



The Wealth Counselor

A monthly newsletter for wealth planning professionals

Final Expense Trusts

Volume 3, Issue 9

Most Americans have never discussed what should happen when they die. There are many decisions to make, yet they have very little help in making those decisions. Estate and wealth planning professionals are in a unique position to help their clients make sure that they complete their financial planning. This issue of The Wealth Counselor examines a tool that addresses this planning need and thus should be of interest to all wealth planning professionals: Final Expense Trusts.

The Planning Need

Studies show that more than 90% of Americans believe that pre-funding their funeral is a good idea, yet only 12% have done it. Studies also show that elder law and estate planning clients would prefer that this discussion take place in the context of their other planning. This creates an opportunity for the planning team to work together to fill this unique planning need.

Planning Tip: Final expense planning is an untapped market that creates a significant marketing and revenue-generating opportunity for those professionals who understand it.

According to a survey conducted by the National Funeral Directors Association, clients identified the following as the most appropriate times to pre-fund a funeral:

- 80% find it appropriate to pre-fund when afflicted with a serious illness.
- 71% find it appropriate to pre-fund with their trusted advisor.
- 61% find it appropriate to pre-fund at retirement.
- 58% find it appropriate to pre-fund when planning retirement.
- 9% find it appropriate to pre-fund when solicited by a funeral home.

Planning Tip: Only 12% of Americans have worked with a funeral home to pre-plan, and only 9% find it appropriate to pre-fund when solicited by a funeral home. However, 71% of Americans would like to set aside funds with their

From [Michael Wittick](#)

Law Offices of Michael J. Wittick, a Professional Law Corporation

7700 Irvine Center Drive,
Suite 800
Irvine, CA 92618
949-753-2829



My practice is people oriented and exclusively devoted to estate planning, estate and trust administration, estate and trust litigation, asset protection and business planning. My newsletter highlights wealth planning issues designed as helpful insights to your practice

trusted advisor for this purpose.

Planning Tip: Offering these services benefits the following individuals: clients over the age of 55; adult children worried about their parents; those who don't want to burden their family at death; those afflicted with a serious illness; and those with a funeral home aversion.

What is a Final Expense Trust?

A final expense trust (aka a funeral trust or burial trust) is specific-purpose, guaranteed-issue (0-99) insurance product that is irrevocable, un-assignable and provides dollar-for-dollar coverage that is readily available to pay the actual costs of a person's final funeral, cremation, burial, or related expenses. Simply stated, it is a product designed to ensure the availability of funds to pay for the client's desired final expenses when needed.

The benefits of a Final Expense Trust include:

- Death benefits are payable to the funeral home of the client's choice; any excess funds will be returned to the client's estate or designated beneficiaries.
- Funds are protected from all creditors, probate, nursing homes, and even Medicaid (Medi-Cal in California).
- Funds are immediately excluded as a resource in determining qualification for Medicaid.
- There is no Medicaid penalty for purchases of final expense trusts for the client and other members of the client's family.
- Policy limits vary by product.

Planning Tip: A final expense trust addresses an important client need without impacting Medicaid eligibility (if applicable).

The Final Expense Trust Conversation

Professionals may be avoiding these conversations because of the particular professional's perception that these issues are not important to clients, or because these conversations are too difficult to conduct. To the contrary, the above statistics demonstrate clients' desire for these conversations, and these conversations are relatively straightforward. Here are several questions one might consider asking clients to broach the subject:

1. What is important to you about how funeral arrangements should be conducted, or how do you picture the most appropriate final arrangements?
2. Is it important to you to have a traditional funeral?
3. What are your feelings regarding burial or cremation?
4. What needs to be purchased to fulfill your final wishes?
5. What do you believe these final arrangements will cost, and how do you plan to pay for them?
6. Do you know that Medicaid requires the spend-down of all liquid assets (including cash value life insurance and CDs), but actually encourages

paying for a funeral with a pre-paid funeral and burial insurance trust?

Conclusion

Final Expense Trusts allow clients to address one of their significant planning concerns - what will happen when they die. By working together, the planning team can address this issue without affecting the client's eligibility for Medicaid or other government benefits. This creates a proverbial win-win for clients and the advisors who recommend this planning, while also generating revenue for those advisors licensed to sell these particular products.

To comply with the U.S. Treasury regulations, we must inform you that (i) any U.S. federal tax advice contained in this newsletter was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding U.S. federal tax penalties that may be imposed on such person and (ii) each taxpayer should seek advice from their tax advisor based on the taxpayer's particular circumstances.

For professionals' use only. Not for use with the general public.

You have received this newsletter because I believe you will find its content valuable, and I hope that it will help you to provide better service to your clients. Please feel free to [contact me](#) if you have any questions about this or any matters relating to estate or wealth planning.

To be removed from this mailing list [unsubscribe here](#).

Law Offices of Michael J. Wittick, a Professional Law Corporation 7700 Irvine Center Drive, Suite 800 Irvine, CA 92618

