



Funeral Plans – The Facts

Introduction

The rising cost of funerals means many people are turning to prepaid plans – where you pay for your own funeral in advance. There has been much in the press recently about the virtues or otherwise of Funeral Plans, so this paper is aimed at providing both sides of the argument, allowing you can decide for yourself whether or not taking out a funeral plan is right for you.

How Much Do Funerals Cost?

According to figures produced by Sun Life in October 2018, the **average cost of a funeral** in the **UK** is £3,744 for a cremation and £4,798 for a burial.

How Costs Have Increased In The Last 5 Years

2016 - 2017	Up 5.52%
2017 - 2018	Up 4.64%
2018 - 2019	Up 3.40%
2019 - 2020	Up 4.16%
2020 - 2021	Up 3.40%

Why Are Funerals Increasing So Much?

This is largely down to two things

1. the increase in basic charges being made by local councils, which have risen by as much as 30% across the UK. It has been suggested that councils are increasing their charges as part of a strategy to recoup money following years of cuts to their budgets.
2. the rise in energy prices hence the cost of cremation has risen at a consistently higher rate than burials

Should You Buy A Funeral Plan?

A funeral must be paid before any money is released from the deceased's estate. This has led to significant hardship and for some of a delay of a year or more before the deceased is laid to rest.

These problems were highlighted for a couple of days in ITV's News at Ten. You can view the program's short reports here

<http://www.itv.com/news/2018-08-09/bereaved-beg-for-as-funeral-costs-spiral/>

<http://www.itv.com/news/2018-08-03/dead-waiting-more-than-a-year-for-burial-as-funeral-poverty-grows/>

What Are The Benefits Of A Funeral Plan?

With funeral costs already high ... and set to increase ... more and more people are opting for funeral plan insurance. Here's why ...

1. **Funeral plans are inexpensive.** Most people are amazed when they discover funeral plans need only be a few pounds a week.
2. **Buying in advance can help stop your family from being ripped off when in distress.** Buying a plan in advance, when the purchase can be made in what's a calmer, more rational state of mind, will take the pressure off your family financially. They otherwise may feel obliged to
3. **Help your friends and relatives.** Funeral plans mean they need pay nothing for your funeral expenses (see below for what is not covered).
4. **Protection from price increases.** Funeral plan insurance can cover the increases in funeral expenses. So, whatever the increase in funeral expenses, funeral plan insurance can provide coverage. Remember, the increases in average funeral expenses are outstripping inflation.
5. **It avoids cash-flow problems at a time of need.** If you can afford the premiums now, funeral plans can help cash-flow problems for your family in bereavement. Even if you've set aside money for your funeral, your family may not be able to access it in time to pay the bills as it will require Probate to be granted before the Estate of the deceased can be accessed, meaning your loved ones will have to find the money out of their own pockets first.
6. **Prepaid plans are exempt from inheritance tax and may not count in care home assessments.** Money towards a funeral plan is exempt from inheritance tax, which is helpful if your estate is liable.
Another bonus of buying a plan rather than putting the money aside in a savings account is your council might not count it if you're assessed for help towards care costs.
7. **Some plans may pay out even if not all premiums are paid.** Some providers will carry out a funeral even if the plan purchaser only paid the premiums for a year before they died and there were still payments to go.
8. **No health restrictions.** Most funeral plans do not require any type of check-up or health information. Simply sign up and you're covered. It only takes a few minutes.
9. **Choose your funeral director** so your family can organize a suitable funeral ... plus you can select the solicitors you want to handle final legal arrangements.
10. **Reassurance for you and your loved ones** that there's a plan for the funeral and related events. Your relatives will never go in debt to pay for the funeral (see below for what is not covered).

11. **No need to use life insurance** or other monies. Funeral plan insurance can cover all basic expenses.
12. **Inheritance Tax Saving.** Paying for your funeral plan means you have reduced the value of your Estate. If you pay out say £3,000 on a funeral plan, you have reduced the asset value of your Estate by £3,000 saving a whopping £1,200 in Inheritance Tax which means you are leaving that sum to your loved ones and not the taxman
13. **Simple peace of mind** knowing you will have everything organized after your passing ... with no complications and no out-of-pocket expenses for the funeral for friends and relatives. Additionally all of your funeral wishes will have been decided well in advanced which means your loved ones will not have the worry of wondering what the deceased would have liked in terms of the, music readings, flowers, and coffin as well as the fundamental consideration of cremation or burial.

