

**FUNERAL CONSUMERS ALLIANCE OF MARYLAND AND ENVIRONS  
(FCAME)**

*Protecting the consumer's right to a meaningful, dignified, and affordable funeral.*

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Nancy J. Herin, editor

Dear FCAME members:

A sincere note of gratitude to the many of you who responded to my last letter and donated so generously. Thank you wholeheartedly for keeping our chapter strong and vibrant! In spite of our relatively small size—we have only about 600 members—we are nonetheless, without a doubt, one of the finest FCA affiliates in the nation, for it is apparent that our membership consists of dedicated, interested, and concerned individuals. On behalf of our Board, I should like to express my utmost appreciation for your donations and notes of support and explain that it is our fervent desire to serve you impeccably with first-rate information and advice—for you deserve nothing less. *(Please keep in mind that FCAME is a 501(c)(3) nonprofit organization; hence all of your contributions are fully tax deductible.)*

As a result of your generosity we have been able to embark upon a project which our chapter has long needed, namely, the overhaul of our website, which has been in sore need of a “facelift” for some time. As you know, an organization’s website is an “advertisement” about itself, for it gives an impression and makes a “statement.” If the information which it presents is useful and interesting—and appealing to look at, with a neat, professional appearance—it leaves users with the feeling that the organization is a group to which they would like to belong. Hence we are undertaking this project with the help of a skilled web designer who will support our endeavor of creating a site which will entice you, our current members, to study our materials online, and attract potential members, not yet aware of our work, to join us. A top-notch website will most assuredly strengthen our organization by enhancing our ability to serve all consumers searching for insight into the workings of the funeral industry.

Additionally, thanks to your kindness, I was able to attend the FCA's national conference in June and returned home with my suspicions confirmed: Regulators, even at the national level, are often not assertive with those they are supposed to oversee. Hence in my opinion it is better to avoid potential sham in the first place. The familiar maxim may be trite but true: an ounce of prevention—at least when it comes to entering a funeral transaction—is worth a pound of cure.

I am telling you all this as a lead-in to the article which I have written for this newsletter, in which I shall caution you about: "**The Perils of Preneeds.**"

But first, here is key background information: In 2003 we had invited a member of the Md. Board of Morticians—responsible for oversight of the local funeral industry—to address us at our Annual Meeting. One of our questions focused on the dangers of preneed contracts, or "preneeds," as they are called, in which one pays for one's funeral before the time of "need," in other words, before death. "Do you have any comment about the risks of preneeds?" we asked, and our guest, one of four consumer representatives on the 12-member Board, replied: "Preneds? No, I'm not aware of any problems." We were puzzled, for our national FCA office had long received complaints from consumers who had fallen victim to these arrangements, whose pitfalls are not apparent—until it is too late.

The response from our guest, chairman of the Board's complaints committee at the time, baffled us for another reason as well: just three years prior, in April 2000, Senator Charles Grassley of Iowa had examined this very issue at Congressional hearings which focused on "funerals and burials: protecting consumers from bad practice": "Prened," said Grassley, "is a troubling area [which] needs to be addressed head on..."

While we were never able to learn why, according to our speaker, consumers in Md. did not encounter preneed problems widespread throughout the U.S., there was one point about which we were sure: the array of potential risks from preneeds was enormous. What could go wrong? For one thing, survivors might be told they must spend more to complete the funeral transaction though they thought everything had been paid for already. This happened to a woman who had called the FCAME office to complain that the owner of a local mortuary, with whom her father had entered into a preneed agreement, had stated upon his death that "prices have gone up, you owe us another \$1400," then warned at the funeral: "If you don't hand over your credit card now, I won't move your father's body to the cemetery!"

Or you might be subject to high-pressure tactics, a notorious component of preneed sales. At Grassley's hearing, one Florida mortician testified that personnel had exerted so much pressure on a woman that she ended up pre-paying the sum of \$132,000!

Or you might not receive a full refund if you change your mind about body disposition (from earth burial to cremation, for instance) or move elsewhere and need to switch mortuaries. This could have happened to a longtime FCAME member, who—in excellent health at the age of 93—moved out-of-state to live near a daughter. Luckily for her, the mortuary with which she dealt, obeyed Md. law by returning all she had paid plus the interest.

And here's a danger which most states don't address: embezzlement. At Grassley's hearing, a former preneed salesman from California had testified—from the prison where he was serving time—that he had absconded with thousands of dollars earmarked for preneed accounts. Here in Md., in 2003 and 2004, two lawmakers tried to establish a trust fund to reimburse families “when someone takes off with the [preneed] cash,” as they put it. But the bill was withdrawn each year, an unfortunate turn, for the lure to embezzle is ubiquitous. After all, who would notice? Do state regulators, who oversee local funeral businesses, check to ensure that all preneeds are accounted for and accurately reported?

