



AN INTRODUCTION TO FUNERAL EXPENSE TRUSTS

*Help clients plan for their funeral and
burial expenses with this simple
add-on product.*



The Importance of Funeral Planning

While the end of one's life is something most people want to avoid discussing, the reality is we all pass away, and everyone deserves a funeral. If a family isn't prepared for these end-of-life costs, they stand to face a catastrophic financial and emotional burden—something no one wants to place on their loved ones.

As an attorney, you are in an excellent position to help clients take the right steps toward safeguarding their financial future. And that includes setting aside funds for their funeral expenses.

AVERAGE FUNERAL COSTS

In 2021, the median cost of a basic funeral was nearly

\$8,000

| | |
|--------------------------|---------|
| Basic services fee | \$2,300 |
| Metal casket | \$2,500 |
| Cremation casket | \$1,310 |
| Embalming and prep | \$1,050 |
| Use of facilities | \$515 |
| Hearse | \$325 |
| Cremation fee... .. | \$368 |
| Printed materials | \$183 |

Costs provided by 2021 National Funeral Directors Association General Price List Study



Unfortunately, most clients and their families are unprepared for these expenses.

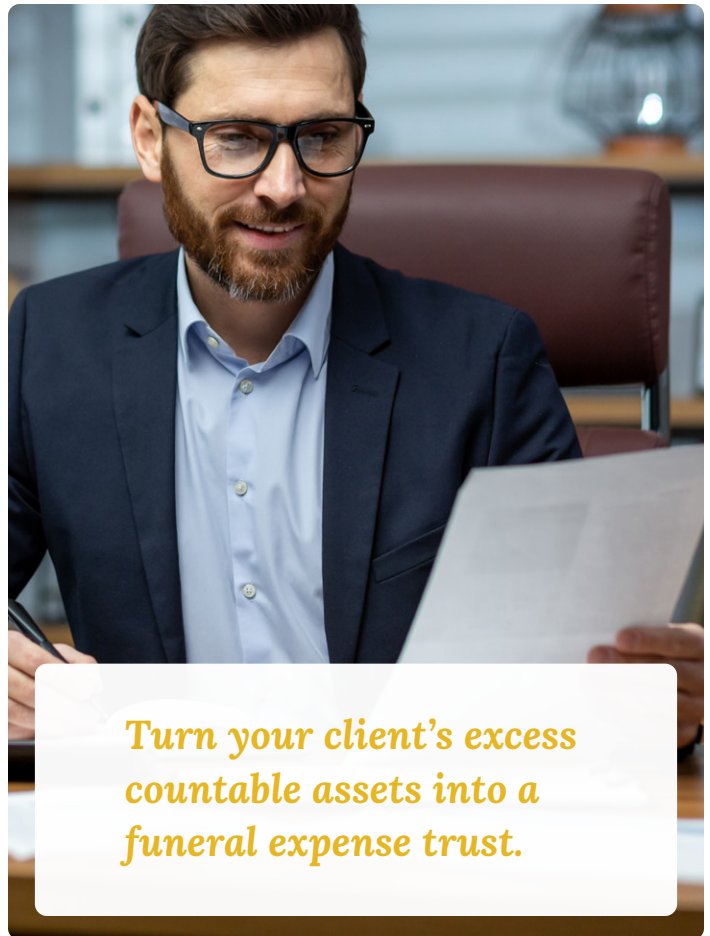
That's where a funeral expense trust comes in.

What is a Funeral Expense Trust?

A funeral expense trust (FET) is a small whole life insurance policy that is irrevocably assigned to a funeral trust controlled by an insurance company. It allows individuals to set aside funds for their funeral and burial costs and protect these funds from Medicaid and other potential creditors. The funds from the trust will be available as soon as 24 hours after the death of the policyholder, allowing their loved ones to make plans and purchases accordingly.

- ✓ Single premium whole life insurance policy
- ✓ Available through two insurance carriers nationwide
- ✓ Guaranteed issue up to age 99
- ✓ Contains a growth factor
- ✓ Short, two-page application
- ✓ Quick policy issuance and quick payout upon death

An FET serves as a simple spend-down tool for clients who are planning for their long-term care, whether in advance or in the midst of a crisis situation.



Turn your client's excess countable assets into a funeral expense trust.

QUALIFIED EXPENSES UNDER AN FET

The funds from a funeral expense trust can be used for the policyholder's funeral and burial expenses, including:

- ✓ Embalming and preparation for viewing
- ✓ Casket or cremation
- ✓ Funeral services
- ✓ Burial services
- ✓ Headstone



Funeral Expense Trusts vs. Pre-Need Contracts

In addition to funeral expense trusts, funeral planning may include other products, such as pre-need funeral contracts. While discussing these options with clients, it's important to highlight the key advantages and disadvantages.

What is a Pre-Need Funeral Contract?

A pre-need contract consists of a pre-paid contract with a funeral home for future goods and services. The client works directly with the funeral home to plan their full funeral and pays in advance in order to set aside the funds. This option may or may not involve an insurance policy.

ADVANTAGES

- ✓ The client may **feel more comfortable** working directly with the funeral home staff when discussing end-of-life decisions.
- ✓ The funeral home may allow for **payments to be made in installments** if the client doesn't have access to a lump-sum payment.

DISADVANTAGES

- ✓ The client **may have difficulty transferring the contract** to a different funeral home if the original location goes out of business or if the client moves out of the area.