What Is Not Covered By A Funeral Plan?

No prepaid funeral plan provides for headstones, memorials or burial plots, though some will make a provision for these and other customisations at an extra cost. You need to allow for the costs of the memorial, death and funeral notices, flowers, order sheets, extra limousines, the venue and catering for the wake. So, if you require any of these, your additional costs could vary between a few hundred pounds and a few thousand.

What are the alternatives to a funeral plan?

A funeral plan is not the only way to meet the costs of a funeral – a life insurance policy, money from your estate and traditional savings accounts could all be possible solutions. Funeral costs can also be paid from your estate after you die. Some Banks will release funds if they're presented with an itemised bill from a funeral director and a copy of the death certificate. However getting funds from the deceased's estate from a bank or any financial institution before probate has been granted, is not guaranteed.

Are Funeral Plans The Next PPI?

In recent months there has been concern voiced in the Press regarding funeral plans and their mis-selling. It is claimed that millions of over-50s are being cold-called by pushy unregulated salesmen. In the worst cases, customers are also being misled into thinking the plan will cover the entire cost of their funeral.

In none of these recently broadcast exposé programs has Golden Leaves, whose plans we promote, been featured.

The prime concerns raised were as follows

1. Currently, 95% of the market is voluntarily regulated by the Funeral Planning Authority but the FPA is not able to stop providers from trading and its code of practice is not legally binding, ministers say.
The companies we work with, Golden Leaves and Dignity are FPA regulated. The primary aim of the FPA is to ensure providers are operating in a manner that will result in customers getting the funeral they have paid for when it is needed. In the unlikely event that an FPA company were to go into administration, other FPA members would take over the lifetime handling of any plans held.

2. With most plans costing over £3,000 - it's important that customers can have total confidence that their money is safe."

All lump sum payment plans are held in Trust which is there purely to provide safe and conservative growth for the Funeral Director to ensure they can carry out the Funeral when required. The funeral director signs a guarantee for each plan to carry out the service for today's value plus the growth. For plans involving fixed monthly payments a whole of life insurance policy is taken out.

3. Most consumers wrongly believe that their plan is regulated by the Financial Conduct Authority (FCA), when in fact it isn't.

New plans to stop grieving families from being ripped off were announced on 1 June 2018. The government will consult on tougher regulation for the pre-paid funeral plan sector and proposes bringing the market into the supervision of the Financial Conduct Authority (FCA).

Are Funeral Plans Right For You?

Whilst none of us know when our time is up, but we do know average life expectancy. Based on this if you are expected to live 10 years or more a funeral plan or a vehicle to pay your funeral needs serious consideration. If you don't have a big estate and you don't have any significant savings then a funeral plan is very a sensible option,

Considerations Before Buying Your Plan

- What happens if your chosen provider goes out of business? The plan should specify what safeguards are in place. Always choose a well-established company.
The Funeral Planning Authority (FPA) is an organisation set up by the industry to regulate providers in the UK pre-paid funeral plan industry. Their primary aim is to ensure providers are operating in a manner that will result in customers getting the funeral they have paid for when it is needed. In the unlikely event that an FPA company were to go into administration, other FPA members would take over the lifetime handling of any plans held. Golden Leaves are members of the FPA
- How does the company invest the money? The plan will either invest in a trust fund or in an insurance policy.
All trust-based funds are held in an independent Trust which provides security and growth for the Funeral Director to ensure they can carry out the Funeral when required. For plans involving fixed monthly payments, a whole of life insurance policy is taken out.
- Is the company a member of a professional body? For example, if the company is a member of the Funeral Planning Authority there is a code of practice which means there will be measures in place to regulate the service and a clear complaints procedure.
Golden Leaves and Dignity are both members of the FPA

Other areas to consider:

