

# Roundtable

By Patti Martin Bartsche

## Preneed

# Roundtable



Todd Carlson



Phil Kreski



Dean Lambert



Todd D. Mannix

**Preneed continues to be one of the most important topics for the funeral service industry. We turned to Todd Carlson, executive vice president of sales, Funeral Directors Life Insurance Co.; Phil Kreski, vice president of preneed, Physicians Mutual Insurance Co.; Dean Lambert, senior vice president of marketing and communications, Homesteaders Life Co.; and Todd D. Mannix, vice president of sales and marketing at Cooperative Funeral Fund Inc., to get their thoughts on the state of preneed – past, present and future.**

**With the year coming to a close, what are your thoughts about the state of preneed?**

**Carlson:** Overall, the state of preneed is looking very good! As I have visited with my peers in the preneed funeral industry and with funeral professionals across the nation, sales seem to be strong. The number of preneed funeral consumers is growing due to the aging of the baby boom generation. However, this is offset by the changing value systems of funeral consumers that can limit response to the industry's marketing efforts or affect the average selling price for those who do purchase.

**Kreski:** It's a great time for the

preneed industry. The demographics are very favorable for preneed, with 10,000-plus baby boomers turning 65 every day – and that number will grow over the next decade. Folks who are interested in such preneed aspects as advanced funeral planning and plan prefunding are very knowledgeable. They understand the value of proper memorialization, as well as the types of services funeral homes have to offer.

**Lambert:** This is going to sound totally biased because I work for a preneed insurance funding company, but those who know me will understand my answer is rooted in promoting the value of funeral

service. I can sum up my thoughts in one sentence: Consumers believe advance funeral planning is a good thing to do, but not enough of them are offered the opportunity to do it. The latest Funeral and Memorial Information Council study confirms this, and tracking back 20 years, this has always been the case.

Firms that organize around helping as many consumers as they can to plan funerals regardless of when services are performed have generally stronger brands and higher preneed backlogs. Service Corporation International has created a three-component strategy to delivering shareholder value and one of those components is a focus on preneed. As a result, their organization is somewhere in the neighborhood of a 60 percent preneed to at-need ratio. I hear some independent funeral professionals saying pretty negative things about Service Corporation International, but the fact is they are providing a value offering, which

industry studies consistently agree that consumers need and want. Most of the nationally prominent preneed insurers like Homesteaders are experiencing year-over-year sales growth, too, which indicates consumers do want what we are offering jointly with our affiliated funeral homes. So my message to funeral professionals is, if you're not reaching out to families to encourage them to prearrange and pre-fund, someone else definitely will – and if you wait too long, that someone else may not even be in the funeral profession.

**Mannix:** As businesses go through uncertain times, anything that can add a modicum of stability is always welcomed. It has been well documented that the industry is in a state of transition. From more transient populations, less attention to religious traditions, increases in cremation rates, to the changing consumer mindset on personalized memorials, there is no doubt that this is an industry in flux. Preneed can offer some stable ground for funeral directors during this time. When a funeral director is able to build a preneed portfolio, it allows for some understanding of potential future business and allows them to put some financial parameters around it. While they don't know when the income will be realized, and there is no guarantee that a preneed contract will be fulfilled by their home, it is still a great way for a funeral director to know that there is some future business on the books. In this sense, preneed is as important to a funeral home's business as ever, if not more.

### **What were the biggest preneed stories coming out of 2015?**

**Carlson:** First, I'm not sure how aware the average funeral director is about the effect of the persistently low interest rate environment on the prepaid funeral industry. But most funeral directors should probably increase their awareness on this topic.

The vast majority of preneed insurance companies invest a significant portion of their assets in bonds,

both corporate and government. Prior to the 2008 financial meltdown, the 10-year Treasury bond yielded in the 4 to 5 percent range. Today, the yield is in the 2.15 percent range. That's about a 50 percent reduction in yield. The 10-year Treasury bond is an important benchmark to follow for two reasons. First, the average life of a policy is about 10 years. This means the average preneed insurance bond portfolio has an average duration of about the same timeframe. Second, corporate bonds are priced on a spread over the 10-year Treasury bond.

As bonds on the books of insurance companies mature or are called due to persistently lower rates, and as money from new sales is added to the portfolio, overall portfolio yields have been shrinking. The result has been a consistent lowering of growth rates and/or commissions on preneed product portfolios. Savvy funeral professionals will need to adjust their business practices appropriately.

**Kreski:** Customization was a big theme this past year – having the ability to customize products around a funeral home's business is essential. Addressing inflation shortfalls is critical. Whether funeral home owners were interested in extra protection early on through growth-upon-issue products; long-term inflation protection through higher credited growth rate products; having the family share in the risk; or having the potential for higher earned growth rates through a new equity-indexed product, customizable breakthrough solutions and products helped every funeral home meet its unique challenges this year.

