



FREQUENT Q&As

THE SOUTH AUSTRALIAN PENSIONERS' ASSOC. INC.
FUNERAL FUND
ABN 38029 060 312

HOW WAS THE FUNERAL FUND CREATED?

The Association was founded in 1932, as a social organisation and the need for a scheme to be made available to members to save for their Funerals was set up in 1933. Primarily the scheme was aimed at our low income earners, and was in the days before Prepaid Funerals and Bonds etc. A unique scheme was devised, very simple and affordable, with the main factor being the ability to put in what one could afford, when they could afford it, and with no fixed period or amounts.

Today, we are believed to be the only organisation in Australia that permits such method of savings - no fixed amount, and no obligation to make regular payments. A similar organisation did exist up until 1989 but no longer exists.

PRESENT VALUES AND SECURITY

Currently we have over \$3,500,000 invested on behalf of our members.

HOW SAFE ARE OUR INVESTMENTS?

We exist under an SA Act of Parliament - The Benefits Association Act, and accordingly have to conform to the Government regulations. Our performance and investment policies are laid down by the Department of Treasury. Under these rules, we are not permitted to invest any more than 20% in the 'growth' share market, and whilst this limits our ability to take advantage of the large profits that can be earned in this area, we are also protected from the very large losses than can and do occur.

The remaining 80% has to be invested in cash, term deposits, Bonds and the like. Our audited accounts have to be submitted to the Dept. of Treasury annually. Currently our Funds are invested through an IPAC South Australian account, and are spread over some 20-50 companies and institutions. They are not invested directly in IPAC, but in our own name, so any risk is very wide spread.

HOW DOES IT WORK?

Your Funds are invested on your behalf. These Funds earn interest or dividends, and each year, the total net profit made by the Fund is distributed to members.

Members are provided with a statement of account each year as soon as the accounts have been audited and the net profit distributed to your Account

On your death, the total amount accumulated in your account is paid out, less a fee of 5% which is the prime method of running the Fund. This is referred to as your Benefit.

It is important to note that we have no contact or relationship whatsoever with any Funeral Director. Whoever conducts your Funeral is of no direct interest to us. However we do recommend that you pre-plan your Funeral, so irrespective of who conducts the Funeral or what the cost is, we will pay out the total accumulated amount (less the 5% referred to).

WHO CAN CLAIM THE AMOUNT?

Making a claim is very simple. We will pay to any one of four (4) types of claimant:

- The next of Kin or
- The Executor or
- A person responsible for payment of the Funeral
- The Funeral Director direct.

Claims by Funeral Directors are not encouraged. However we have no problem in paying direct to the Funeral Director if the Claimant so wishes. This can sometimes save quite a large sum in the Funeral Directors' discounts for prompt payment.

Payment is usually made within 2 -3 days of receiving a claim.

To make a claim, the person claiming has only to sign simple claim form in front of a J.P (so that we know the right person is entitled to claim).

Because we have no direct interest in the Funeral itself, we pay out the full Benefit to the person claiming irrespective of the cost of the Funeral.

WHAT IF THE FUNERAL COST IS MORE OR LESS THAN THE BENEFIT?

If the Funeral cost is more than the Benefit, then it is the responsibility of the Executor to pay the Funeral cost, and the proceeds of the Benefit can go towards that cost.

CONFIDENTIALITY.

Naturally your Funeral Fund with us is confidential. We will not disclose your Benefit to any unauthorised person, and in fact we discourage members from authorising a Funeral Director to access this information.

To ensure this we ask you to sign a form on joining wherein you are asked to nominate a person who will act on your behalf on your death. Occasionally a member does not tell his family that they are in the Fund and no claim is made. We are often able to trace the relatives through this information on the application form.

HOW PROFITABLE IS THE FUND?

We will send you out an information sheet showing the profits distributed for the last few years. The returns we achieve are reported to us as being regularly 3% or more than that achievable with Bonds or Prepaid Funerals.

This is achieved because our overheads are extremely low and are not loaded with fees which can reduce profits dramatically.

As a matter of interest, about 8 years ago nearly all investment Funds suffered losses when the share market took a dive. During that year we distributed 3.75% dividend – our lowest since 1989 when we were restructured.