- Ask what would happen if you were to move to a different area and if there are any additional costs if you change your arrangements.
There are no additional charges if you move to another area of the UK. Your plan moves with you
- Can you choose a funeral director or is this specified by the plan provider? If you would prefer to use a specific local funeral director may influence which plan you choose.
You can state who you wish to be your Funeral Director (FD) at time of application. There are less than a handful of funeral directors not covered by our plans
- Ask what would happen if you were to move to a different area and if there are any additional costs if you change your arrangements.
There are no additional charges with our plans
- What would happen if you die away from home? Many plans will include transportation within a specified radius in the UK but charge additional mileage beyond that, and there may be different conditions or additional costs if you die in another country.
All plans cover you if you pass away within than 25 miles from home for some this is within 50 miles. Above these figure there may be additional mileage charges incurred (typically £1.50 per mile). If the plan holder passed away whilst on holiday (either in UK or abroad) the repatriation of the body back home would need to be covered by travel insurance, after which your plan would cover transportation.
- Would you be able to amend the details of the plan at a later date, or upgrade your plan?
You can amend your plan at no extra charge including changes to your funeral wishes
- If you change your mind about the plan, check whether you would be able to get a refund, and if there any charges for cancelling the plan. Insurance policies will have a cooling off' period, but this may not be the case for other plans.
Full refund of your plan is made if the plan is cancelled within 28 days. Fixed Monthly Payment plans cancelled after that period have no refund at all. Trust based plans have a 20% cancellation fee. Cancellations outside the 28 days are extremely rare.
- It is also important to check what would happen if your family are not aware of the plan and make alternative arrangements, as the funeral plan company may not be obliged to refund the money due under the plan.
If a Funeral is paid for by a family who were not aware that a plan existed, Golden Leaves or Dignity will pay to the estate the payment that would have otherwise been paid to the Funeral Director. To avoid this happening each planholder is provided a pack and a membership card to ensure everyone is aware that a plan is in existence. It can also be noted in your Will
- Does the plan just cover the basics of the funeral such as the choice between burial and cremation and how many cars are to be provided as well as the type of coffin. Are you able to give a record of your funeral wishes as well?
All plans have a list of what's provided in each plan. They also provide for disbursements the

additional costs incurred by the FD and these are index-linked to RPI (Retail Price Index). Funeral wishes must be discussed with the FD if not included in the Will of the deceased.

- If prices of funerals come down, you may already have paid more for your prepaid plan
As plan prices are fixed over time there should be savings to be made in the longer term



STATEMENT OF NET ASSETS

Extracted from the audited accounts.

As at 28th December 2018

	2018	2017
	£'000	£'000
Fixed asset investments	440,739	428,373
Current assets		
Short term deposits and cash	11,015	12,288
Prepayments	88	60
Instalments due from members ⁽¹⁾	39,602	35,872
	50,705	48,220
Current liabilities		
Accruals and other creditors	(9,522)	(9,083)
Net current assets	41,183	39,137
Amount held in respect of future funeral obligations	481,922	467,510

1. This includes amounts both falling due within one year and falling due after more than one year.



Information on Golden Leaves Trust

The Golden Leaves Trust has continued to grow over the past year, with 35,896 active plans (incl. of instalment plans) in the fund at the financial year-end, a 14% increase compared to a year before. The total value of trust investments has also increased due to of new plans purchased during the year and an increase in the value of the investments, and is now approximately of £95 million.

The Trust Statement to 31st March 2018

The full audited figures for the Golden Leaves Trust to 31st March 2018 – are below. The trust saw significant growth over the year due to good performance of investments and a 15% increase in the number of plans sold.

All disbursements and some contracts increased in line with the RPI. Where contract performance is related to the performance of the trust, the trustees applied a bonus of **4%** to funeral directors fee.

The actuary reported a surplus of assets over liabilities of 24% - after the bonuses have been applied - to provide a realistic solvency margin.

The Year to 31st March 2018

Plans purchased	7325
Funerals	2132
Active plans at year end	35,896 (including instalment plans)
Total net assets	£94,967,000
Total future liabilities	£76,465,000
Surplus	£18,502,000



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