



“S MY FUNERAL HOME KEEPING UP WITH THE SHIFTING NEEDS AND DESIRES OF FAMILIES?”

Funeral professionals constantly try to answer this question but, unfortunately, there's not always a clear solution. Today, the funeral industry is changing faster than ever – from the way families plan services to the impact of the unexpected COVID-19 pandemic.

In a recent in-depth survey, LendingUSA asked funeral homes across the country detailed questions and encouraged participants to share their unique perspective as funeral professionals. The eye-opening results revealed an always evolving industry at a critical point in its history.

ever. Forty-eight percent of funeral professionals ranked “planning services that fit within the family’s budget” and 31% chose “collecting payment” as the top challenges facing funeral homes today.

It’s no surprise that budgeting and collecting payment tend to be among the most difficult, especially for service-oriented professionals. When you come to work wanting to help people navigate a difficult time, you know that handing families a bill and collecting payment can prove one of the more difficult tasks. With changing economic conditions, this task becomes increasingly difficult.

LendingUSA’s survey further indicated that the majority of funeral services cost between \$6,000 and \$12,000. This should not come as a surprise since the average price for a funeral service is a consistent pain

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The funeral profession’s challenges have been exacerbated by a pandemic, an upended economy and families that often can’t afford to pay for the funeral services they might desire.



CREMATION, PAYMENTS, COVID-19 AND OTHER CHALLENGES

In the funeral profession, you provide a critical service for families in need – and *service* is at the core of what you do. That requires an endless amount of follow-up and support, however, as well as a desire to clear any hurdle in order to help a grieving family.

When asked about the highest ranked priorities for families, 35% of funeral homes responding to LendingUSA’s survey said personalized services for their loved ones are most critical; 34% said transparency and understanding all available options was next highest; and 12% indicated that competitive pricing was most critical. As anyone in the funeral industry knows, reconciling a personalized service with competitive pricing in today’s world is more challenging than ever.

Some issues are easier to solve than others, how-

point for families, particularly when they lack a pre-need or life insurance policy.

In addition, 70% of funeral professionals said that fewer families today are prepared for the costs associated with funeral services than they were 10 years ago. Between economic hardship and stagnating wage growth, families simply have less in savings. In fact, according to Yahoo Finance, 58% of Americans have less than \$1,000 saved, and 32% have *no savings at all*. For most families, draining their savings or maxing out credit cards to pay for a funeral service is not an option.

This grim reality has never been more evident than in today’s world as we face the coronavirus pandemic and its economic impact. These unprecedented times have created additional strain on funeral homes, which, in some cases, are not receiving payment at all. At least 37% of funeral homes sur-

veyed said their accounts receivable has increased because payment is not received.

As a service-oriented professional, this type of dilemma puts you in a tough position. Families need your support, but they simply don't have the funds to pay you in full. When families struggle to meet payment deadlines, the burden on funeral homes becomes even greater. Between offering services at a reduced cost and even extending payment deadlines, businesses seem stretched thinner every day.

For many, this daily reality requires constant sacrifices to support families in need, and given the economic crisis we currently face, this is unlikely to change anytime soon.

Despite the challenges facing the funeral industry, there's no doubt that it continues to grow every year.

preparedness to ensure that the funeral home is prepared for worst-case scenarios.

Moreover, according to NFDA's annual Cremation and Burial Report, the cremation rate in the United States officially surpassed the burial rate in 2015 (47.9% vs. 45.2% for burial). These percentages reflect national rates, and there are obviously variances in different regions and states throughout the country.

According to LendingUSA's survey, 68% of funeral professionals said most of their services consist of burials, while cremations largely remain less than half. The cremation rate continues to rise, however, and funeral homes are bracing for this shift, which will ultimately result in lower priced services and a decrease in revenue over time.



Point

BY ELAINE VALDEZ

According to LendingUSA's survey, 77% of funeral homes said their 2019 revenue either increased or remained about the same. Plus, according to Statista, revenues in the funeral industry between 2014 and 2019 increased by \$1 billion.

While the industry was always projected to grow based on an aging baby boomer population, no one anticipated the unexpected challenges caused by the rapid spread of the coronavirus. The pandemic has increased the number of funeral services and created unprecedented challenges for funeral homes nationwide trying to meet the needs of families.

Regardless of the extent to which each funeral home has shifted its operations due to COVID-19, there's no doubt that the life of a funeral professional right now has changed dramatically. This includes increasing precautionary measures, holding smaller (or virtual) services and enhancing emergency

When asked the primary reason families choose cremation over burial, 45% of deathcare professionals said that cost was the main factor. As the price of funeral services becomes a focal point once again, funeral homes might begin to wonder, "Are we missing a solution?"

HOW TO HELP FAMILIES AND YOUR FIRM

Funeral directors need to collect more information to understand how families intend to pay for funeral services. Unfortunately, families are increasingly less prepared for end-of-life service costs: 67% of funeral professionals surveyed by LendingUSA said fewer than half of families have preneed insurance policies; 37% said it's under a quarter. Similarly, 66% of funeral professionals said fewer than half of families have life insurance policies.

Failing to prepare for the costs they will inevitably

face creates a financial burden on not just the family; funeral homes must often reduce their prices or services to meet the family's needs, putting a strain on their business' revenue and cash flow.

Meanwhile, families are left to figure out how they're going to pay within a matter of days. Many will not have the available cash and instead resort to difficult payment options, such as maxing out credit cards, fundraising online or splitting payments between family members, which can create additional financial strain. And even if a family pays cash, they might have drained their savings to provide that payment. Or if they pay by credit card, these high-interest accounts will add significantly to the overall cost.

It's unlikely that the significant financial challenge families face when dealing with the death of a loved one will end anytime soon, which means funeral professionals must come up with innovative solutions that enable their businesses to receive full

payment while also helping to support families.

Therefore, it's important that funeral directors become more comfortable discussing budget and payment options early and often with families. Not only should you understand a family's available budget but also how they intend to pay. This can help you determine services more accurately.

While funeral professionals might not want to push the difficult subject of payment, families that receive that transparency will know you're providing the best service by showing them all their available options. (Keep in mind that more than one-third of funeral professionals reported that transparency was highly valued by families.) Thus, when a family understands available service and payment options, funeral homes continue to build trust.

In addition, the timing of this conversation is critically important. Funeral homes should hold the discussion sooner rather than later, yet only 29% of funeral professionals surveyed bring up payment options

for families as soon as they start discussing services. The majority bring up payment options either when it is time to collect payment or only if it seems a family cannot afford the services they want.





While it's not an easy conversation to conduct, funeral professionals should start from a place of transparency regarding budget, cost and payment options. Holding this simple discussion upfront can yield fewer reduced-cost services and enable more families to pay on time.

FIRMS TODAY FACE decreased buying power from families, competitive local markets and the uncertainty caused by the pandemic. Fortunately, all funeral professionals – even those most deeply rooted in tradition – can learn to become agile and implement changes to improve service and their bottom line.

When it comes to how families pay for funerals, new solutions can ease a family's financial burden and ensure that your firm is paid on time and in full. As the world changes, it's important that funeral homes change alongside it. ☰

Elaine Valdez worked in the funeral service industry for more than 14 years before joining LendingUSA as a leader to help guide funeral homes through financing options.

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