



PAYING FOR FUNERALS

TIPS FOR INDIGENOUS CONSUMERS



ASIC

Australian Securities & Investments Commission

fido



Financial tips and safety checks from the
Australian Securities & Investments Commission

PAYING FOR FUNERALS

The death of a loved one is a sad and stressful time. On top of grief and loss there can be the financial pressure of paying for the funeral and burial site, and coping without the income of a partner or other relative.

Sometimes, salespeople come around selling funeral cover, or you may see an advertisement in the paper or on TV. Good funeral cover may help ease the financial pressure on your family during a difficult time and give you peace of mind. However, not all types of cover are the same. Make sure anything you buy will suit you. In particular, make sure you know what happens if you stop making payments, such as whether you will get a refund or lose all the money you have paid up til then.

FIDO (www.fido.gov.au) is the consumer website of the Australian Securities and Investments Commission (ASIC). FIDO has 5 tips you should follow before you sign up for funeral cover.

1. WHAT OPTIONS DO YOU HAVE ALREADY?

- Is there a life insurance policy with your superannuation or a health insurance policy that pays a funeral benefit, which may help with funeral expenses? See number 2 below.
- If you are the surviving partner of a person receiving a Centrelink benefit you may be entitled to bereavement payments. Contact Centrelink's Indigenous Call Centre on 136 380 or go to www.centrelink.gov.au
- Veterans or former members of the defence forces, members of pensioner associations or trade unions may also be able to access financial assistance to help meet the cost of a funeral.
 - Contact the Department of Veterans' Affairs office on 133 254 or go to www.dva.gov.au.
 - Contact your trade union or association.
- Does your local Aboriginal or Torres Strait Islander community organisation or land council provide any funeral assistance?
- Can the state or territory government assist with the cost of a basic funeral or cremation?

2. CHECK IF YOUR SUPER HAS LIFE INSURANCE

If you have a life insurance policy, the insurer agrees to pay a sum of money to your dependants to support them when you pass away. Most people who are working have life insurance with their super fund. This money can be used to cover the cost of a funeral, however it may take a little while for your family to receive the payment.

Keep in touch with your super fund and make sure your family knows about your super. You can also apply to the Australian Prudential Regulation Authority (www.apra.gov.au) for early release of superannuation on compassionate grounds.

Gary was really sick and the doctor said he probably had only a few months to live. With help from the Legal Service, Gary applied to access his super because he was terminally ill. Gary could use his super savings to help pay for his medical care and funeral expenses, so he could save his family from money worries when he passed away.

Talk to your super fund about what steps you need to take and what documents you need. Ask for help from a free, independent financial counsellor or the legal service about early access to super.

Ask FIDO (www.fido.gov.au/indigenous) for your free copy of *Super and Us Mob* and *Super Decisions* to learn more about your super.

3. GET THE RIGHT FUNERAL COVER FOR YOU AND YOUR FAMILY

If you decide you need more money to help with funeral costs, there are a number of different ways to plan for future funeral expenses.

Whatever you decide, always shop around and make sure you understand what you are paying for and how much your family will receive when you die.

Use our checklist to help you make a good choice.

- *How much will your family receive when you die?*
- *How much will you be paying in total?*
 - *How much will each payment be?*
 - *How often do you need to make the payments?*
 - *Can you afford the payments?*
 - *If you miss payments will the policy be cancelled?*
 - *Should you cover your children? Does this increase the cost so much that you can't afford it?*
 - *How long will you make payments for? For example, do you make payments for a set period, such as 4 years or do you make ongoing payments until your death?*
- *Talk to your local funeral directors to find out what different funeral packages cost.*
- *What happens if your needs change?*
- *Can you get a refund if you decide to cancel?*

*Use the **FIDO budget planner** to help you turn a monthly or yearly figure into a fortnightly figure, so you can compare costs more easily.*

What are some of the different ways to pay funeral costs?

Create your own Funeral Fund

You can create your own 'funeral fund' by setting up a special savings account. Make sure you keep it separate from your everyday money. You could use a high interest savings account with your bank or credit union. Let your family know about the account and make sure that a nominated family member will be able to access your 'funeral fund' should you pass away. For example, they may need your death certificate.

Funeral bonds

A funeral bond is a form of savings plan usually offered by friendly societies or life insurance companies that allow you to set aside money to cover your funeral costs. You may make a single lump sum payment or pay by a number of instalments. This money is then invested, and grows in value. When you die, the money can only be paid to cover the costs of your funeral and normally cannot be accessed earlier.

Pre-paid Funeral Plans

With a pre-paid plan, you choose the type of funeral you would like. You can pay in full or make a deposit paying the balance off in regular payments over a fixed period, such as 4 years. For example, you may pay a deposit of \$800 and \$50 per fortnight for a funeral costing \$6,000. Some plans will give you a refund if you cancel, but not all, so check this. Get information from your state or territory office of fair trading on your rights with pre-paid funeral plans.

Funeral Insurance

With funeral insurance you usually make regular payments in exchange for payment of a cash amount when you die. These payments are ongoing and you usually cannot get a refund.