All of which brings me fast-forward to 2006 and the website of the Md. Board of Morticians ([www.dhmf.state.md.us/bom](http://www.dhmf.state.md.us/bom)), where its minutes of July 12, 2006 and its spring 2006 newsletter are posted. From these documents, let us note the following relevant facts:

1. Nearly one-third of all complaints which the Board received in fiscal year 2006 involved preneeds.
2. The Md. legislature has asked the Board to respond to the “rising number of complaints concerning preneed contracts.”

Is any of this surprising?



With this background in mind, I hope you will find the following article interesting and informative. May it spare you the aggravation and frustration which can result from:

### **The Perils of Preneeds**

A few years back the AARP reported an amazing fact: roughly 21 million Americans were prepaying their funeral expenses. What on earth, I wondered, would entice so many people to pay for their funerals in advance?

I was stumped because consumer activist Lisa Carlson told me that a preneed, as it's called, is "a layaway plan for the time you'll be laid away, except for one major quirk." When you pay on furniture, a house, or a car, you get to enjoy what you've bought. But your funeral?

Never mind. Today 1 in 3 funerals is a preneed. It has been arranged—and paid for—while the dearly departed was still alive. One can only surmise why anyone would enter such an agreement, but the AARP gives us an idea. Its survey revealed that 43% of those aged 50 and older, in other words more than 28 million people, had been solicited about purchasing preneed funeral arrangements.

A preneed sales pitch jumbles two simple concepts: the first, that planning ahead will give you "peace of mind," which is true, and a second, that paying ahead will allow you to "take care of everything," which is false. The come-on inevitably begins with a truth--that planning ahead is wise--and ends with a hand in your pocketbook.

But don't take it from me. The AARP has the data. It found that 32% of older Americans had prepaid their funeral arrangements, a fact which translates—and this is a conservative estimate—into more than \$40 billion in preneed accounts. And many of those surveyed admitted that they had no idea what was done with their money.

So you can hardly marvel that Senator Charles Grassley (R-Iowa), who held hearings on the funeral industry in 2000, focused on preneed sales. "Preneed agreements," he warned, "are among the least regulated products of the funeral industry."

The problem is this: there's no federal law covering preneed sales. The Funeral Rule, the only national regulation governing the funeral industry, is more than 20-years-old and mute on the subject of preneeds. Thus we must rely on states, whose laws vary tremendously.

In theory at least, preneeds aren't bad. If you never leave your hometown or change your mind about your choice of body disposition, if you don't select a mortuary which will go out of business or get sold, then prepaying your funeral could be all right. But life is circuitous and full of surprises; it's life's uncertainties that make paying for your death before you die unwise.

My colleague David Zinner, vice president of the Jewish Funeral Practices Committee of Greater Washington, can tell you what I mean. He saw what happened in 2000 when Stein Hebrew Funeral Home closed--a dreadful blow to customers who had entered preneed agreements years ago when Stein was a Jewish-owned mortuary. Who would have guessed that years later it would be bought out by a conglomerate which eventually would shut it down to save on costs.

Customers had two worries: first, that their contracts wouldn't be transferred to mortuaries in-the-know about Jewish funerals, and second, that they wouldn't receive full refunds. They were right to worry, especially about their refunds. Corporate owners hesitated to return their interest.

Some might say that in such a situation consumers should be grateful for what they got back. But David points out that "without the interest, the principal on a prepaid contract taken out years earlier could be insufficient." Which is exactly the point. With funeral inflation, currently at 3% to 4% a year, it's not possible for funeral directors--without the interest--to give you tomorrow's funeral at today's price. So a refund without the interest meant that Stein's former customers would have to pay more to get the same package elsewhere.

Lest you're dismayed by all this, take heart. Provided, of course, you don't live where this fiasco happened--in D.C., the only place in the nation without any laws whatsoever governing preneed contracts.

Luckily for us here in Maryland, the law entitles us to a full refund on preneed trust funds. Had Stein been in Maryland, its preneed customers would have gotten back all their money plus the interest.

This would be comforting news except for the fact that more and more funeral homes are using insurance policies, not trust funds, to finance their preneed arrangements. A funeral insurance policy, which, by the way, isn't really "insurance"--you simply pay for the cost of your funeral--is somewhat tricky when it comes to refunds.

Lisa Carlson, who heads the nonprofit Funeral Ethics Organization, explains what you'd get back if you canceled: the cash surrender value, based on a formula

favorable to the insurer. “You might not receive all the money you paid in, let alone the interest, since insurers must pay commissions, taxes, and money managers.”