Why Choose a Funeral Expense Trust?

An FET serves as a flexible planning tool that allows your clients to control their choice of a funeral home and burial location as well as the goods and services they receive. There is no age limit to qualify, so this product can be added regardless of where your client is in the planning process. Plus, the funds are immediately available to pay for funeral expenses upon the policyholder's death.

FET BENEFITS

- ✓ The funds are **available to use at any funeral home.**
- ✓ The client has the flexibility to choose specific funeral services at the time of purchase or **at a later date.**
- ✓ Anyone **up to age 99 can qualify** with no underwriting.
- ✓ An FET of **up to \$15,000 is exempt** from Medicaid in most states.
- ✓ The proceeds from an FET are **free from income tax.**
- ✓ Any **remaining funds not used for the funeral** will go to the contingent beneficiary.
- ✓ It can be **funded with an existing life insurance policy** via 1035 Tax-Free Exchange.
- ✓ The cash is available **as soon as 24 hours** after the death of the insured.

A funeral expense trust can offer greater flexibility and ease.



Long-Term Care Planning with Funeral Expense Trusts

Funeral planning is important for clients of any age at any stage of their lives, including those planning for retirement as well as those facing a long-term care crisis. Since anyone under the age of 100 can easily qualify, a funeral expense trust is a simple add-on product for both pre-planning and Medicaid planning clients.

FETs can be used in both pre-planning and crisis planning scenarios.



PRE-PLANNING

Encourage your clients planning for retirement or purchasing a long-term care insurance policy to also consider investing in an FET. Setting aside funds for their funeral expenses provides peace of mind and allows them to alleviate the burden of their loved ones covering these costs.

MEDICAID PLANNING

An FET can also be used in Medicaid planning as long as the face value is below a state-specific limitation—\$15,000 in most states. Certain states also require a Letter of Goods and Services to accompany the trust.

Letter of Goods and Services

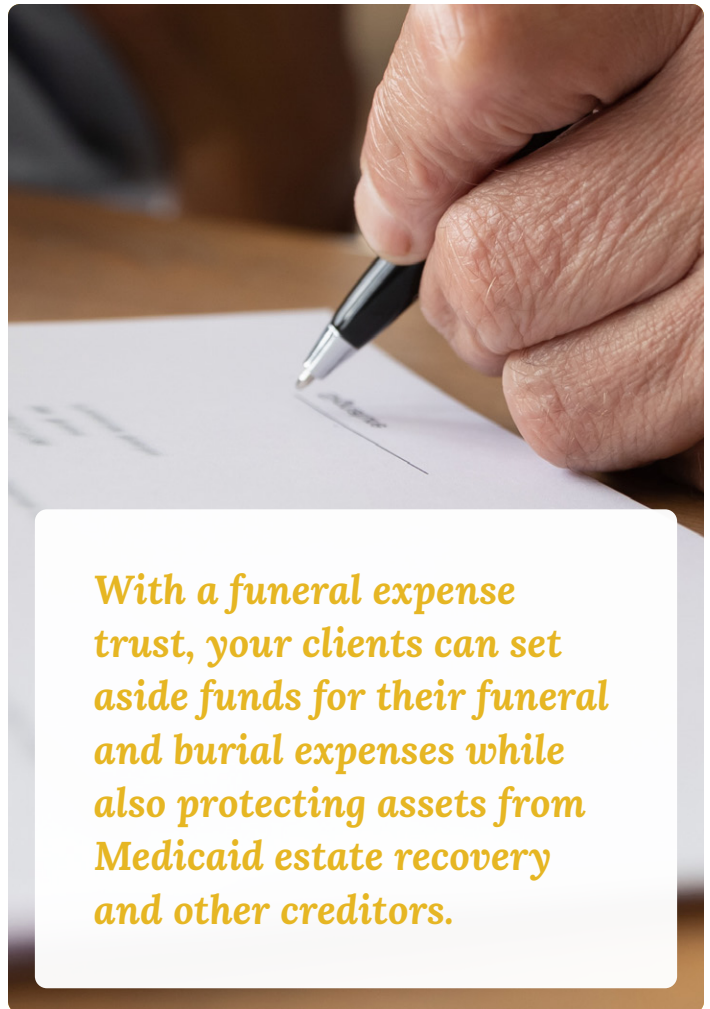
This letter outlines the specific costs of the insured's funeral expenses, such as the casket, burial plot, funeral service, and other elements.

In most states, an FET with a face value of \$15,000 or less is exempt from Medicaid.

Purchasing an FET

When you work with us, the process of purchasing a funeral expense trust is quick and easy.

- 1** First, your client must complete a short, two-page application where they choose their desired face value for the trust, which dictates the premium amount.
- 2** Next, send the application paperwork and premium funds to our office, and we'll pass it along to the insurance carrier. There is no processing fee for an FET.
- 3** If your client would like to transfer an existing life insurance contract to fund an FET, they can do so using a 1035 Tax-Free Exchange. They just have to complete an additional form with the application, and the insurance company will obtain the funds directly from the old custodian.
- 4** If your state requires a Letter of Goods and Services, this must also be included with the application.



With a funeral expense trust, your clients can set aside funds for their funeral and burial expenses while also protecting assets from Medicaid estate recovery and other creditors.



READY TO GET STARTED?

For more information about funeral expense trusts, schedule a call with Damon Wenig, National FET and Preneed Director.

krausefinancial.com/fet-call



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