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Paying for funerals: How consumers decide to meet the costs

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About this report

This report was commissioned by ASIC's Consumer Advisory Panel and produced by Susan Bell Research.

It describes how some consumers try to make sure that there is sufficient money available to cover the cost of their funeral.

Paying for funerals: How consumers decide to meet the costs

Report of consumer research conducted for ASIC's
Consumer Advisory Panel

June 2012

Susan Bell Research

Susan Bell Research is a market and social research agency, based in Sydney.

Our client base includes government and commercial organisations who seek to incorporate into their decision-making a perceptive understanding of consumers, their customers or community.

We are committed to the international standard for market and social research and as such are ISO 20252 certified.

We are a member of Australian Market and Social Research Organisations (AMSRO) and therefore bound by the Market and Social Research Privacy Principles.

Our research teams are members of Australian Market and Social Research Society (AMSRS) and therefore bound by the AMSRS code of conduct.

Susan Bell (Fellow, AMSRS) is the Director of Susan Bell Research. She is a highly experienced market and social researcher and is a graduate of Linguistics, English, and Psychology. The second member of the team was Suzanne Burdon BA Hons (QPMR).

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Executive summary

Background and research approach

This report describes how some consumers try to make sure that there is sufficient money available to cover the cost of their funeral. One option available to consumers is to save, but this is not always a feasible option especially for those on limited incomes. Some people who have life insurance or enough superannuation know that the money will be available, although it is not necessarily accessible in time to pay the bills. Some people do not have life insurance or superannuation.

Therefore, some consumers choose a third option, which is to purchase a funeral benefit product such as one of the following:

- **Prepaid funeral:** Funeral directors allow people to ‘prepay’ their funeral, with the cost calculated on the features that the person selects, such as the style of coffin and the type of service. These funerals are in ‘today’s dollars’ and can be paid as a lump sum or in instalments.
- **Funeral bonds:** Some investment organisations such as friendly societies and insurance companies offer investment bonds which can be used to save for a funeral. The investor chooses the amount to be invested, either by planning the details of the service, or just by choosing a particular amount. The investor can invest a lump sum, or pay in regular instalments.
- **Funeral insurance:** Some insurance companies offer insurance policies designed for funeral cover. The insured person pays a regular premium for a benefit amount that they choose. The money goes to a nominated beneficiary, who can then use the money as they wish.

The Australian Securities and Investments Commission (ASIC) has regulatory responsibility for the conduct and disclosure obligations of issuers of funeral insurance and funeral bonds, while the Australian Prudential Regulation Authority (APRA) has prudential responsibility for life insurance companies and friendly societies. Prepaid funeral plans are regulated at the state and territory level.

This research was commissioned by ASIC’s Consumer Advisory Panel (CAP). On consumer protection issues, ASIC regularly consults with CAP, comprising 10 members representing a diverse range of consumer and investor interests¹. As part of its work for 2011–12, CAP decided to commission independent research to explore and better understand consumer experiences with funeral benefit products.

The fundamental purpose of this research was to better understand consumer decision making, product understanding and experience of these three types of product.

Research method

Susan Bell Research conducted intensive individual interviews with 25 consumers who had taken out or invested in one of these three funeral benefit products, predominantly in the last 10 years. The research was conducted in Victoria, New South Wales and Queensland in December 2011 and January 2012.

¹ For more information about CAP, see: <http://rbaaln1:8008/asic/asic.nsf/byheadline/ASIC%27s+Consumer+Advisory+Panel?openDocument>

Key findings: The decision journey

The report describes the ‘journey’ that people took from thinking about their funeral, to buying a specific product to pay for it. Whether the product purchased was a prepaid funeral, a bond or an insurance policy, the journey was initiated for broadly the same reasons, and led to the same emotional conclusion.

This journey had four stages: see Table 1.

Table 1: Stages in the decision journey

Stage	Characterised by
1.	A growing commitment to the idea
2.	Response to a trigger to act
3.	Product selection and purchase
4.	Emotional closure

1. A growing commitment to the idea

Most of the people in this study were over 60. Many were retired. Those working tended to have casual or part time jobs. Many of these people had been exposed multiple times to funeral insurance advertising on television, especially daytime television.

The idea that all of these people now shared was that people not only *can* but *should* formally prepare for the costs of their own funeral. It seems as if the advertising has created a new ‘norm’ of prepaying funerals that perhaps did not previously exist in the community. A fundamental motivation is emotional: to avoid feeling guilty about leaving family and friends with the bill for their own funeral (and in some cases its organisation). They call this ‘not being a burden’. A secondary motivation was control; some people worry a lot about whether their family will observe their wishes for the funeral.

People take their time deciding to buy or invest in a funeral benefit product. In advertising terms, it has a ‘slow build’. By the time people start to investigate actual product options, they may be so emotionally committed to the idea of ‘not being a burden’ that they buy the one product that they know about, and feel they can afford.

The advertising for funeral insurance had not only influenced people to take out funeral insurance, it had also made people think about the idea of paying for their funeral, and some then went on to choose a bond or prepay their funeral rather than insure. In other words, the insurance advertising seems to have played a significant role in building the whole category of funeral benefit products.

2. The trigger to act

Once aware of the options, and committed to the idea, people needed a prompt to encourage them to buy the product. In this study, this was:

- retirement
- ill health, such as cancer or diabetes or a mental health problem in some cases
- the death of someone close, or
- pressure from a relative.

