Marketing

By Brian Deibler

INTRODUCING MILLENNIALS TO PREPLANNING

For young adults born between the early 1980s and early 2000s – popularly known as the millennial generation – planning for a funeral is not a pressing concern. After all, being young and vigorous, they are looking forward to finishing college, getting married, buying a house, having kids and advancing in their careers.

Moreover, at this stage in their lives, millennials tend to have a sense of invincibility that causes them to ignore the risk of fatal accidents. Unless they are in poor health, or recently lost a parent or another loved one, millennials generally do not recognize the need for advanced planning of final arrangements.

Yet planning – for college, for a career, for marriage and a family, for home buying and, by the age of 35 or 40, for retirement – is an integral part of life for Americans. Eventually, we have to start planning for when we're no longer here. So why shouldn't that apply to millennials?

Understanding Millennials: What the Latest Data Show

Before we examine the whys and wherefores related to preplanning, it's helpful to examine some recent research findings that reveal critical economic factors that might influence the willingness of millennials to consider preplanning.

According to a March 2014 report by The Pew Research Center:

• About seven in 10 Americans, spanning all generations, say that today's young adults face more economic challenges than their elders did when they were first starting out.

• Millennials are the first generation in the modern era to have higher levels of student loan debt, poverty and unemployment, and lower levels of wealth and personal income, than their two immediate predecessor generations (Gen Xers and baby boomers) had at the same stage of their life cycles.

• The timing of these macro-economic trends has been especially hard on older millennials, many of whom were just entering the work force in 2007 when the economy sank into a deep recession from which it has yet to fully recover.

• Despite these gloomy trends, 32 percent of millennials say they have enough money to lead the lives they want, and 53 percent say they expect to have the money they need to live that life in the future. No other cohort of adults is nearly as confident, though when Gen Xers were the age millennials are now, they were equally upbeat about their own economic futures. Some of this optimism, therefore, may simply reflect the timeless confidence of youth.

• More than half of millennials (51 percent) say they do not believe there will be any money for them in the Social Security system by the time they are ready to retire, and an additional 39 percent say the system will only be able to provide them with retirement benefits at reduced levels. Only 6 percent expect to receive Social Security benefits at levels enjoyed by current retirees.

Jay Eisenberg, chairman of the Estates & Trusts Department at Shulman Rogers law firm in Potomac, Maryland, sees few people in the millennial age group coming in for estate planning, unless they have accumulated some wealth. When it comes to preplanning final arrangements, he echoes the Pew Research findings when he says, "They usually don't have the money, plus they are in a stage of life when this is generally not something they are thinking about."

If we accept the premise that it is not realistic to expect millennials to start preplanning at such a young age, then we need to take a different approach: planting the seeds of awareness about the need for preplanning in the not-too-distant future.

Why Preplanning Makes Sense

A nationwide consumer survey by the Wirthlin Group found that 80 percent of Americans "believe funeral prearrangement is a good idea." Millions of Americans are starting to recognize the importance of advanced planning due to the cost of funerals ranging from $5,000 to $20,000 and beyond in all areas of the country. At the national and local level, the cost of funerals doubles about every 10 to 15 years, which is one of the reasons why consumers need to be aware of how prices for funerals vary in their respective areas. In the Washington, D.C. area, for example, the average cost for a funeral is about $9,000.

With hundreds of decisions to be made during funeral planning, it can be rather difficult and stressful to gather funds in a short period of time for the type of service desired by a loved one. Industry data show that individuals and families tend to spend less when planning in advance than they do in an at-need situation.

Specific benefits of advanced planning generally include the following:

• Ability to evaluate each funeral service, product and price to determine accurate expenses needed to afford a funeral.

• Guaranteed funeral plans and costs (at today's cost, regardless of age or health).

• Options to prepay funeral expenses in a single cash payment or affordable monthly terms to eliminate future cost increases.

• Elimination of emotional overspending.

• Payment plans that can shelter assets for Medicaid/SSI exempt eligibility.

• Protection of financial savings and life insurance assets.

• Ensuring that individual or family funeral preferences are carried out without uncertainty.

• Advanced care of future needs (i.e., wills, trusts, advance medical directives, and so on).

• Return assured for all costs and transportation if death occurs 100 miles or more from home, even overseas.

• Granting peace of mind in knowing all funeral wishes have been taken care of.

Generational Patterns

Grandparents of millennials were part of the Greatest Generation that lived through World War II. People of this generation were more apt to make sure final arrangements were planned out. Baby boomers have tended to be somewhat more cautious about preplanning. For their parents and grandparents, there usually was strong family loyalty to a particular funeral home. But that isn't what it used to be, especially as we have become a more mobile society in which geographic roots are no longer as deep.

Today funeral arrangements are more about convenience, cost and reputation of the funeral home – not so much about going to the place the family has always used.

A Millennial Exception

Nik Muggli is a 36-year-old tattoo artist who was born in Montana and moved to Oregon. He has a daughter who is autistic. "Because my daughter has special needs, I had decided to do trust planning for her," he said. "There was money available at the time, so I decided that while I was planning for her I might as well plan ahead for my own final arrangements."

