Growth Strategies for 2022

by Paul White

WHEN IT COMES TO STRATEGIC PLANNING, funeral home and cemetery owners have plenty of options to grow their businesses in the long term, and even increase existing investments, if they know where to look. There may be additional revenue in your pre-need sales program and your perpetual care trust. Strategic planning—and the right business decision making—can help maximize benefits to your deathcare firm.

When selling pre-need contracts, deathcare firms have the choice between trust funding and insurance funding programs. In this article, we will examine the clear benefits of choosing the trust-funding method and will focus on the ways the investment can work harder for you.

On the cemetery side, while perpetual care trusting is mandatory, there may be a better way to fund your cemetery maintenance by selecting the unitrust option if it is available in your state. We will examine what it is and how it can lead to additional dollars for your cemetery.

Pre-need: How You Sell It Matters

Whether you are re-examining your pre-need sales program or are starting a new one, deathcare firms must decide on a funding method to offer clients: trust or insurance.

Trust vs. Insurance

Trust funded pre-need contract sales are a clear winner in terms of ease of sale as there are fewer licenses required, ease of purchase (no underwriting questions) and result in greater revenue to the deathcare firm. In some states, the pre-need seller may even retain a portion of the funds in trust in the case of a contract cancellation or default.

Insurance funded pre-need sales, on the other hand, require at least one and perhaps multiple licenses. Older customers and those in poor health may pay additional premiums for coverage, a penalty absent from trust funded pre-need sales. And the contract payment terms are mandated by the insurance company, not the deathcare firm, resulting in reduced flexibility for the consumer making payments.

To utilize unitrust, first familiarize yourself with your state's laws and regulations. The recordkeeping process required by unitrust can be complex, so it is a good idea to partner with a third party to help navigate the process.

Deathcare firms that choose insurance often make the decision for the commission opportunity, which is earned in the short-term. However, in the longer term, insurance has returned a significantly lower return on investment when compared to trust over the last 10 years.

Maximize Benefits

If you are currently operating a trust-funded sales program, when did you last sit down with the trustee and investment advisor to review the trust investments made on your behalf? Do you understand the roles of the team members and take full advantage of everything they have to offer?

Your trust administration and recordkeeping are a significant benefit to you and your staff when fully capitalized—saving your staff hours of administrative time that can instead be spent on core functions of business that contribute to your strategic growth.

By understanding the investments made on your behalf, you can maintain a proactive seat at the table, ensuring your investment returns are growing properly.

Perpetual Care Trusting

While perpetual care trusting is mandatory across all states, cemetery owners do have a choice between two types of investment strategies and trust withdrawals in many states.

Unitrust is a trust option that is gaining popularity across the country—and for good reason. Nearly every major endowment in the United States incorporates this concept for investment and distribution of funds.

Unitrust

Unitrust is available in 14 states and counting and is an alternative distribution method that does not limit distributions to the income generated by your trust. Instead, usually 3–5% of the trust's total market value is disbursed to maintain the cemetery each year.

Unitrust places the focus on increasing the total value of the trust rather than just production of income only.

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Income Trust

An income trust uses the traditional net-income investment approach, which limits the total distribution by providing only interest and dividends yielded by the trust.

Today's fluctuating interest rates often result in inconsistent distributions to cemeteries utilizing an income only trust. Cemeterians are often unable to clearly predict income generation from month to month.

Budgets become unpredictable and facility maintenance can become a challenge.

Additionally, the money that is generated from an income trust is often less than the amount a unitrust would produce.

Don't Have Unitrust?

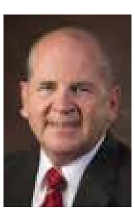
We are working to pass legislation that will allow the unitrust method for cemeteries in every state. To reach that goal, we must work together. Years ago, Funeral Services, Inc. worked with state legislators and other industry professionals to pass Florida House Bill 473, which allowed Florida-licensed cemeteries to utilize the unitrust distribution method.

To utilize the unitrust distribution method, national and state associations, alongside cemetery owners and operators across the country, must continue to educate members on what unitrust is and its value, and pursue action through legislation.

Final Thoughts

If your funeral home is not using a trust funded pre-need sales program, it is time to explore one for 2022. And if you are utilizing trust as a funding vehicle, make sure you are taking advantage of the full benefits of the program and understanding the investment decisions made on your behalf.

If your state allows unitrust, explore the distribution method option with the support of a trusted third-party partner. The benefits available to your cemetery are too great to leave on the table. M



Paul White is senior vice president of client development and marketing for FSI. In this role, he is responsible for educating prospective and existing clients about FSI's products and services and maintaining the highest quality of customer service. He has a 40-year career in at-need and pre-need operations and an extensive background in funeral home client development and sales and marketing services.