

All About the Value

The Guarantee vs. Nonguarantee Debate

To guarantee or not to guarantee preneed, that is the question. It's also one that continues to be debated by funeral professionals. It's easy to understand why the guarantee versus nonguarantee argument continues to be a topic of conversation within funeral service.

On one hand, the economy is lagging and product prices have continued a steady uptick.

At the same time, long-term investments often increase in value.

"It's a debate that's continuing," acknowledged Carl Wackerle, vice president of agency accounts for the life division at Forethought Financial Group in Houston. "There's no consensus ... just a lot of different opinions."

The preneed concept is a simple one: People die, and they want to plan for it in advance and at a time when they can consider cost-effective options and be better prepared to make fiscally responsible decisions.

While there is an acknowledgment from many in the industry that a well-run preneed program has an impact on at-need sales and growing market share, there is disagreement on how important the guarantee is for families and how effective it is for a funeral home's financial performance.

"It really depends on your market," pointed out William Stalter, founder of Stalter Legal Services and the Preneed Resource

Co. in Shawnee Mission, Kan. "If your competitors are all guaranteeing, do you want to be the one person who isn't? Do you lose that preneed sale because you want to offer a nonguarantee?"

Although there are some states where it is mandatory to guarantee, regardless of the funding mechanism, it is becoming increasingly difficult for funeral homes to guarantee a price at prearrangement, Stalter added.

"We're not seeing a high rate of return off of bank accounts; insurance benefits are increasing in the area of 1 to 2 percent," Stalter

said. "In contrast, costs are increasing about 4 percent a year ... that's a difference of 2 percent each year. If you were to factor that over a number of years, you're looking at some significant money."

As prices go up, and the gap between profit and cost becomes wider and wider funeral directors are left wondering, "How long can I offer a guarantee and not impact my profits?" Stalter said. "It's a great concern for many funeral directors."

Funeral directors need to understand that they are business people in a funeral home instead of funeral directors who happen to be in



“Often, families don't know what they can have, so they don't know what they want. Talk to them . . . and then listen to what they have to say.”

- Dean Lambert, vice president-marketing for

Homesteaders Life Co.

business, said W.H. “Bill” Williams, president and CEO of Funeral Services, Inc. in Tallahassee, Fla. “You have to do what is best for your business,” he added.

To do so, Williams said, funeral professionals need to understand five key things:

- State statutes as related to preneed
- What programs are available in their states. If there is not one to meet their needs, contact a company that specializes in preneed to help
- How trusts are being invested. Ask to get a copy of the policy statement and understand how it is being reported
- What is the cost of a total trust. If the overhead to manage the trust is great, a funeral professional may be better served joining an association trust.

• Record keeping. A funeral professional needs to keep good preneed records and have the information at his or her fingertips. In many cases, outsourcing this record keeping can prevent costly mistakes.

There is no question the term “guarantee” has become synonymous with having peace of mind, Williams acknowledged. It is very assuring for families to have a preneed guarantee where they know they won’t have to pay more for future funeral arrangements. But like funeral service in general, preneed is evolving with the times.

Before you decide if guarantee or nonguarantee is good for your firm, it is necessary to figure out what funding products you will be offering – trust or preneed insurance.

In general, most preneed insurance plans (although carriers differ) provide immediate growth and protection for a family and up-front monies when the death occurs. A trust provides flexibility for families to pay as much as they want, as often as they want over time but generally offers no protection as far as covering all of the funeral expenses, and additional dollars might be needed when the death



“It’s a debate that’s continuing. There’s no consensus . . . just a lot of different opinions.”

- Carl Wackerle, vice president of agency accounts for the life division at Forethought Financial Group

occurs, Wackerle said.

Once a funeral director decides on the type of plan, the next step is to decide to offer guarantee or nonguaranteed. While those have long been the only options, other choices are now making their way into the marketplace. Before making any decisions, though, Williams stressed that it is important for funeral directors to check the laws in their individual states to see what is permitted.

Stalter noted that some funeral homes are now offering a hybrid of a guarantee. “If they can’t give up the guarantee, what they’re starting to do is guarantee only the services and leaving the casket and vault under the nonguaranteed. It makes sense from the perspective that the funeral homes are not responsible for absorbing the cost increases of the merchandise,” he pointed out.

The hybrid method seems to be working for at least one funeral director in Missouri, according to Williams. The funeral director charges a fee to families that want a preneed guarantee. “What he says, in essence, is that he will guarantee the price for the first year; if the family wants the guarantee for five years, there’s a percent fee of the contract charged; if the family wants the guarantee for 15 years, there’s a different percentage fee charged.