What else motivated Muggli to preplan? "In the family funerals I had experienced," he said, "family members had expressed wishes about their final arrangements beforehand, but nothing had ever been done. I saw the wishes of my family members not being followed and was troubled by disagreements within the family about funeral arrangements."

Not only that, but Muggli had a childhood friend of the same age who died a few years ago from a chronic disease. Because his friend was an insurance producer, he had planned everything in advance. "I saw the difference in how smoothly things went when a person's wishes are followed; everything is taken care of, and there are no questions about what to do," Muggli said.

Another facet of preplanning that appealed to Muggli is the mobility aspect. "I'm young and don't want to be tied down with one funeral home in case I need to move somewhere else," he said. "I want to be able to take the money for funeral arrangements with me, not have it locked down at one place."

Movability Is Key

When someone preplans, typically the funds are placed in a separate third-party account that can be taken with the individual if he or she moves. At Sagel Bloomfield Danzansky Goldberg Funeral Care, in Rockville, Maryland, where I am the director of advanced planning, the funding vehicle we use is a whole life insurance policy, which is owned by the person for whom it is written. Let's say a person in Maryland buys a preplanning policy and decides to move to Florida later on. He or she can take that policy, and any accumulated interest, to another funeral home in Florida. While the Florida funeral home may not guarantee

T H R E E K E Y S T O

PREPLANNING

Prepare, Arrange and Delegate

Prepare: Laying the foundation for a well-thought-out plan for final arrangements takes a bit of time, but it's worth every moment spent. After all, it will set the stage for a more relaxed and enjoyable life, because the person doing the planning will have the peace of mind preparedness brings. Here's what to do to get started:

• Prepare a contact list of individuals who should be notified in a medical emergency or death.

• Write an obituary or jot down information to be included in an obituary.

• Decide where obituary and memorial information should appear.

• Choose the type of service, including burial preference, and make those arrangements.

Key items to be decided include:

- Cemetery lot location.
- Casket type, cremation urn type.
- Vault or sectional crypt.
- Type of service: religious, military, nondenominational, or fraternal.
- Contact details for the funeral home designated to care for the deceased.
- Pallbearers, music, flowers, scripture or other readings.
- Charity to receive donations in lieu of flowers, if donations are preferred.
- Select the speakers and eulogies to represent the deceased.
- Decide what organizations or religious institution will benefit from memorial donations in the deceased's name.

Arrange and Delegate: The people who know and care about the person who preplans will be there when he or she needs them. He or she only needs to provide them with instructions, important financial details, and then relax. They are in good hands. Key steps to be followed include:

• Making a will and giving a copy to the executor. Safety deposit boxes are often opened up during the estate settlement process, long after the funeral. Any funeral planning documents therein can be of no help to the executor.

• Making sure a personal representative has a list of important account information or telephone numbers for retirement plans, insurance policies, investments, bank accounts, safe-deposit boxes, properties, preferred law and accountant firms and mortuaries. Remind the personal representative that the Social Security Administration will need to be called and, if the person doing the planning is receiving benefits such as those from the Veterans Administration, they should be contacted as well.

• Designating a power of attorney to ensure that proper information can be accessed in the event of illness or death. Make sure a durable power of attorney for health care and a living will are in place so that the individual's wishes are carried out.

• Making arrangements for telephone and utilities services, and newspaper and magazine deliveries, to be cancelled.

• Making arrangements for pets to find a new home.

• Paying for: cemetery, memorialization and/or funeral arrangements, including clergy, florist and transportation.

pricing that is exactly the same, the individual owns the full value of the policy plus any growth.

Some insurance companies that write preplanning policies also offer travel protection in the form of "return assured" programs. For a flat nonrefundable fee, if death should occur more than a designated number of miles away from the decedent's home address, the cost for transportation back to where the service is held will be paid for by the travel protection plan. It costs roughly $300 to buy a travel protection plan to cover costs that may total $1,300 to $1,800. For somebody at a younger age who is traveling quite a bit, this is a good risk.

Nothing Set in Stone

If our goal as an industry is to plant the seeds of the need for preplanning in the millennial generation, it is important for us to emphasize that preplanning comes with flexible options. Preplanning gives customers and their families, whatever their age, the ability to evaluate each funeral service, product and price to determine accurate expenses needed to afford a funeral. Everything does not have to be decided all at once, and changes can be made to every detail from the time of preplanning up until the service is needed.

Why is this important? Because change is constant in life, especially when we are young. Careers change. Homes change. Marriages change. Beneficiaries on our IRA or 401(k) may change. The mix of our investments changes as we get more conservative with age.

Preplanned funeral arrangements can also change without any financial loss. Let's say a millennial prepays for a $12,000 funeral, and later decides that he or she wants to be cremated. The cost differential between cremation and the cost of the traditional service will be reimbursed to the family of the decedent.

Bottom Line

Here's the most powerful factor that can motivate millennials to start thinking about preplanning. As noted earlier, people who plan their final arrangements at a young age are likely to spend less money now than when death occurs. Not only is preplanning changeable, transferable and moveable, but it is less expensive in the long run. Let the seed planting begin. •