

# Succession Planning: Your Preneed Needs

***Concerted commitment to and regular upkeep of your preneed program put both you and your successors in a better position.***

**BY JACK HIRSCH**



Whether due to retirement, sales, consolidation or generational transitions, ownership changes occur regularly in the death-care industry. A 2021 survey by NFDA revealed that 27% of funeral home owners intended to sell their business or retire within five years. The increasing age of ownership across the profession highlights the urgent need for thoughtful succession planning.

Ownership transitions can disrupt operations, weaken client trust and expose firms to regulatory risk. Funeral directors who prepare in advance protect the financial health of their business and maintain the confidence of the families they serve.

Given the sensitive nature of preneed contracts, proactive succession planning is essential. Preneed programs can quickly

become a liability if not carefully managed during ownership transitions. Proper documentation, thorough recordkeeping and an understanding of the legal and strategic role of preneed programs are critical to ensuring a smooth handoff.

Here's how firm owners can position their preneed programs for a seamless and successful transition.

## **Documentation**

Thorough organization of preneed contracts is imperative to a smooth transition. It is incumbent on owners to ensure their records are complete, compliant and readily accessible before the succession process begins.

Instituting a well-organized system of records requires several steps. First, review all pre-

need contracts for accuracy and adherence to current regulations. Contracts should clearly include funding arrangements, client authorizations and necessary disclosures. Additionally, verify that payment information is accurate and current.

Next, funeral home owners must thoroughly document trust and insurance funding structures so successors clearly understand contract funding and the liabilities they are assuming. Clear documentation helps prevent confusion, protects against funding shortfalls, and provides regulatory and financial review transparency.

Furthermore, information about trustees, investment managers and insurers, as well as verification of their licensure and compliance status, should



be readily accessible. Identifying administrative partners and their respective roles simplifies the transition and reassures successors of responsible program management.

Finally, implementing a formal transfer plan for the preneed program prevents operational disruptions. This plan should cover the movement of client records, updates to regulatory filings and communication protocols for informing clients of the change in ownership. A cohesive plan supported by a well-structured system of clean records will prevent successors from facing major obstacles, such as client disputes, payment disparities and regulatory penalties.

### **Recordkeeping**

Good recordkeeping is more than operational housekeeping – it is the backbone of a firm's valuation and

reputation. Transparency and consistent reporting are the two best practices to protect a preneed program's value.

Regular internal audits should verify adequate funding for every contract and ensure financial statements accurately reflect the program's status. Consistent monitoring of contracts also ensures records remain compliant with state and federal regulations, which minimizes risk and safeguards the firm's financial health. A transparent, well-maintained records system will help successors avoid costly surprises, such as underfunded contracts, post-sale.

Beyond compliance, precise recordkeeping makes a business more attractive to potential buyers by demonstrating credibility, operational strength and readiness for growth. Buyers are more confident in firms that provide verifiable reports on preneed accounts and contract performance. Recordkeeping is a strategic benefit that preserves the firm's legacy and upholds promises to client families throughout the succession process and beyond.

### **Understanding a Preneed Program's Value**

From a legal perspective, preneed programs are valuable business assets that carry significant responsibility. After succession, new owners assume full legal accountability for the performance of preneed programs, regardless of their success or failure. This legal reality means it is critical for funeral home owners to understand their preneed program's status before the transition of ownership.

Planning for a smooth transfer of ownership necessitates a deep review of top-line preneed sales and contract-level details, such as funding balances, projected fulfillment costs and potential shortfalls. A strong preneed program can boost a firm's valuation dramatically, but

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a poorly managed program introduces regulatory risks and erodes client trust. Buyers look for programs that are active, well-funded and effectively marketed.

Firms that invest the time to organize, audit and document their preneed programs today will be in a strong position to maximize their value tomorrow. Given the legal and reputation-related stakes, deathcare professionals should treat the succession of preneed programs with the same care and diligence as any other major business transaction.

Succession is more than a simple change in ownership; it is a transfer of trust, reputation and responsibility. Representing a financial asset and lasting commitment to families served, preneed programs are central to firms' long-term success. To secure a smooth, successful transition, maintain complete documentation, establish comprehensive recordkeeping systems and recognize the legal and strategic importance of preneed programs.

In the competitive and highly regulated deathcare profession, no succession plan is complete without a careful strategy for the management and transfer of preneed programs. Protecting this vital asset preserves a firm's value, honors client commitments and lays a strong foundation for future leadership. ■

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