you should contact the agencies on page 20.

Funeral product comparison

	Savings	Pre-paid funeral
		
If I've made all the payments, what happens when I pass away?	▶ Your family will get the money in your savings account	▶ The money you've paid will cover your funeral
What happens if I stop paying?	<p>✗ You may not have saved enough for your funeral</p> <p>✓ You can stop paying whenever you want without penalty</p>	<p>✓ You might get your money back but you will need to make other funeral arrangements</p>
Things to consider	<p>▶ You decide how much you want to save and then it's up to you to keep saving</p> <p>▶ Make a will so your family knows how you want the money spent</p>	<p>▶ Check if your money is protected by a registered fund (only some states have these)</p>
Find out more	▶ Pages 4-5	▶ Pages 6-7



Bond	Insurance	Insurance 'expenses only'
		
<ul style="list-style-type: none"> ▶ The person you have nominated will get the money in your bond 	<ul style="list-style-type: none"> ▶ Your family will get the amount you agreed to when you signed up 	<ul style="list-style-type: none"> ▶ Your family will only get the money for the actual expenses of your funeral
<ul style="list-style-type: none"> ✗ You may not have paid the full bond ✓ Your family will still get the current balance minus ongoing fees when you pass away 	<ul style="list-style-type: none"> ✗ You will lose what you have paid so far ✗ Your family won't get a payout when you pass away 	<ul style="list-style-type: none"> ✗ You will lose what you have paid so far ✗ Your family won't get a payout when you pass away
<ul style="list-style-type: none"> ▶ You will have to pay a deposit up front and ongoing management fees ▶ Your money is invested and grows over time 	<ul style="list-style-type: none"> ▶ Premiums usually increase over time ▶ You may end up paying far more than you get back 	<ul style="list-style-type: none"> ▶ Premiums usually increase over time ▶ You may end up paying far more than you get back
<ul style="list-style-type: none"> ▶ Pages 8-9 	<ul style="list-style-type: none"> ▶ Pages 10-13 	<ul style="list-style-type: none"> ▶ Pages 14-16



ASIC's MoneySmart website has calculators, tools and tips to help you with:

- ▶ Budgeting and saving
- ▶ Loans and credit cards
- ▶ Get help with money
- ▶ Book up
- ▶ Door-to-door sales
- ▶ Superannuation and retirement
- ▶ Scams
- ▶ Paying for funerals
- ▶ Renting appliances

moneysmart.gov.au

ASIC Indigenous Helpline: **1300 365 957**
ASIC Customer Contact Centre: **1300 300 630**

Disclaimer

Please note that this is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

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