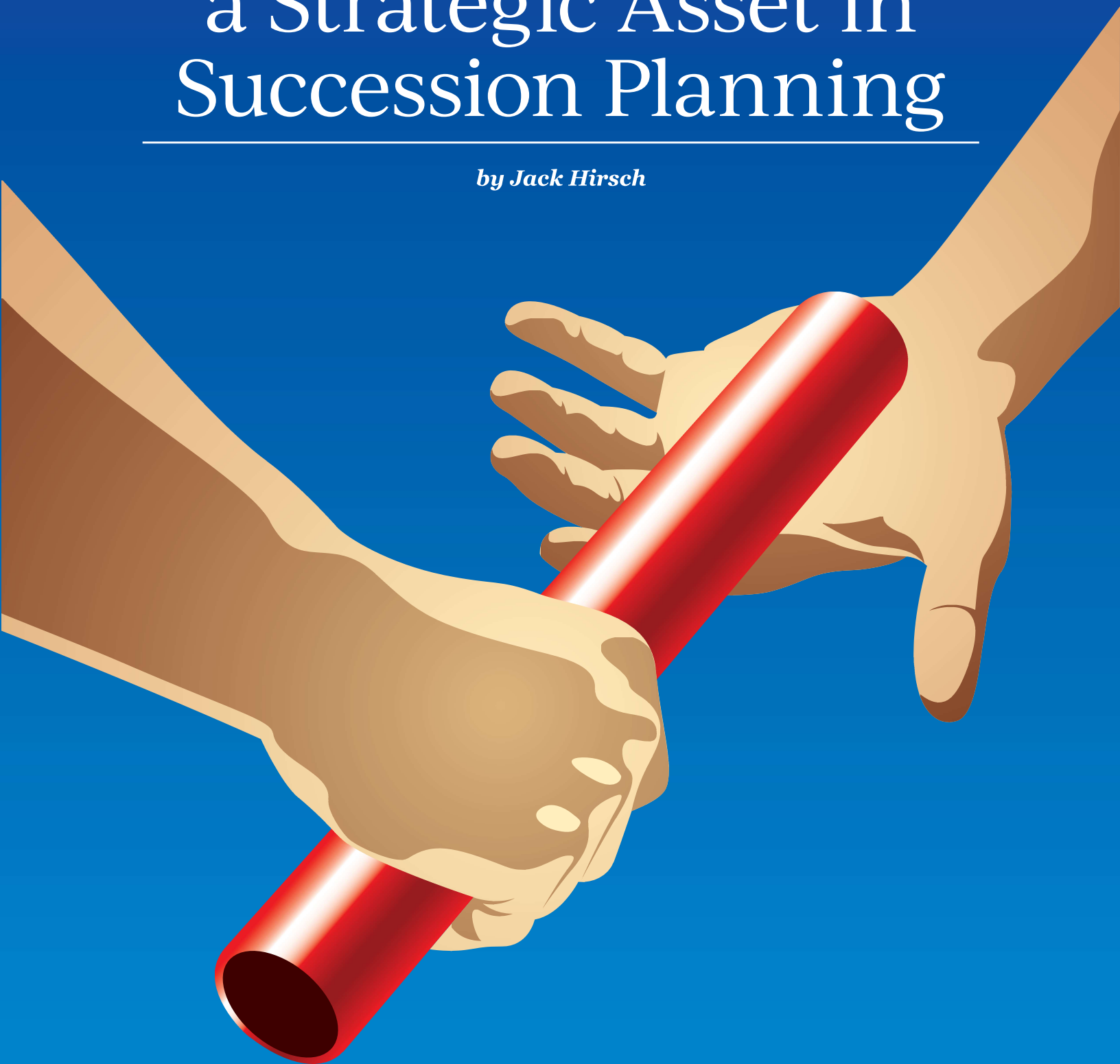


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# Preneed Programs are a Strategic Asset in Succession Planning

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*by Jack Hirsch*



For privately-owned funeral homes, transition in ownership is often not a matter of if, but when. Preparing for succession requires a fair amount of planning, but none so important as preparing key assets, such as a firm's preneed portfolio. Preneed assets are highly valuable to the long-term financial health of a firm's business. If they are not managed well, particularly during a period of transition in ownership, there is an increased risk of regulatory failure and loss of value.

According to the National Funeral Directors Association (NFDA), only 25% of corporate-owned or consolidated firms operate in the deathcare industry, leaving a significant number of funeral homes that must plan carefully for some form of transition in the future.

Funeral directors who are proactive in preparing for succession will not only protect the growth of their assets, but will also mitigate disruptions in operations, maintain a strong foundation of trust with clients, and reduce exposure to regulatory risk. In this article, we will cover how professionals can audit, organize and maintain preneed programs for a seamless and effective handover to the next generation of ownership.

### **BUILDING A STRONG PROGRAM STRUCTURE**

The resiliency of funeral homes is dependent on a strong foundation that includes a healthy and well-organized preneed planning portfolio. This includes clarity of funding between insurance and trusts, contract templates that are compliant with state laws, and investment policies that are tailored to the deathcare industry. When records are complete, compliant, and readily accessible at the time of succession, the transition will not jeopardize the firm's continuity of operations or its financial stability.

