

[REVENUE RESOLUTIONS]

Three Areas of Focus to Build a Modern, Efficient and Consumer-Friendly Preneed Trust Program

The new year is upon us, so now is an ideal time to review your pre-need trust program to make sure it is operating – administratively and financially – at peak performance.

For many funeral home operators, a successful pre-need trust program can often be the difference between achieving or falling short of financial goals. That is because pre-need trust contracts generally account for between 20% and 40% of revenue and, when managed effectively and efficiently, can contribute substantially to the business's bottom line and the productivity of the funeral home's staff.

A growing, well-run preneed program is also integral to your business because it helps families take care of funeral plans now and not be burdened with managing all the details when a loved one passes. The families you serve today also may likely be an excellent referral source in your community.

With the number of funeral services being held at or near pre-pandemic levels, we believe no time is better than the present to take a deep dive into the three

areas of your preneed trust program management – investment management, recordkeeping and administration, and compliance.



Investment Management: Steve Jackson, Argent Financial Group senior vice president and funeral services group manager

One of the first questions you need answered is this: Does your trust investment manager have extensive experience and a proven track record of successfully managing preneed trust investments? Preneed trust investment regulations vary by state and one small slip-up can cause your program to be out of compliance or miss investment return goals.

Here is one example: Many state statutes allow funeral homes to retain a certain percentage of the trust funded preneed sale. If those non-trusted funds are deposited in short-term certificates of deposit or similar investments, then owners are earning returns that very likely are not keeping pace with inflation (which was at a 40-year high last year) and the cost of delivery funeral services.

Preneed trusts present unique challenges because the age and health

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vary widely among contract holders, which are important factors in pricing and investing proceeds from the sale of the contract. In our work with funeral home operators across the country, we have found that the average preneed trust contact typically lasts about 11 years before funds must be withdrawn to pay for services. Given that time frame, it is essential that owners work with experts who can build investment portfolios with the appropriate risk profile and asset allocation mix to weather market swings (like the pandemic crash and the steep drop in 2022) – and generate investment returns that exceed the future cost of services and merchandise.

Additional investment management considerations:

- Does your trustee have the experience to create or modify an investment policy statement that is tailored to the death-care industry and guides the investment manager?
- Does your trustee understand reporting requirements specific to the industry and your state?
- Has your trustee reviewed trust portfolio investment management fees to make sure they are reasonable, clearly understood and compliant with state and federal regulators?



Trust Administration and Recordkeeping: Bill Williams, Funeral Services, Inc. president and CEO

Helping families plan for services and being there for them during their time of need are jobs No. 1 and No. 2 for funeral directors. Those initial discussions with families – where they can review services

and learn how preneed trusts work – are often the deciding factor in choosing a funeral home. That's why funeral home operators need to have preneed contract information that is easily accessible 24/7 so they can answer any questions families may have and prepare all required documentation when clients are ready to finalize their purchase.

Being able to harness the power of a robust trust recordkeeping and administration services platform can give funeral home directors the peace of mind that they are equipped with the online tools, resources and real-time information they need to serve families in today's digital world.

Today's user-friendly trust platforms also dramatically speed up the processes of data input, account reconciliation, and regular upkeep and documentation maintenance on preneed trusts and contracts. The technology frees up funeral directors to spend more time providing the personal touch families and community members have come to trust over the years – and less time performing routine, administrative tasks.

Additional trust administration and recordkeeping considerations:

- Does your trust administration and recordkeeping platform have the capability to generate monthly reporting on the market value for the trust and each item for every preneed contract?
- Does your platform offer multiple payment options for your families (credit and debit card payments, interbank transfers and coupon books)?
- Does your platform include capabilities that help your team sell preneed (and at-need) contracts?

Legal Counsel and Compliance: Wendy Russell Wiener, WRW Legal, PLLC, founder and managing member

Funeral directors need counsel from experienced, death-care legal experts. The laws governing the funeral industry are a complex maze of rules and regulations that are best left in the capable hands of a veteran death-care lawyer.

A majority of states, for instance, have more than one organization that is responsible for complete or partial regulatory oversight – and the regulations governing the state can often

change. Additionally, many states have differing processes for compliance reporting and regulation enforcement. An experienced death-care lawyer can navigate that regulatory labyrinth and play a lead role in securing or retaining a firm's licensure; reviewing and preparing customized state or federal compliant forms; updating policies and procedures for audit purposes; and performing a complete review or all aspects of a client's operations to ensure regulatory and legal compliance.

Additional legal counsel and compliance considerations:

- Is your lawyer making sure all preneed contracts, forms and related documentation are compliant with state law?
- Can your lawyer conduct a complete review of your operations to ensure compliance?
- Is your lawyer willing to serve as the liaison between you and state or federal regulators?

The death-care industry is changing rapidly, due in large part to shifting consumer behavior (alternatives to traditional funeral services) and increasing regulatory oversight (Federal Trade Commission proposed changes to consumer protection laws). Partnering with proven death-care industry experts can be a win-win for you and your clients by helping you increase preneed trust profits, reduce the stress of managing your business and – just as important – provide families in your community with competitively priced services during their time of need.