This was the unfortunate situation which befell a certain Anna Jones, whose plight came to the attention of the national office of the FCA. Ms. Jones had prepaid the sum of \$2481.60, then ten years later decided to donate her body to science. Since there would be no funeral, she requested a refund. After weeks of being shunted between the funeral home and the insurance company, the FCA intervened, and the insurer finally refunded her money. Though the appreciated death benefit on her policy was valued at more than \$5,000, what she received, after ten years, was \$2827.11. Thus, after a decade, she got back what she had paid plus a grand total in appreciated value of \$345.51, an earning of less than 1.5% per year.

Notwithstanding such mishap, funeral directors like insurance policies. For one thing, according to Lisa, “there are no screaming customers” because it is insurers, not customers, who pay taxes on earned income. This is in contrast to trust funds, which typically yield more, but where customers must pay the taxes.

With all these considerations, you’d wonder how anyone could master the complexities of preneed agreements. At least I know enough to ask pertinent questions, which is something the uninitiated do not.

I learned, for example, that even with a preneed, I’d be wise not to die far from home if I choose earth burial over cremation. A funeral director explained: “First you’d have to pay around \$1500 to an outside mortuary to forward your body here, then another \$1500 to us to receive it. In addition, you’d have to pay the airfare, and weight counts. Of course none of this is covered in your preneed guaranteed price.”

“And will the casket I select be the one at my funeral? I read that models change every year like cars.” The mortician allayed my fears: “Don’t worry. Let’s say you want an 18 gauge metal gray casket. I’ll put into the contract that a substitute should match this description or be of equal value.” I was relieved. Thank Goodness. It all sounded right. Until I looked at his Casket Price List and saw two caskets with that same description but a \$1,000 difference in price.

As for his casket of “equal value,” I’d have preferred one of “equal quality,” for the casket I purchase today will certainly cost more when I die.

But I give morticians credit. Without a doubt, all with whom I spoke stated forthrightly that not all expenses are locked-in. They clearly distinguished between guaranteed and non-guaranteed costs, the latter including items like death notices

and flowers, whose prices they cannot control. All right. I accept this. It's the nature of buying a funeral.

But then at Senator Grassley's hearing Lamar Hankins, a Texas attorney who was president of the FCA a few years ago, rattled off a catalog of still additional costs that aren't included in preneed contracts: "embalming after autopsies...charges for organ and tissue donation, costs of restoration after disfiguring deaths, special cosmetic procedures that may be needed, unexpected refrigeration costs when there are delays in arrangements... and charges for extra certified copies of the death certificate," which, I should add, have increased to a usurious \$20 per copy in Maryland. How am I "taking care of everything" when my survivors could be hit with these fees?

One funeral director admonished me: "You can't plan for everything."

Which brings me to my first point about life's uncertainties. David Zinner, who saw what happened when Stein Hebrew closed, says that someone who makes arrangements at the age of 50 or 60 may be looking at a contract lasting for 30 or 40 years. "People's life spans are longer than most businesses," he notes.

I find myself imagining how life's circumstances could change during such a long period of time. I personally wouldn't want to lug around a preneed; I'll plan my funeral to the hilt, but I won't prepay a cent. From what I've seen, it's far wiser to share your wishes with your loved ones and invest your money on your own. This strategy, unlike a preneed, is guaranteed to "take care of everything" and give you the utmost peace of mind.

*(Please note: There is one circumstance when it may be wise to opt for a preneed, namely, when you are "spending down" to become eligible for long term care funding through Medicaid, which will allow you to set aside your funeral expenses in a prepaid plan.)*



### **Volunteers to Observe Board of Morticians Meetings in Baltimore**

Thanks to the kind efforts of our vice president Heather Janules, we now have two volunteers, Lauri Cebula-Seaboch and Pearl Van Natta, who are forming the nucleus of a committee to observe monthly Board of Morticians meetings, which begin at 10:30 a.m. on the second Wednesday of each month at 4201 Patterson Ave. in northwest Baltimore. Lauri and Pearl will attend meetings together or rotate months. If you would like to join them, or if you are interested in finding out about the Board's two current consumer vacancies, please contact us at the phone number or postal- or email- address at the top of p. 1.

### **2007 Mortuary Price Survey**

We are gearing up for a new mortuary price survey to begin early next year. As in the past, we are once again requesting your kind help so that this survey, like our others, can be comprehensive and first-rate. If you are interested in helping with this project, which would involve 1) phoning or 2) visiting local mortuaries to obtain General Price Lists (GPL's), please contact us at the phone number or postal- or email-address at the top of p. 1. We need helpers throughout FCAME's entire area of coverage but especially in D.C., Baltimore and its suburbs, PG and Howard Counties, Hagerstown, Frederick, Annapolis, the Eastern Shore, southern Md., and other outlying parts, and in Del. and WVA. If you would join us in this endeavor and lend your support—we would be very grateful!

Caller to FCAME office with an inquiry about cremation: "I'd like a listing of all the funeral homes in Md. along with the names of their creameries."