Depending on your age, you might pay around \$10 per fortnight for a lump sum payment of \$10,000 to cover the costs of your funeral. As you get older, your regular payments (premiums) will go up. Depending on how old you are when you sign up, you might end up paying more than the value of the cover after a lifetime of payments.

Make sure you understand what you are signing up for because you may end up paying a lot more than the actual cover you will be getting. Like other types of insurance, if you miss payments or cancel the policy, you will not normally receive a refund of your payments.

Read the product disclosure statement (PDS) or brochure, which tells you what happens if you cancel and if there are any special features of the insurance.

Warning: there are some circumstances where an insurer may not have to pay on a life or funeral insurance policy, such as suicide.

Ask FIDO at www.fido.gov.au/indigenous for more information on insurance and super.

4. DON'T RUSH YOUR DECISION

There are many different types of cover and insurance products available, so don't feel pressured into making a hasty decision. Each person is different and so is each family, so it's important to take the time to understand what you will and won't get with different types of cover. If you don't understand, ask someone who might be able to help such as a friend, family member or community worker.

If you are dealing face to face with a sales representative, tell them you need some time to think about your decision, and ask them to come back another time. It's also a good idea to check out any social security issues by talking to Centrelink before going ahead.

A representative selling funeral cover approached Susan in her driveway. Susan felt she couldn't say no when he asked if he could come into her house. The next thing she knew, \$42.50 was coming out of her Centrelink benefits every fortnight for a funeral plan for Susan and her kids. Unable to afford the payments and with other bills to pay, Susan got help to write a letter to cancel the contract.

*You can find out from FIDO if you have a right to 'cool off', that is, cancel the contract and get a refund. Not all products have cooling off rights, so ask **FIDO** or your state or territory office of fair trading.*

5. TELL YOUR FAMILY ABOUT YOUR PLANS

Once you have made a decision about how you want to provide for the cost of your funeral or the funeral of other family members, let your family know and make sure you tell them where your will and papers are kept.

If a family member has passed away, find out if they have made any arrangements.

Things to watch out for

- If a salesperson is at your door, ask them to leave the documents and get advice before you sign up. Always take your time.
- Don't forget that you might already have life insurance that will help take care of your family if you pass away. Think about your needs and what you can afford before you get extra cover for other family members such as children.
- Check if you will get a refund if you cancel the cover.
- Some Indigenous organisations offer funeral cover, while many private companies also offer funeral cover. If it is important to you that a company is owned by Indigenous people, check with ASIC or community leaders before you buy it.

Complain to your state or territory office of fair trading or call the ASIC Infoline for help on 1300 300 630.

GETTING HELP

Getting help	Find your local Fair Trading Office
1. Call ASIC's Infoline 1300 300 630, email: infoline@asic.gov.au or ask FIDO (www.fido.asic.gov.au/indigenous) for your free copy of Super and Us Mob and Super Decisions to learn more about super.	New South Wales - Office of Fair Trading www.fairtrading.nsw.gov.au 13 32 20 or Aboriginal Enquiry Officer on 1800 500 330
2. Visit the Indigenous section of FIDO on www.fido.gov.au/indigenous	Victoria - Consumer Affairs Victoria www.consumer.vic.gov.au 1300 55 81 81 or Indigenous Consumers Unit on 1300 661 511
3. Contact your local office of fair trading for fact sheets and advice on buying funeral plans (see contacts on the right).	Northern Territory - Consumer Affairs www.caba.nt.gov.au 1800 01 93 19 or (08) 8999 1999
4. Free and independent financial counsellors are available in every state and territory. Contact the Australian Financial Counselling & Credit Reform Association at www.afccra.org to find a financial counsellor near you.	Queensland - Office of Fair Trading www.fairtrading.qld.gov.au 13 13 04
5. To apply for the early release of superannuation benefits on compassionate grounds, contact the Australian Prudential Regulation Authority at www.apra.gov.au or call 1300 13 1060.	Tasmania – Consumer Affairs and Fair Trading www.consumer.tas.gov.au 1300 65 44 99
6. Contact the Department of Veterans' Affairs office on 133 254 or go to www.dva.gov.au .	South Australia – Office of Consumer and Business Affairs www.ocba.sa.gov.au (08) 8204 9777
7. Contact Centrelink's Indigenous Call Centre on 136 380 or go to www.centrelink.gov.au	Western Australia - Department of Consumer and Employment Protection www.docep.wa.gov.au 1300 30 40 54

Making a complaint about a provider

1. Complain to ASIC by filling out a complaints form at www.fido.gov.au/complain or call ASIC's Infoline on 1300 300 630.
2. Get your free copy of ASIC's You can complain booklet by calling ASIC's Infoline on 1300 300 630 or go to www.fido.gov.au/complain
3. Complain to the Financial Ombudsman Service on 1300 780 808.
4. Contact your state or territory office of fair trading (see contacts above).
5. Funeral Directors, who are members of the Australian Funeral Directors Association or a similar state association, must comply with standards for funeral premises, equipment and vehicles and agree to abide by a code of ethics and practice statements. The Australian Funeral Directors Association www.afda.org.au is a national industry funeral association with members in every state and territory. It can hear complaints against companies, but only about its members (those running funeral homes). It may not be able to hear complaints about companies providing funeral bonds or funeral insurance.