

Preparing Today For The Inevitable Tomorrow

*Preplanning a
funeral now
can save time,
avoid stress, and
lessen confusion,
giving you more
time to say a
final “good-bye.”*

MFDA

MICHIGAN FUNERAL DIRECTORS ASSOCIATION

Generations of Caring

FOUNDED 1880

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Generations of Caring



What are the benefits of preplanning and prepaying a funeral?

Preplanning and prepaying a funeral is a safe and secure way to plan for the eventual tomorrow. The knowledge that you took the time to take care of preplanning may be one of the kindest gifts you can give your loved ones.

Who can preplan a funeral?

A person can preplan their own funeral. The family may also do it for a family member. The best way is to plan together.

What is my first step?

Contact your local funeral home for details on setting up a prearrangement. The funeral director will assist you in selecting both services and merchandise that meet your budget and satisfaction. There are two ways to prepay a funeral contract. The first method is to make payment in full for all services and merchandise you have selected. The second is to make a down payment and equal monthly payments towards the cost of the services selected until paid in full.

What happens to the money I paid the funeral director?

The money is deposited in the MFDA Master Escrow Plan™, a subsidiary of the Michigan Funeral Directors Association which administers the Plan. The Association is located in Okemos, Michigan. You will receive a letter acknowledging the deposit of funds into the MFDA Master Escrow Plan™. If you do not receive such a letter, notify the funeral director immediately.

Alternatively, your prepaid funds may also be used to pay the premium on a special life insurance policy offered by your funeral director.

If you have an existing life insurance policy, your funeral director can assist you in assigning the policy proceeds to prepay for your funeral, as well.



What is the MFDA Master Escrow Plan™?

MFDA Master Escrow Plan™ is a master trust started by the Michigan Funeral Directors Association in July of 1987 for the use of the clients of its members. Michigan law requires that the funeral director place 100% of the prearranged funds in escrow. It is for this purpose that the MFDA Master Escrow Plan™ was established.

MFDA Master Escrow Plan™ funds are held and administered by MFDA and Prudent Investor Advisors. Although all moneys are commingled to efficiently manage deposits, each individual account is managed and reconciled on a separate basis.

What is the Michigan Funeral Directors Association?

In 1880 the Michigan Funeral Directors Association was created by funeral directors to serve both funeral directors and the general public. Since that time, MFDA has grown to include over 70% of the licensed funeral homes in Michigan.

The mission of the Michigan Funeral Directors Association is to provide members with exceptional resources and assistance to enhance the value of funeral service and the profession.

Funeral Expenses & Medicaid Eligibility

Certain prepaid funeral arrangements are considered excluded assets in determining Medicaid eligibility. Please see last page of this brochure.



What should be done when death occurs?

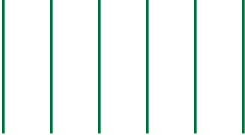
The family should call the funeral home at which the funeral was preplanned immediately. They are available 24 hours a day, 7 days a week. Even if death occurs away from the local area, the family should still call the funeral director back home. He or she will make the necessary professional contacts for you, including, if necessary, a funeral home in the location of the death. Although the funeral home will usually remember or know from their records, be sure to remind them that there is a prepaid funeral agreement.

Will more money have to be paid when the funeral is actually held?

If the contract is designed as a “guaranteed price agreement,” it has been paid in full and there are no changes in the choice of services and merchandise, the answer is “no.” If it is designated as a “non-guaranteed price agreement,” the family will be responsible for any difference between the current charges at the time of the funeral for the goods and services selected and the amount in the escrow account. If you are not sure which kind of agreement you have purchased, ask the person with whom you set up the agreement.

What if I move away or change my mind?

The contract can be cancelled at any time for any reason and, by law, you are entitled to receive a minimum of a 90% refund of funds in your escrow account. Just notify the funeral director and he will be happy to make different arrangements or give you a refund within 30 days. (NOTE: Some contracts may be certified



“irrevocable” by the Department of Health and Human Services in order to allow the purchaser to become eligible for Medicaid assistance. (See the section in this brochure regarding pre-paid funerals and Medicaid eligibility.) Irrevocable contracts *cannot* be canceled for any reason, although it is possible to transfer performance of the contract to another funeral home.)

Who pays taxes on the income in the escrow account?

Usually, the owner (normally the purchaser) of the contract has the tax responsibility. Accordingly, you will have been asked to sign an IRS W-9 form. you will be mailed a statement each year setting out the amount of money you need to add to your taxable income. Normally the resulting amount of tax is very small.

For some escrow accounts, the escrow agent is responsible for any taxes owing, in which case you will not receive an annual statement.

What should I do if I have any questions or have a complaint?

Contact the funeral home with which you have the prearrangement. Normally they can handle any questions or problems you might have. In the rare instance that you do not receive satisfaction from your contact with the funeral home, you may contact the MFDA Master Escrow Plan™ at (517) 349-9565, but it is more convenient for everyone if you always contact the funeral home first.



Irrevocable Prepaid Funeral Contracts

Guaranteed Price Agreements may be certified “Irrevocable” by the county Department of Health and Human Services office, upon completing a DHS-8A form, if the contract is for a Medicaid applicant’s funeral expenses and the amount of the contract is less than \$13,020. Once certified irrevocable, the purchaser loses the ability to cancel the contract and receive a refund, but the value of the contract is excluded for Medicaid eligibility. The maximum value of a prepaid funeral contract that may be certified irrevocable is adjusted annually.

Burial Space Contracts

Prepaid contracts for certain merchandise or services considered burial space are considered excluded from a Medicaid applicant’s asset inventory. Burial space contracts include items such as caskets, burial vaults, markers, burial plots and opening and closing of a gravesite. Burial space contracts may be purchased not only for the Medicaid applicant, but his or her spouse, as well as members of the immediate family such as children and their spouses.

Life Insurance

Life insurance policies may also be excluded from a Medicaid applicants’ asset inventory by assigning the proceeds of the policy to a funeral home to pay for the funeral, and irrevocably assigning the ownership of the policy to a third party trust. In this way, the policy is dedicated for the funeral, but the right to cash in the policy or change the beneficiary is divested. The current limit is \$11,020 and is annually adjusted.

