

# Important Things to Know About Final Expense Insurance

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Are you considering insurance coverage to pay for your eventual funeral and end-of-life expenses? *Final Expense Insurance* is certainly an option, but would it be right for you? It is after all a bit different than regular life insurance.

Regular life insurance is appropriate when your objective is to replace a major part of your income after your death so your survivors won't suffer a diminished standard of living. Most regular life insurance is arranged for when we're younger so that the desired amount of coverage can be obtained at a lower cost.

But what if you're older now, already retired and you were never able to purchase an adequate amount of regular life insurance? Or your major life insurance was a term policy that's expiring and you still have plenty of life ahead?

Or maybe you no longer have dependents or significant financial responsibilities and don't need all that regular life insurance you started paying for when you were younger. The fact is, an increasing number of folks are cashing in their policies to maintain their standard of living in the face of higher-than-expected living costs, especially medical expense.

Whatever the case, there's still one big cost ahead that you and your family need to plan for: your own funeral and the related arrangements.

If you're wanting to consider life insurance coverage that your loved ones can use to cover the actual cost of your death and funeral arrangements, *final expense insurance*, also known as *burial insurance* or *funeral insurance*, might be the right way to go.

## Understanding the Basics

The first thing to know is that *final expense insurance* is usually a type of permanent whole life insurance that is purchased with the idea that the death benefit will be used to cover end-of-life costs that can include medical expenses, burial and funeral costs and certain related services such as caskets and urns, family travel expenses, flowers, etc. The average cost in America for surviving family members in making basic final arrangements for a loved one is in the range of \$8,000 to \$14,000.

Once initiated, *final expense insurance* doesn't expire and remains in force for as long as the premiums are paid. In other words, as long as you continue to pay the premiums, the policy will be in effect until you die and your beneficiaries will receive the death benefit.

Unlike applying for traditional life insurance policies, which require an investigation into your health (including a paramedical exam), final expense policies don't usually require such in-depth evaluations. In fact, most applicants can be insured just by answering a few questions about their health and medication history. The better your health has been, the easier the application process and the less expensive the cost.

Nevertheless, there are also policies available for folks with difficulties in their medical histories. It depends on the insurance company and the extensiveness of the health difficulties.

*Final expense insurance* comes in two basic types: guaranteed issue life insurance or simplified issue life insurance:

- Guaranteed issue policies ask a few basic questions to confirm that you don't currently have a terminal illness and there is no medical exam.
- Simplified issue policies require a more detailed medical questionnaire, but they also don't require a medical exam.

## Graded Policies

There are essentially three levels of final expense policies and they are almost always based on a preliminary health assessment performed by the insurance agent and/or the Underwriting Department of the insurance carrier. Most policies require the prospective insured to answer a series of health questions even though there will not be a physical exam involved.

If a serious health condition is uncovered during that process, the policy underwriter will require a two year "probation" period and if the applicant passes away during that period, the beneficiaries will only receive a pre-determined portion of the face value of the policy or a return of all premiums paid until the time of death plus interest based on approximately seven to ten percent per annum. The pre-determined portions are likely to be on the order of one-third of the face value in the first year and two-thirds if death occurs during the second year. After the end of the second year, the full-face value of the policy will be payable at the time of death.

It is important to tell the whole truth when the Agent covers the health questions with you. That's because the insurance company will be running a check on what medications you have been taking and if that review uncovers false testimony in the Application, it will likely be denied. Don't go out of your way to provide information that hasn't been requested, just answer the questions accurately and truthfully avoiding the temptation to over-answer by volunteering unrequested information about yourself.

## **Guaranteed Acceptance Policies**

Some companies offer Guaranteed Acceptance policies. This is permanent, whole life insurance with no health questions asked and no physicals required. You don't even have to answer any questions about your health and you don't have to take a physical exam. Your acceptance is guaranteed!

However, such policies utilize a graded benefit should you pass away during the first two years. Look for the fine print in all the advertisements so you don't get surprised.

## **Additional Things to Know**

Even though *final expense insurance* is aimed at covering burial and funeral expenses, the beneficiary isn't technically (or legally) limited to just those kinds of expense. The death benefit can be used for whatever purpose the surviving beneficiary wants to apply it to.

Also, policyholders should name as the major beneficiary someone they can trust to use the death benefit to fulfill their funeral plan. This is especially true for policyholders of *final expense insurance* because they are typically older and may not have trusted people like a spouse or siblings to name as their beneficiary.

Some funeral homes will accept an assignment of the insurance policy death benefit. This means that the proceeds will go directly to the funeral home as the primary beneficiary with the secondary beneficiary receiving the remaining amount over the cost of the funeral. When you're making arrangements, make sure to ask about this and don't assume that the funeral home will accept this sort of payment method. Some funeral homes require payment upfront and won't wait until the *final expense insurance* policy pays the benefit which is usually upon presentation of the related Death Certificate.

Some funeral homes offer their own burial expense coverage which is effectively a prepayment of the eventual cost that would otherwise be billed to the surviving family.

## Prosperous Life Financial Group

PLFG is a licensed Christian-owned and managed insurance agency with connections to the largest insurance carriers in all 50 states. We offer all types of life and health insurance and have counseled tens of thousands of families over the past 35 years.

**This publication has been made available as a public service. We hope it has been helpful. If you have any questions or would like to talk about obtaining a policy, please contact us to start a dialogue. We look forward to hearing from you soon.**

By the way, life insurance is a product that is time sensitive. The longer you wait to take action, the more expensive that action becomes. Time is of the essence and we are waiting to hear from you!

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