“I like the concept, it’s a smart way to do it,” Williams said. “If the funeral home trust isn’t keeping up with inflation, the funeral home has some additional protections.” He reiterated, though, that state laws

need to be reviewed to determine if such a program is permitted.

Charging families for the guarantee makes financial sense, Wackerle pointed out. “There is nothing I would pay for today and take delivery three, five or 10 years later at the same price,” he said. “Funeral service should not be any different.”

To address the need, Physicians Mutual and The Outlook Group recently unveiled enhancements to the Cornerstone series of products from Advance Funding Solutions.

The products, which have been dubbed “Inflation Guard” and “Inflation Guard Plus,” provide funeral professionals with flexibility.

“Essentially, when you boil it all down, the Inflation Guard product is one of the options we offer our customers. They are choosing to charge a higher premium for customers who choose to guarantee their funeral plan,” said Brice Ballard, vice president of the Life, Annuity and Long-Term Care Product Division for Physicians Mutual. “The funeral home has the choice whether or not to charge the extra premium, and the customer has the choice if he or she wants to pay the extra premium for the guarantee.”

Ballard is convinced that funeral professionals who present the option to families will find they have a winner on their hands. “(If families) are presented with an option to pay an additional premium for a benefit, if they truly understand what the benefit is . . . when presented with that choice, the majority choose to pay that extra premium,” he said.

Grief Support Services...

Your partner in providing bereavement care to the families you serve.



Phone: 800-843-3496 · www.griefsupport.com · Fax: 888-843-3497
Partnering with funeral professionals since 1989 - Owners, Brenda & Lynn Ochiltree

INTRODUCING!



HYDRO-MISER
Embalming Cleaning Tool
Reduce Embalming water cost by 50%
ONLY \$39.95

NEW SUPER-CAPRI PANTS
Double Protection with MORT-PORT
ONLY \$9.95 per unit



M.A.P. MORTUARY SANDBAG ARM POSITIONING SYSTEM
Solves any arm positioning problem.
ONLY \$49.95 set

NRJ LLC
21st CENTURY MORTUARY INNOVATION

WATCH ON-LINE DEMOS

Funeral Director Xmas Ornaments Still Available!

Easy and secure on-line ordering at
www.mortport.net
Visa, MC, Discover, AX welcome

Kindly include:
MI residents add 6% sales tax.
Shipping extra

Office hours M-F 9-5pm EST
248-577-9975
Patents Pending

GORILLA GRIP
Closes any embalming incision in seconds, inside and out, without using sutures or glue.
G-Pack ONLY \$19.95

The **MORT-PORT Drainage System** for Mortuary Garments - "Drain your troubles away"
Most unionalls sizes **ONLY \$17.95**

DON'T BURY TREASURE - SAVE IT! with the new **I-See-It Security Jewelry Bag** Only **\$1.95 per unit**



DUNCAN STUART TODD

THE PREPARATION ROOM SPECIALISTS

SPECIALIZING IN

DESIGN PRODUCTS VENTILATION

Call today for a free brochure.
877.832.6898



duncanstuarttodd.com info@duncanstuarttodd.com

To be successful at preneed sales (not to mention at-need sales), funeral directors need to examine the value of what they provide and how they communicate that to families.

By first figuring out what you want your level of engagement with preneed to be, you can decipher if nonguarantees or guarantees are better for your firm.

Dean Lambert, vice president-marketing for Homesteaders Life Co. in West Des Moines, Iowa, said funeral directors need to educate families on all of the options, instead of just assuming what they want. "Often, families don't know what they can have, so they don't know what they want," he said. "Talk to them ... and then listen to what they have to say."

Wackerle added that it's important to find out what families' expectations are of preneed. "You are doing a disservice to your families if you assume you know what they need and want," he said.

At the same time, funeral professionals need to make more of an effort to talk about the value of funeral service. "It's not something they do often enough or loud enough," Wackerle said. "They need to do a better job about talking about celebrating a life and the many options that are available."

Baby boomers, especially, have spent their lives getting exactly what they want ... and that desire to have their way follows through to their funerals, Wackerle pointed out. "And if funeral homes can't - or won't - give them what they want, they will go somewhere else ... and it won't be the funeral home."

By talking to a family about the value of a service, of celebrating their life their way, you can bring the conversation around to preneed without sounding like a salesperson," Wackerle said. "You're just providing the family with a means to have the service they want ... and which you can provide better than anyone else." •