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## Final Expense

We often think that final expense is the same thing as just burial expense. This is far from the true meaning of Final Expense.

Final expenses include much more than merely the cost of a funeral. If you fail to plan for these costs, you will inadvertently leave your heirs unexpectedly owing thousands of dollars. At the time of our death, do we want our loved ones to remember us for the love and happiness shared with them in life or of leaving behind a legacy of indebtedness and poor planning?

### What does the term “final expense” really mean?

There is an easy way to understand the variety of final expenses that can be incurred on your behalf. Let's put them to three distinct categories: *Burial Cost*, *Estate Settlement* and **Funding Your Legacy**.

#### **Burial Cost:**

This provides for the expenses of your final memorial and burial. The loss of a loved one is an emotional time for any loved one. Funeral arrangements are an opportunity for a family to make one last expression of devotion and respect for their departed loved one. The family desires to provide a memorial that appropriately reflects the life of the deceased. In the same context, the deceased would want a funeral that portrays at death an accurate accounting of his or her life. In order to achieve this, there are many expenses that need to be paid. Expenses such as transportation of the remains, embalming or cremation services, the selection and cost of an appropriate casket, purchase of the cemetery lots, opening and closing of the lot, providing a headstone, memorial service expenses (such as a minister, funeral cards, music and flowers), cost to publish an obituary.

There may be some costs not mentioned here that come into your mind but I am sure you get the idea. We all want to have the comfort of knowing our family will have the money available to cover these costs.

#### **Estate Settlement:**

Every person has an estate, whether they are millionaires, middle class or simply living payday to payday. It is a certainty that there will be expenses involved to preserve and liquidate your estate.

These expenses are the ones most overlooked in personal financial planning. It is important to understand that final expenses are not necessarily expenses that are incurred at or after death. There are many expenses, such as credit cards, medical bills, utilities and insurance, that are incurred *before* death but must be paid afterward. You have probably heard the old saying, “Nothing is certain but death and taxes.” Even after death, your estate may incur taxes, such as property tax, income tax and taxes and fees to transfer title or deed of certain properties.

Once you pass away, your income resources such as pensions and Social Security will end or be greatly reduced for the surviving spouse. Where will your loved ones find the money to pay these bills? In the weeks and months after a loved one passes on, there will be many other expenses necessary to preserve and maintain your estate while it is being sold, distributed or transferred. Some of the costs are travel for an out-of-area executor or family member to tend to the estate settlement. There are advertising costs for estate sales, banking fees, shipping costs, storage and disposal, attorney and accountant fees including preparation of their final income tax return and probate expenses if applicable.

Almost every property owner incurs probate expense, whether or not they have a will. One often-overlooked expense is the cost of caring for a beloved family pet while a new home is found for this faithful friend. For many American families, their home is the largest single asset in their estate. However, when a homeowner dies, there are many expenses that continue as long as the estate continues to own it. You may have a spouse or other family member that will continue living in the home and your client would want to provide funds for repairs and improvements. If the home is to be sold, there are a variety of "make ready" expenses such as repairs and cleaning, mortgage payments, utilities, taxes and insurance.

Maintenance expenses such as lawn care, pest control, advertising and real estate agent fees. If you doubt such problems arise, take a look no further than the classified ads of your newspaper to find the unfortunate results of an individual who failed to provide sufficient cash to fund these expenses. You will find words such as, "forced sale," "price reduced for quick sale," "need cash fast" or, worst of all, "facing foreclosure."

A properly designed financial plan that adequately provides for these estate settlement expenses will make your estate more valuable and make the management and disposition of it easier on your loved ones.

### **Funding Your Legacy:**

This category can be used to make a statement in death, about your values and priorities in life. Perhaps you would like to leave one or more cash gifts to your children, grandchildren or other family members, but don't have the accumulated cash to do fulfill that desire.

Maybe you have a church, charitable organization or foundation that you favor or have supported throughout the years. Where will these people and organizations be forced to turn to replace the consistent donations you have made? Legacy gifts provide you the opportunity to make a final lasting expression of love and commitment after you pass away.

I have laid out the three types of final expenses. Will you incur all of them? Probably not, but be prepared to incur some. You must ask the question to yourself: "how will your loved ones provide the funds for these expenses?" Unfortunately people do not plan for these expenses in advance because any one of them may be easily absorbed from cash flow or accumulated assets. However, several of these expenses *combined* can create a significant financial burden for your loved ones.

Just as there are three categories of final expense, there are three basic methods for providing funds to pay for them.

First, you can provide the funds from accumulated cash in your estate. That's a great idea; however many people are not as liquid in order to have \$30,000, \$15,000 or even \$5,000 of readily available cash on hand. Even people with significant estates may have their money invested in stocks, bonds, annuities, deposit accounts or property that can't be quickly converted to cash without significant

penalties. As professionals, we can advise you to start putting away funds today for the certain eventuality of your death, sadly, many will die prematurely before they have time to save enough money for their final expense needs.

Second, you can leave your loved ones with the burden of paying these costs out of their own pocket. Without question, this method of funding is the least desirable as it will put incredible strain on family finances and relationships as they try to decide how to divide the bills among themselves.

Third, you can fund final expenses through a final expense life insurance policy that are designed to cover those unexpected little expenses that add up to significant costs.

You must understand the importance of not only life insurance as a way to replace the income of a love one who passes away unexpectedly, or to pay off a mortgage or other debt, but also the value in funding final expenses.

Final expense life insurance should be a *permanent* insurance policy such as whole life so you are covered to age 100 or 121 and does not expire after a period of time like term insurance.

Final expense life insurance is an excellent way for you to have cash available for the expenses we have discussed, while protecting your estate from unnecessary and unexpected loss, regardless of whether you die prematurely or after a long and meaningful life.

You must choose to plan wisely today so that your family, loved ones and the people who rely on you will be taken care of tomorrow.