One way to accomplish this is to collaborate with a team of partners to help keep the preneed program running efficiently. First, a dedicated recordkeeper can manage not only daily transactions but also maintain accurate accounting records. A funeral home staff member can serve as an in-house champion for preneed programs. This includes keeping educational materials current, engaging in regular training on funding types and regulations, and providing strong preneed sales support, such as community engagement. Additionally, an expert specializing in preneed management is essential to oversee transactions and earnings distributions to protect the well-being of the firm's portfolio and flag any issues.

Firms can further strengthen their preneed programs by implementing master trust agreements with licensed partners. Pooling resources for preneed programs helps simplify administrative and regulatory oversight.

### **CLEAN DOCUMENTATION**

One of the most important safeguards in preneed management is thorough documentation, and it is no less vital for succession planning. When laying the groundwork for transition, it is best practice to prepare a formal plan for transfer.

A plan can cover a number of essentials, such as guidance for transferring records, meeting regulatory requirements, and notifying clients. A clear outline of administrative

partners and their roles will further simplify the succession process: information about trustees, investment managers, and insurers, along with verification of their licensure and compliance status, should be readily accessible. Contracts should also be reviewed for accuracy and compliance so future owners are not at risk of regulatory scrutiny.

### **RECORDKEEPING BEST PRACTICES**

The backbone of a firm's valuation and reputation is its strong recordkeeping practices. This involves engaging in regular audits, which can seem cumbersome on the surface, but digital tools are available to organize contracts, track funding levels and reconcile transactions. These systems can make it easier to access records, providing real-time data so discrepancies can be identified and resolved. Conducting regular audits can confirm that accounts are adequately funded, and that all financials are accurate and compliant with regulatory standards.

Schedule consistent check-ins with recordkeepers and other preneed program partners to review reports and monitor the status of growth or address concerns. Engaging in ongoing communication will keep deathcare professionals and support partners engaged in maintaining the health of the firm's portfolio. More importantly, a transparent, well-maintained records system will help successors avoid costly surprises, such as discovering underfunded contracts after the sale.

### **COMPLIANCE TEMPERATURE CHECKS**

Deathcare professionals are well aware that compliance and risk management are integral to maintaining preneed programs, but it is particularly essential when preparing for succession. One of the most important steps is verifying that preneed funding meets the state's mandated minimum. Actuarial projections can signal if future service costs will result in a shortfall, giving firms a head start in identifying funding gaps before the problem develops into a compliance risk.

Data security is equally critical. Protecting data with cloud-based cybersecurity protocols, including encryption and tools to monitor for unauthorized access, will protect sensitive client information.

Above all, preneed trust contracts, whether revocable or irrevocable, should be reviewed to ensure alignment with all legal standards. This not only protects current ownership but will safeguard a future sale or generational transition from avoidable contract issues.

### **A PRACTICAL SUCCESSION AUDIT CHECKLIST**

A successful, carefully managed transition in ownership hinges on conducting a structured, pre-succession audit. This

checklist can help funeral directors strengthen their preneed trust programs before a sale, merger, or generational handoff.

1. **Funding Status:** Verify that all current contract balances are on track to meet or exceed future cost projections.
2. **Contract Completeness:** Review contracts for any missing documents or disclosures, and ensure accessibility of contracts, ideally via a secure digital platform.
3. **Regulatory Filings:** Confirm that all state reports, audits and annual trust statements are current and have been filed.
4. **Valuation Impact:** Assess preneed projections to determine how well the program will contribute to future revenue.
5. **Partner Verification:** Perform due diligence in vetting all preneed trust partners, confirming they are in compliance, licensed, and in good standing.

**ONGOING MAINTENANCE STRATEGIES**

Consistent oversight is at the heart of a well-managed preneed trust program. Quarterly audits, supported by real-time reporting tools that are accessible and intuitive, help contracts stay properly funded. These regularly scheduled internal reviews will reveal growth while also identifying any emerging issues so they can be addressed before they develop into more significant financial or regulatory concerns. Maintaining an active preneed sales program will also boost a firm’s valuation, as new contracts will increase investment holdings and, under careful stewardship, contribute to long-term revenue.

**STRATEGIC VALUE RECOGNITION**

Preneed programs are valuable business assets that carry significant responsibility. When ownership changes hands, the successor assumes full legal accountability for the performance of preneed contracts regardless of how they were previously managed. This reality emphasizes how critical it is to fully understand the status of a preneed program before moving forward with a sale or transfer of ownership.

Well-documented programs, with secure, accessible contracts, accurate funding records, and consistent program oversight, will maximize appeal to potential buyers. Strong preneed programs also enhance credibility by demonstrating organized, low-risk operations positioned for long-term stability.

By treating preneed as a core legacy asset requiring diligence equal to any major transaction, firm owners will signal a high level of integrity and readiness for future ownership.



Jack Hirsch serves as President of FSI as of January 2025. Previously, he served as senior vice president of the Funeral & Cemetery Trust Division at Argent Trust, FSI’s parent company. With more than 20 years of financial experience, Hirsch specializes in regulatory reporting, trust services, asset management, and tailored solutions for endowments and foundations. As FSI’s president, he is focused on continuous

improvement and helping operators reach families in meaningful, convenient ways by streamlining services and leveraging the strengths of FSI and Argent Trust.



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