



Preplan your funeral

Have you ever thought about arranging your funeral in advance? Probably not an appealing idea for the average healthy adult. However, if you're willing to face the subject of your own death, there are numerous advantages, some of them financial.

Bruce Cohen, a financial planning consultant and author of *The Money Adviser: The Canadian Guide to Successful Financial Planning*, says the average traditional funeral costs about \$7,000. "Add to that the cost of flowers, newspaper notices, thank-you notes, long-distance phone calls, family travel and miscellaneous expenses," he says. "And that amount also does not include the purchase, opening and closing of a grave."

Prearranging and prepaying for a funeral can save you money. That's because once you've chosen what you

want and pay for it in full, the funeral home becomes responsible for any price increase over the period during which the prearranged contract is in effect, regardless of how steeply prices may rise during that time. For example, suppose you prearrange and fully prepay for a \$5,000 funeral for yourself in 2005, but you live until 2030. Factoring in modest inflation of 2 per cent per year, you will have saved over \$2,500. That's because you paid for your 2030 funeral in 2005 dollars.

For many people, the attraction of preplanning a funeral is more about having control over how it turns out, from the kind of casket you prefer to the readings you want at your service.

TAX ADVANTAGES OF PREPAYING

There is a quirky provision in the Income Tax Act called Eligible Funeral Arrangements (EFA), an investment vehicle designed to help you save money towards your funeral costs. It allows you to contribute up to \$15,000





for funeral services and \$20,000 for cemetery services, to a maximum of \$30,000 for both. The money grows tax-free until needed, much the way RRSP contributions do. Even better, if the money is used after death for funeral or cemetery services, no taxes are levied on it.

However, contributions to EFAs are not tax-deductible, and if the EFA is cashed in before death, or if there are funds left over after the funeral costs have been paid, then taxes do apply.

When you prepay this way, says Cohen, "The money is put in trust and earns interest tax-free. Be careful if you might move far away. Some funeral directors make full refunds, but others don't."

On balance, it sounds like there is much to be gained and very little to be lost in taking advantage of prearranging your funeral.

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