

# Funeral expenses—preparations you can make



Although it is not something that everybody wishes to consider, there can be benefits in planning and paying for some aspects of your funeral now. These preparations can include:

- pre-purchasing a burial plot
- pre-paying funeral expenses
- investing in funeral bonds.

## Burial plots

A burial plot is either a specific place, for example—a cemetery plot, an interment niche or a mausoleum or a right to be interred at a general location, for example—in any available plot in a specific cemetery.

## Prepaid funeral expenses

Prepaid funeral expenses exist where you have arranged and purchased your funeral in advance. The type and style of funeral you want is set out in a contract and paid for at an agreed price. You can either pay this directly to the funeral director, who will invest the funds in a funeral trust, or you can purchase a funeral bond (see below) and assign the benefit to the funeral director.

The risk that the investment will not keep pace with rising funeral costs lies with the funeral director. You will not need to pay any more even if prices rise. The payment cannot be refunded unless you move outside the designated funeral service area.

## Funeral bonds

Funeral bonds, sometimes known as funeral investments, are managed investments that earn interest, but have the following specific features:

- the interest must be added to the capital
- the capital and interest is only realised on death when it is paid to the estate or funeral director to cover funeral expenses
- your money is invested in an independently managed funeral fund
- you can invest in a funeral bond in your own name or in joint names
- a jointly owned bond can only fund one funeral. Some bonds detail whether the fund is used for the first or second funeral, others allow this choice to be made at the time of the first death
- you have the option of investing a lump sum or in instalments.

## Why outlay funds now?

There are a number of reasons that you may wish to pay some or all of your funeral costs now. These may include:

- saving surviving family members the financial burden of arranging and paying for your funeral at such an emotional time
- knowing in advance exactly where you will be buried and what funeral services you will receive
- reducing the effect of increasing costs
- receiving a favourable assessment from Centrelink.

## How does Centrelink treat funeral plots, expenses, and bonds?

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Your assets and income are used to calculate your Australian Government income support payment. However, some assets are exempt and not taken into account when calculating your rate of payment.

### Burial Plots

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A burial plot is not included in your assessable assets, regardless of its value.

### Prepaid funeral expenses

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Centrelink will not include any of the amount that you prepay to a funeral director (or invest in a funeral bond that is assigned to a funeral director) provided you have a contract that sets out the services to be undertaken where no more expenses need to be paid.

### Funeral bonds

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Funeral bonds that are assigned to funeral directors as prepayment for contracted services are assessed as prepaid funeral services (see above). For other funeral bonds, Centrelink will not include the value of up to two bonds provided the following two criteria are met:

- you do not also have prepaid funeral expenses
- the amount invested in the bonds to be exempted does not exceed the Funeral Bond Allowable Limit.

**Note:** this is currently \$10 750 and is indexed in line with CPI pension increases every 1 July.

If you have a joint funeral bond, it counts as one bond towards your maximum allowable of two, but the total amount paid by both investors counts towards your individual Funeral Bond Allowable Limit.

Funeral bonds that are not exempt are treated as financial investments. Your share of the current value (including interest) is included in your assessable assets and is deemed to be earning income under the deeming rules.

If you have an interest in a number of funeral bonds where one or two but not all can be exempt, you can choose to make exempt whichever combination of bond(s) would be most financially advantageous for you. You will need to calculate the greatest assessable value that can be exempted. Centrelink can assist you with

this if you provide the amount paid and the current value for each of your bonds, and whether they are individually or jointly owned.

## Example of Funeral Bond Assessment

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Betty has

- an individually owned bond that cost her \$5000 and which is now worth \$7000, **and**
- a jointly owned bond that cost her and the other investor a total of \$6000 and is now worth \$9000.

Each bond costs less than the Funeral Bond Allowable Limit but together they exceed the \$10 750 limit.

**Note:** the full cost of the jointly held bond is used for this comparison, not Betty's 50 per cent share.

This means Betty can have only one bond exempted from the assets test and the other bond will be counted as an asset and deemed income applies. The first bond has an assessable value of \$7000 and Betty's share of the second bond has an assessable value of \$4500.

**Note:** Betty's 50 per cent share is used if it is assessed.

Betty chooses to exempt the bond that will maximise her rate of payment. This is the first bond as it would otherwise have the greatest effect on her assets and deemed income. Later, when the Funeral Bond Allowable Limit is indexed to at least \$11 000 Betty will be able to have both of her bonds exempted.

## What do I need to tell Centrelink?

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### Burial Plots

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You do not have to tell Centrelink about a burial plot that you own.

### Prepaid funeral expenses

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You do not have to tell Centrelink about any pre-paid funeral expenses, unless you also own a funeral bond.

### Funeral bonds

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You must tell Centrelink about any funeral bonds that you own, even if you know they are exempt from assessment.

For exempt funeral bonds, Centrelink will need to know how much has been invested by you and any joint investor, and whether it is individually or jointly owned.

For funeral bonds that are not exempt, you must tell Centrelink the current value including any interest received to date, and whether it is individually or jointly owned. You must also tell Centrelink when the value of a non-exempt bond increases (you should receive an annual statement from the provider advising this).

If you do not know which, if any, of your bonds can be exempt, you must provide documentation that shows:

- the amount invested in each bond
- the current value of each bond
- whether they are individually or jointly owned
- whether you have a contract with a funeral director.

If you have an exempt bond, you do not need to tell Centrelink if the only change is that you earn interest from the investment.

However, you do need to tell Centrelink if:

- you make an additional payment or instalment to the bond
- you invest in another bond
- you jointly own a bond and the other owner dies.

## For more information

For more information phone the Retirement Line on **13 2300** or visit your nearest Centrelink Customer Service Centre.

For information in languages other than English phone the Multilingual Service on **13 1202**.

**Note:** calls from your home phone to Centrelink “13” numbers from anywhere in Australia are charged at a fixed rate. That rate may vary from the price of a local call and may also vary between telephone service providers. Calls from public and mobile phones may be timed and charged at a higher rate.

## Disclaimer

The information contained in this publication is intended only as a guide to payments available.

### What are your responsibilities?

- It is your responsibility to decide if you wish to apply for a payment and to make the application, having regard to your particular circumstances.
- The information is accurate as at July 2009, but may of course change. If you use this publication after that date, please check with Centrelink that the details are up to date.

### From what date are benefits payable?

Most government payments are paid from, or after, the date on which the application is made. So the sooner you lodge your application, the quicker you may be paid.

### What is the position if you deal with a third party?

You may deal with a third party who is not a member of Centrelink’s staff. If you do so, please remember that Centrelink has not authorised any third parties to provide information or advice to you about payments.