**Lambert:** I feel the biggest story continues to be the gap between the amount of opportunity that exists for funeral professionals to provide something consumers really want (a funded advance funeral plan) versus the low percentage of consumers who have been provided the opportunity to prearrange. All of the recent studies, including the new FAMIC Study of American Attitudes Towards

Ritualization and Memorialization, indicate a majority of consumers would prearrange, but most have yet to do so. While some consumers may simply be putting it off, based on my experience working in funeral service, I am confident many consumers have simply not been approached or reminded that this valuable opportunity is available.

**Mannix:** Thankfully, we have not seen any major mismanagement issues in 2015. In years past, the integrity of an essential part of many funeral directors' businesses has been threatened by mismanagement stories. It's unfortunate that the good work of many gets impacted when one of these incidents comes to light. The level of public distrust these stories garner makes it more difficult for the rest of the industry to work with the families. Either we have the legalities tightened appropriately around preneed, have trustworthy providers, or funeral directors are doing the proper due diligence in making sure their money matters are being managed well. No matter what the reason, (hopefully all three) the big story is no story, and that's good news for everyone.

### **Do you believe there will be significant changes in the preneed marketplace in 2016?**

**Carlson:** Changes – yes. Significant changes – probably not. The forces driving change for the past several years will continue. The impact of the low interest rate environment will continue to be expressed in product changes. Changing funeral consumer buying trends will continue to lead to changes in funeral service offerings. For example, an increasing number of funeral professionals are adding hospitality services and facilities to replace the revenue lost to changing memorialization preferences. And technology is rapidly changing the way leads are generated and presented to, and the way business is written, processed and serviced.

**Kreski:** I don't see any significant changes coming in 2016. The industry has been growing in the mid-single

digits over the last couple of years, and I'd expect that trend to continue into next year – with perhaps a possible uptick in activity as FAMIC's Talk of a Lifetime program extends its reach in 2016. I do think there could be added challenges in the marketplace if interest rates continue to drop or remain low again next year.

**Lambert:** I don't see any significant changes in the coming year that affects the preneed value offering or the ability for funeral professionals to offer it. There may be some regulatory changes in states that might make it easier or a little more challenging for funeral directors to sell preneed. I do see continuing growth in preneed sales driven by more funeral home owners believing an active preneed program protects and grows market share.

**Mannix:** If there are changes in preneed in 2016, it should be with some of the legal statutes that don't support the work funeral directors are trying to do for the families in their communities. For example, in some states there needs to be an update on the Supplemental Security Income limitations. As costs go up, people will be hitting that upper limit quickly and will not be able to have the dignified funeral they would like (and deserve) for the money they are allowed to put aside. There are some states that restrict investing of preneed funds to Federal Deposit Insurance Corp.-insured vehicles. When the financial crisis hit and the Federal Reserve lowered the fed funds rate to zero, the interest rates of bank deposits and certificates of deposit dropped so low, they became an ineffective tool for preneed funds keeping pace with rising funeral costs. While there absolutely should be restrictions to protect the principal invested, there are other vehicles, such as U.S. Treasuries that are backed by the full faith and credit of the U.S. government that are not covered under FDIC, but are just as secure, if not more so. Legislative restrictions that are so conservative that they actually penalize the funeral director for offering preneed because the funeral director cannot invest in a vehicle that will at least keep pace

with inflation, are doing an injustice to the consumers they are trying to protect with the legislation in the first place.

### **How do the best preneed funeral planning conversations start?**

**Carlson:** 'Before we get started, can I ask you a few questions?' It's all about asking the right questions. Sales professionals should ask thoughtful questions that show genuine care and interest in the prospect's needs, that express the sales professional's desire to understand the prospect's current and desired situations, and that allow the sales professional to recommend the appropriate planning solutions.

**Kreski:** A lot of how to start the conversation depends on where the customer is in the decision-making process. The best preneed funeral planning conversations start when the customer sees and feels a need for a preplanned funeral. So learning about the customer's true needs for preneed funeral planning is a critical first step in the process. It's impossible to effectively map a customer's needs to possible solutions without listening intently and digging deeply into what pains a customer most. This discovery process usually leads to the best conversations.

**Lambert:** If you're asking, 'How do the best conversations start between a funeral planner and a consumer,' I'd say to ask, 'What is the most important thing you want people to remember about ...?'

If you're asking, 'What's the best way to start a conversation with a loved one that ends up being a conversation about end-of-life wishes,' I'd say to ask, 'What are you most proud of in your life?' or 'How do you want to be remembered?'

**Mannix:** No matter what the climate of change is, it is always about people. Funeral directors know this, and it's part of what makes them great people and this industry a great industry to service. If the conversation starts with the family, who the planning is being made for, who that individual is as a person, and what he or she means to the family, the funeral director will not

only be a great advocate of how to plan the proper celebratory service, but also connect with the family, giving them that much needed piece of comfort during their time of loss.

### **In general, do funeral directors give enough attention to their preneed programs?**

**Carlson:** In general – no. I'm continually surprised at the number of funeral directors who do not give enough attention to their preneed programs. Too often I see funeral directors who choose unrated or poorly rated insurance companies despite the wide availability of free financial and ratings information. I see funeral directors who allow their agents to make decisions related to their preneed program. Often this leads to company and product selections that benefit the agent disproportionately to the funeral home owner. I also see many funeral directors who don't believe that a well-run preneed program could be a competitive advantage in their marketplace.

