Traditional Pre-Need (The Old Way)

Traditional Pre-Need has been around for Decades. “Pre-Need” is merely pre-planning and pre-paying (funding your funeral) prior to your death. Typically you go to a funeral home and talk with the funeral director or his representative. With their guidance, you outline what your funeral will look like. You decide on a traditional or cremation ceremony. If the decision is a traditional funeral, you pick out a casket and vault. You then decide on a viewing schedule. You make decisions about memorial cards, burial location, gravesite services, flowers, music, essentially everything involved in your funeral.

The funeral director will outline your wishes and prepare what is known as a “Goods and Services” contract. He will outline the costs associated with every aspect of your funeral:

1. The cost of the funeral directors services:
   - Retrieval off the body
   - Embalming
   - Dressing and casketing of the body
   - Use of the funeral home for viewing, memorial services
   - Limos or family cars
   - Gravesite services

2. The casket price

3. The Vault Price

4. What is known as the “Cash Advance” items. These are aspects of your funeral the funeral director does not provide or “sell”. These include:
   a. Flowers
   b. Obituary
   c. Gravesite
   d. Opening and Closing of the gravesite
   e. Certified copies of the death certificate
f. Minister stipend  
g. Permits and fees  
h. Grave marker and setting  

Adding these 4 items together will give you the total price of the funeral you are pre-planning.

The primary selling feature that funeral homes use is “Once you pre-plan the price is guaranteed to be the same, no matter when you die”, “plan now and LOCK IN today’s prices”. In many cases this GUARANTEED PRICING may be a fallacy. The items where the price is guaranteed include items 1 & 2 above. Just the funeral directors services and facility, and the casket price, are included.

BUT, the casket price guarantee may not be a reality in many cases. When you plan your funeral you choose the make and model of your casket, the price is then determined (the casket price is typically 5 times the funeral director price), and guaranteed. The problem is, models of caskets are constantly changing! You may have chosen a Model 100 casket. The funeral director includes the retail price of that casket in your “Guaranteed” price. But, when you pass away, the funeral director informs the family that you picked out a casket that is no longer available. He then tells the family a Model 200 casket is essentially the same casket as the Model 100, except it is $500 more money. Your family then has to cover the increased cost of the new model casket. So the casket price may not REALLY be guaranteed.

As for the Funeral Director’s services, every funeral home is required by law to make available to anyone who asks, a General Price List (GPL) of the costs of their services. When a funeral director creates their GPL, they usually outline the full “Sticker Price” that they would do the services for today. If you need a funeral service today, without any pre-planning in place, the funeral director may “DISCOUNT” the price of his services to make you feel special. If you are pre-planning your funeral, the maximum prices on the GPL will insure the funeral director will be paid handsomely for their work whenever you pass away.
Now, let’s look at items 3 & 4 above, the vault and cash advance items. With these items you are merely “setting aside money” to pay for these. None of these expenses have a guaranteed price.

When you are pre-planning, the funeral director will inform you of the cost of the vault, and that amount will be included in the total. If you do not pass away for 10 years, chances are the vault will be more expensive when needed. The family will have to make up the difference. The same holds true for all of the cash advance items.

After you pre-plan your funeral it is now time to pay for it. By law any money paid in advance for a funeral must be placed in a trust or a life insurance product designed to cover funeral expenses. The life insurance product is by far the most common occurrence. This is done because; the funeral director makes a nice commission on the sale of a policy, in addition to the profit from the funeral. It also provides insurance protection should death occur prior to the client making all of their payments.

What most consumers do not realize is that the death benefit of the insurance policy is constantly INCREASING. When you pre-plan, the funeral home is the beneficiary of the policy, so they get the growing death benefit. The funeral director just makes it sound like a good program because the price is “Guaranteed to never go up”. Yet, the increasing face amount helps with the increasing costs over time. The consumer usually never knows this.

Another important consideration for the consumer should be WHO is guaranteeing the price and services. What happens if the funeral home goes out of business? The consumer’s money is safe because it is in a life insurance policy. But, they lose any type of price guarantee. What if the funeral home is sold (which is very common today)? Again, their money is safe, but the new owner did not guarantee the price, and is not bound to provide the goods and services the precious owner guaranteed!