

Prepaid Funeral Services Q&A



FINAL EMBRACE
End of Life Services

What is a Prepaid Funeral Plan?

A Pre-paid Funeral Plan is an agreement between a client and Final Embrace. Final Embrace undertakes to provide the chosen Funeral Service as per the client's preferences. Families who opt for a Pre-paid Funeral Plan often express peace of mind, knowing their Funeral arrangements are set without imposing a financial burden on their loved ones.

Is the money in the Prepaid Funeral Plan secure?

The funds are securely invested in compliance with the Funeral Act 2006. Access to these funds is only granted upon the client's death.

Can a Prepaid Funeral Plan be paid off?

Yes, the initial instalment includes administrative fees, cemetery/crematorium charges, GST, and an opening investment fee of \$850. The remaining balance can be paid off in instalments via monthly direct debit payments taken out on the 15th day of each month.

What are the payment options?

- Pay in full and lock in the price.
- Opt for a joint contract for couples to cover the first Funeral, easing financial pressure on the surviving partner.
- Pay through regular instalments or pre-arrange the Funeral with payment due only when the service is required.

What is a joint contract?

This allows a couple to cover the cost of the initial Funeral, reducing financial strain on the partner.

Can a client amend a Prepaid Funeral Plan?

Changes to the contract can be made in writing. If a less expensive option is chosen, any surplus funds are refunded at the time of the Funeral Service. Additional services requested are invoiced separately at the time of the Funeral Service.

Can the Prepaid Funeral Plan be cancelled?

The invested funds cannot be redeemed early. The investment firms are regulated by external bodies to prevent cancellation and payout before death. Refunds, if needed, are paid into the estate upon death.

What if the invested funds are insufficient for the Funeral costs at the time of need?

Regardless of the investment performance, the contract ensures there will be no additional charges unless extra items or services are requested.

Will a Centrelink Pension be affected by a Prepaid Funeral Plan?

Since the invested funds cannot generate income until used, they do not affect pension payments or undergo Income or Assets tests. Some clients find this a useful strategy to reduce financial assets.

What if I relocate interstate or overseas?

If it becomes impractical for Final Embrace to conduct the Funeral, the funds can be transferred to the client's estate or to another Funeral Director.

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What if the death occurs outside Final Embrace's usual service area?

Travel Care can be added to the Funeral Plan contract, though it applies only to travel within Australia.

What happens if Final Embrace ceases operations?

Should Final Embrace cease operations, another reputable Funeral Director will step in to fulfill the agreed-upon Funeral Service, as the funds are securely held by an independent investment institution in the client's name.

What distinguishes a Prepaid Funeral Plan from a Funeral Bond?

Pre-paid Funeral Plan (Assigned Investment):

- The Funeral costs are calculated, and the correct amount invested.
- The investment is assigned to Final Embrace, which earns interest to cover future Funeral cost increases.
- Upon death, Final Embrace carries out the Funeral. If the funds fall short, no extra charges apply to the executor or family.
- Assigned Funeral bonds, pre-purchased cemetery plots, and cremation deeds are exempt from the Assets test.

Funeral Bond (Unassigned Investment):

- Funds are invested to cover Funeral expenses, with interest accruing to the investor.
- No specific Funeral Director or arrangements are pre-selected.
- Upon death, the investment amount is paid to the executor to cover Funeral expenses. Shortfalls due to initial underfunding or poor investment performance may require the estate to cover additional costs.
- Unassigned Funeral bonds are only partially exempt from the Assets test, depending on Centrelink's specified value limits.

What about Funeral Insurance?

Scrutiny of the fine print is advisable before committing to Funeral Insurance. Key considerations include:

Cost: Premiums typically rise annually and may increase with inflation depending on the policy. Initial premiums can be as low as the cost of a cup of coffee, but projections by the Australian Funeral Directors Association suggest a person who takes out insurance at age 65 will see significant increases by older ages:

- By age 70: \$7,000
- By age 75: \$14,000
- By age 80: \$28,000
- By age 90: \$80,000

Cancellation: If the policy is cancelled after 30 days, no funds will be refunded. Insurance coverage will cease if premium payments stop, even if you only miss or pay late one payment.

Accidental Death: Accidental death is covered only for the first 12 to 24 months, depending on the premium selected. If a person dies from a non-accidental cause during this period, the coverage amount will not be paid. Instead, 100% of the premiums paid will be refunded.