**Kreski:** Funeral directors are very busy people with many different pressures – services, staffing, facilities, vehicles, supplies, marketing, etc., so it's understandable why preneed programs sometimes get less attention. That's unfortunate because preneed can help relieve some of the financial pressures funeral homes face by enhancing or growing their at-need business.

We have found one of the best ways for funeral directors to grow both preneed and at-need business is to find a marketing organization with funeral home owner experience. They understand the importance of recruiting the right people; providing comprehensive training; using diverse lead generation programs; and increasing the value of ceremony. Partnering with a marketing organization that can do these things is key to building at-need business through preneed solutions – while freeing up funeral directors so they can do more of what they do best: serve their families.

**Lambert:** I sometimes wonder if

funeral directors are not paying the *right kind* of attention to preneed. In my experience working with funeral professionals during the past 23 years, immediate need cases take precedence over preneed. At the risk of sounding too provocative, I'd say this is somewhat backwards. Yes, when a death has occurred, certain things have to happen right away and in a certain order. There's a short window of time between the first call and when services occur. Families need the "directing" that is inherent in the professional title.

If the funeral was not planned and funded in advance, the experience with the funeral home can often be stressful and conflictive despite the best efforts of the funeral director. The prearrangement process starts with the conscious decision on the part of a consumer to take time to record their wishes in a no-pressure environment.

The very nature of preneed lends itself to a positive experience consumers are quick to recommend to others. Homesteaders' latest policy owner study (Summer 2015) reveals that 100 percent are satisfied with their decision to prearrange, with 96 percent reporting they are "completely" or "very" satisfied. Within a month of prearranging, 41 percent had already recommended it and 13 percent plan to recommend it to someone else. My question is, why wouldn't a business owner want to offer a service that results in 100 percent satisfaction and a greater than 50 percent referral rate?

**Mannix:** With the changes in the industry, preneed is something to which every funeral director should give more attention. With a well-thought-out strategy, and proper marketing, preneed can be a great way for funeral homes to not only create stability in this climate of change, but also build their overall business. Engaging your community in preneed meetings can be a process by which you become acquainted with not only the generation that will need your services in the nearer term, but also the next generation who will come to help mom or dad prearrange their funerals.

Making compassionate impressions and building your reputation in your community can build your business for generations.

### **Are there particular groups funeral professionals should be focusing on with their preneed marketing?**

**Carlson:** Everyone benefits from a well-thought-out funeral plan. However, marketing strategies will continue to target much more finely segmented audiences. This puts a premium on good content and customer relationship management technology that enables preneed marketers to communicate the benefits of a prepaid funeral plan at optimum levels of effectiveness.

**Kreski:** One of the best and, oftentimes, most overlooked preneed marketing opportunities funeral professionals have at their disposal today are all the satisfied friends and families they have served over the years. Nothing is more powerful in persuading prospects to become customers than talking to folks who just had a positive experience with your services. Successfully executing campaigns targeted to the families you recently served will deepen relationships, increase activity to the funeral home, generate additional referrals, and defend against competitors' marketing efforts. It's been said that real fortune can be found in the follow-up with existing satisfied customers.

**Lambert:** Most of the professionals involved in preneed know that, with the exception of some markets, most prearrangers are close to, or in, their 70s. There are many factors that influence this, including when consumers sense their own mortality. But by and large, people will invest their money in products and services on which they are informed and believe will benefit their lives. Right now, the profession is focused on people aged 55 and older. This is a problem, in my view.

I suggest that a broader group of consumers have the potential need for funeral planning services than the profession conventionally thinks.

Spouses and partners and children die. Young parents experience stillbirths. Older parents become unable to care for themselves and their "sandwiched" adult children need to spend down parents' assets prior to their entering a long-term care or assisted living facility. These are the circumstances under which consumers need the services of professionals who are uniquely qualified to help them plan funerals.

This is why it is important to communicate as early and as often as you can to educate people. Health care professionals are becoming more and more focused on educating people about taking care of themselves and their loved ones while they are alive. Is it so preposterous to think funeral professionals cannot communicate to people about how to take care of themselves or their loved ones when they die?

The more people are exposed to a message, the more familiar they become with a concept (even subconsciously). While people may not be thinking about death and funeral planning, whatever they know about it when they finally do need it will prevail. This can either mean a smooth, comfortable experience or a difficult, uncomfortable transaction. It doesn't matter what a person needs – a vehicle, a house, a wedding, hospice care or a nursing home

**Mannix:** The funeral directors will know their specific markets a lot better than I will, but as the baby boomers are becoming consumers and the next generation is helping with the planning and making many of the financial decisions, the appeal to the next generation should be considered. These people grew up questioning the norm. They are technically savvy, they are DIYers, and they have different ideas on memorialization. They want to personalize services in more unique ways to ensure that the service is not only something for the deceased, but also for them. It's part of the challenge of change in the industry that is still yet to be defined as evidenced in the diversity of personalization products in the industry today. •