

## Money Wise – Tax Advantages of Prepaid Funeral Certificates



You have died. Over the next few days what will that look like for your loved ones? Your family is grief stricken and they must decide what to do with your body. They love you and want to honor your life. They go to the funeral home to make the arrangements and it is here they learn just how much their ideal tribute to you will cost.

We caught up with Katherine (Kat) Downey, Funeral Director and expert in Funeral preplanning who shared with us the benefits of investing in a prepaid Funeral plan.

### Pre-Paid Funerals in Ontario

1998:  
81,000  
2011:  
285,484

352%  
increase in  
people  
prepaying  
their funeral  
arrangements

Source:  
Ontario Board  
of Funeral  
Services Oct.  
31/11

According to Katherine Downey, the average funeral in Ontario costs approximately \$8,800, but the range can vary from \$1,600 to \$15,000, and more. "The cost is influenced by the level of service people choose, and the type of casket, urn, vault or container selected; this can vary significantly," says Downey. "Direct Disposition is the least expensive Service and adheres to the minimum requirements of Provincial law. A Memorial Service is an additional cost, followed by a full funeral including visitation and the body present being the traditional service."

The average age that people consider their own funeral arrangements is 68 years. "I recommend people begin looking at this investment in their higher earning years of 40, 50 or 60," says Downey. "Investing sooner one can contribute to the costs over a longer term with earned income rather than retirement income."

As of July 1 2012 all Funeral Homes in Ontario must guarantee prepaid funeral contracts. This means that everything chosen today is priced from a current pricelist, including applicable taxes, and locked in and

guaranteed from the date of the contract, until the funeral is required."

There are also tax advantages associated with an EFA (Eligible Funeral Arrangement). The Federal Government permits any amount to be paid into a prepaid funeral certificate, and the first \$15,000 earns tax exempt interest.

Downey further states, "The purchaser's money is invested in an insured guaranteed certificate earning up to 2.5% interest annually. These funds remain in a tax sheltered escrow account during the investor's lifetime. When the funeral is required, it is paid for from the guaranteed certificate and any extra money is returned to the estate."

"When I speak with people about the benefits of prepaid funeral arrangements, they are often surprised at the financial gains. This ignites my passion to do what I do. There are financial benefits to families and this gives them a sense of relief that their funeral expenses will not be a burden on their loved ones."

People with life insurance often say they will use this to pay for the funeral. Though the key difference is that there is no guaranteed funeral cost. "In my opinion there is room for both prepaid funerals and life insurance," says Downey. "With life insurance, usually the spouse is the beneficiary and they can use this money in any manner they see fit, and it is tax free. The money may be required to maintain one's lifestyle or cover unexpected expenses. Taking care of the funeral costs ahead of time is in everyone's best interest."

The emotional and financial benefits of prepaid funerals are truly invaluable and provide families with a sense of accomplishment and peace of mind.

**Katherine Downey** is a professional educator and licensed funeral director specializing in prepaid funeral planning. For further information contact her at 905 717 9197 or 905 399 5341  
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