WHAT ARE THE DOWNSIDES?

Our Funeral Fund really is the same as a savings bank account except that we achieve much higher dividends. However, on the downside, because we are not a bank, once you put your money into the Fund it cannot be drawn out until your death.

If you fail to maintain your membership, you forfeit all monies - however we protect you from this (please refer to *How Can I Protect My Membership From Falling In Arrears?*).

HOW CAN I PROTECT MY MEMBERSHIP FROM FALLING IN ARREARS?

Members can and do frequently forget to renew their membership because of the ageing process, moving, failing to tell relatives or carers they are in the Fund - a whole range of reasons.

However, we are permitted by the Government to deduct the Annual membership fee from the dividends/interest credited to your account. This therefore protects you at all times from being deemed unfinancial. This is not done until a member is more than 8 months in arrears. Rest assured: we will protect your Fund from government rules and regulations.

DOES IT AFFECT MY CENTRELINK PENSION?

The answer to this is no - in fact quite the opposite. Because this is not a bank type account, and the fact you cannot withdraw your Funds, it is deemed by Centrelink that these Funds do not form part of your assets or income. Many members have taken advantage of this fact and have put money into our Funeral Fund to reduce their assets and therefore get a bigger pension.

HOW MUCH CAN YOU PUT INTO THE FUND?

As of May 2008, the maximum you can invest is \$12,500. This figure is monitored closely by us in relation to Funeral costs, which seem to be rising far greater than the rate of inflation and we regularly seek permission from the Dept. of Treasury to increase the limit when deemed necessary.

Please note that the limit applies only to *your* contribution and not to the total amount in your Fund due to accumulated dividends and interest, which would take your total entitlement to well over \$12,500.

CAN A HUSBAND/WIFE HAVE A JOINT ACCOUNT?

No. Each person must have a separate membership and account. However, we have included in our Constitution a right for a situation where a member does not have sufficient

Benefit in the Fund to pay the cost of the Funeral, the remaining member can draw on his/her balance up to the amount needed to cover the Funeral cost.

WHAT IS THE COST OF A FUNERAL? (AS AT FEBRUARY 2007)

These vary tremendously. Currently the cheapest Funeral which includes all the basic costs of a cremation seems to be around \$6,000 to \$7,000. Burials are usually much higher. However we are now seeing many Funerals coming in between \$9,000 to \$10,000.

We strongly recommend a member pre-plan their Funeral after 'shopping' around to find the Funeral Director who are most comfortable with, including service, price, inclusions etc.

As a general rule of thumb, the more heavily promoted the Funeral Director, the dearer the cost.

PRE-PAID? BONDS? PRE-PLANNED? OUR UNIQUE FUNERAL FUND? WHICH?

Pre-paid.

Let's say you wish to cover your Funeral in one lump sum. In the short term, a Prepaid Funeral Plan should present no problem. However a word of warning - be sure that all the extras you are likely to want are included. We are seeing some fairly heavy extra and unexpected costs coming out of "fully pre-paid" plans. Another serious consideration is that having made a pre-paid Funeral payment you are now locked into that Funeral Director and cannot change - even if that Director goes out of business or sells.

There is also another consideration on a long term basis. A question posed by us to Canberra in regards to Prepaid Funerals could not be answered by the hierarchy responsible for the Legislation for Funerals.

For example: if a Funeral Director goes out of business in 10 years' time (retires, sells up, goes bankrupt) and if the rising cost of Funerals is greater than the cost of inflation, who will buy your pre-paid Funeral contract? If a Funeral today costs \$4,000, it could cost \$10,000 in 10 years' time. If your pre-paid plan earns interest at the rate of inflation 3% then the plan will be valued at \$5,375. Even at 5% P.A, the plan would only reach \$6,515. Again, who would take over that Funeral? Canberra really had no answer.

Bonds.

You get back what you put in plus interest. The question is how much does it earn? Do Funeral Bonds earn a sufficiently high rate of interest? Our Accountant advises that our Funeral Fund consistently earns more than money invested in Bonds because of our very low cost of running the Fund. You need to be sure you are earning the best investment rate to keep pace with inflation.

Also, Bonds invariably require fairly substantial lump sum deposits - this may not suit you. However, like our Fund, you do have the flexibility to select your own Funeral Director.

Pre-plan.

As stated before, we strongly recommend this. You can choose, now, the Funeral Director you feel comfortable with, and have all the details you want decided there and then and without pressure. Otherwise your family are going to have to make decisions quickly, with no time for 'shopping' around for the best Funeral Director; they will have to make many hard and expensive decisions whilst under the stress of losing their loved ones.

Remember too that a pre-planned Funeral arrangement is not binding on your family. If, for whatever reason, they wish to change either the Funeral Director or any part of the pre-planned arrangement they can. This can be of huge Benefit, especially in the case of a long duration of time passing from when the preplanning was done. Pre-planning is an ideal adjunct for our Funeral Fund.

Our Funeral Fund.

Our earning rates are regularly and considerably higher. You choose your Funeral Director. You pay in what you want to, when you want to, with no fixed amounts or times. You get back the total Benefit irrespective of the actual Funeral Cost. It's that simple.

WHAT IF THE COST OF A FUNERAL IS MORE THAN THE BENEFIT TO BE PAID?

The cost of the Funeral is not relevant to us. We will pay out the full entitlement to the claimant in whatever manner they instruct us.

We also maintain that the Benefit paid does not form part of the Estate and should not incur Executors' fees. This is an application of the Centrelink rules - once a contribution to the Fund has been paid in, it no longer forms part of your assets for Centrelink and also therefore no part of your Estate. However this would only apply to the level of the cost of the Funeral. If the Benefit exceeds the Funeral cost then the amount over could form part of your Estate and incur Executors' fees.

WHAT IF I LEAVE SOUTH AUSTRALIA AND DIE SOMEWHERE ELSE?

It does not matter where death or the Funeral takes place - the Funeral Fund Benefit will be paid to your claimant wherever they may be.

WHAT FEES ARE INVOLVED?

- Annual membership of our Association is currently \$12.50, and is unlikely to rise in the foreseeable future.
- On death when the Benefit is paid, 5% is deducted as an Administration fee.

- Should there be insufficient income to administer the Fund, then we are permitted to take up to 2% P.A. of the total Funds. This has proven to be no more than approximately 0.5% P.A. since our reconstruction in 1993.

WHO CAN JOIN?

Membership is open to all irrespective of age or health. Remember it is a form of savings account, so the younger you are on joining, the more interest you earn.

HOW DOES ONE JOIN?

You must be a member of our Association. This is an annual fee of \$12.50, and entitles you to join with our twenty social branches scattered around the state, and with that enjoy the social environment, trips, outings and concerts that each branch implements.

Or you can join solely with the purpose of joining the Funeral Fund, through the Head Office.

HOW CAN I MAKE PAYMENTS?

Payments or contributions can be made by:

- Visiting any one of our Branches (*Adelaide, Ascot Park, Gawler, Le Fevre, Mt Barker, Meadows, Kadina, Wallaroo, Port Pirie, Port Augusta, Peterborough, Murray Bridge, Whyalla and Port Lincoln*)
- Direct to Head Office, either by cheque or money order
- Or by depositing directly to our Bank SA account

Money received at Head Office will always have a receipt issued and sent on the day it is received.

Your initial contribution must be at least \$100. This is not a fee, but is credited immediately to your account.

WHAT IS MY NEXT STEP?

Complete the Application Form and send in your first contribution (minimum \$100) with the \$12.50 Membership Fee.

The Application Form can be posted to your address or downloaded directly from the website.

CONTACT INFORMATION

If you have any other queries, please do not hesitate to contact us by phone or via the website.

Head Office

PHONE	(08) 8357 2153
HOURS	Mon 9:30am and 12:30pm Wed 9:30am and 12:30pm Fri 9:30am and 12:30pm
ADDRESS	Unit 2, 198 Greenhill Rd Eastwood, SA 5063
WEBSITE	www.sapens.org.au

If the matter is urgent, please ring **(08) 8263 2834** or **0410 663 881** outside office hours.