3. Product selection and purchase

It was rare for anyone to conduct any kind of product search which exposed them to all three product types. This is partly because there are currently no comprehensive sources of information. The task is made doubly difficult by the fact that the three product types use the same language (they are all called 'funeral plans') and use the same wording and messages in their advertising.

Those who chose a prepaid funeral did so because they could afford it. They found out about it because they had had a positive experience of attending funerals when this arrangement was in place, or they had specific funeral requirements and set out to ensure they were carried out. They approached one or two local funeral directors and selected from those.

Funeral directors can then decide which type of financial arrangement to offer consumers. It can be one of two types:

- a service where the funeral is prepaid and the exact amount of money needed for the chosen funeral is invested by the funeral director in a trust and the funeral director receives any interest on the money, or
- a bond, where the funeral director shows the consumer how to invest the money in a bond, in which case any interest on the money goes to the consumer. Unlike the 'prepaid' alternative, the funeral cost is not fixed in 'today's dollars'.

Consumers who go to funeral directors to discuss prepaying their funeral do not choose between these options; the funeral director chooses which one to offer. Thus, some people who had invested in a bond through a funeral director did not know that it was a bond. They were simply choosing between insurance and going to a funeral director.

The word 'bond' in association with funerals was known and understood by very few people.

A small number of people learned about bonds from other sources, especially Centrelink. Centrelink seems to have played a crucial role in introducing people to the concept and benefits of bonds. Those who chose them mainly did so because of potential benefits to retirement income, or because both prepaid and insurance were unacceptable.

People who chose funeral insurance tended to be from lower socio-economic backgrounds than the people who chose the other options. Although many were vaguely aware that it was possible to prepay a funeral with a funeral director, because they had few assets or savings, they knew they could not afford to do that, and were unaware of instalments. Prepaying a funeral also meant visiting a funeral director and choosing the type of coffin, the number of cars, the flowers and other 'extras'. Some people cannot face doing this. Funeral insurance—and to some extent bonds—allow people to plan their funeral from the comfort of their own home, without confronting the details.

People who bought funeral insurance found out about it through television advertisements, and selected from a small number of insurance providers.

The next step for consumers was to choose how much to pay. People who chose funeral insurance decided on how much premium they could afford right now. Some were also influenced by the belief—promoted by some funeral insurance companies and some funeral directors—that funerals are increasing in cost. The only people who knew what a funeral cost were those who had been involved in arranging the funeral of someone close to them, or who had discussed the details with a funeral director.

Most of those with insurance chose the default premium option which is one that increases with increases to the consumer price index (CPI) and age. Knowledge of how premium increases were calculated was very low and the study suggests that people may significantly underestimate how much the cost of premiums can increase.

Some people in the study were now struggling to pay their increased insurance premium, but were very reluctant to give up on their dream of helping their family.

People who chose bonds or prepaid funeral were also influenced by affordability, although those who talked to a funeral director knew what their funeral would cost. In most cases, people who had spoken to a funeral director expected to pay between \$4,000 and \$7,000 for their funeral.

People with insurance were sometimes covered for more than this—up to \$17,500 in one case. There are several reasons for this:

- The insurance company had suggested different benefit amounts (they are usually \$5,000, \$10,000 and \$15,000).
- The benefit had increased with CPI, or by a set amount such as 5%, each year unless the consumer opted out of this.
- The insurance company occasionally contacted customers to suggest that they increase their cover.
- Several people had deliberately chosen to insure more than they needed for the funeral, as a gift or legacy to the beneficiary.

Awareness of paying for bonds or prepaying funerals by instalments was low. The people who prepaid their funeral could afford it. Even if this is paid in instalments, the deposit—perhaps \$1,000—is a real barrier to entry for a low-income family.

Overall, therefore, few people knew that all three products were available. Some products were financially out of reach (i.e. lump sum payments and investments). Few knew of some critical features of funeral insurance policies. Few considered escalating premiums, the total amount spent, the failure to pay clauses, and the real cost of funerals. These people knew they should read ‘the small print’ where this information is contained, but didn’t. There was a sense that they were all the same, and if you do it, you should just go with it and then forget it—don’t spend too much time thinking about it. It is therefore unlikely that they will educate themselves about long-term costs, without prompting to do so and without assistance to do so.

Many of these findings can be understood from a behavioural economic standpoint: see Table 2.

Table 2: Why people choose a particular product

Factor	How it influences decision-making
Accessibility	The funeral insurance advertising is so frequent that the message of ‘being a burden’ seems easily cognitively accessible.
Saliency	The amount of advertising has created a new norm: to be guilty about dying without paying for your funeral.
Status quo bias	Most people stayed with the default option for funeral insurance, the stepped premium with CPI increases. Most people who have now invested, paid for, or insured for their funeral costs have accepted the status quo and show little interest in changing products.
Loss aversion	All but two people valued the product that they currently owned over alternatives introduced during the interview. This suggests that people are unlikely to switch from one product type to the other unless they perceive that the gain from the new product significantly outweighs the loss of the existing product.
Sunk cost	Even knowing that currently unaffordable premiums will increase is not enough to trigger some people to cancel their policy, because they have sunk so much emotion and so much money into it already.
Focus on gains	Some people have been attracted to funeral insurance because of the extras it offers. These include small gifts, partial return of premiums, and having some of the benefit left over as a form of an inheritance to the beneficiary.

4. Emotional closure

People bought or invested in funeral benefit products for the sense of emotional closure it gave them. This emotional satisfaction seemed to be the dominant criterion for assessment of the appropriateness of the product.

Once done, they tended to 'set and forget', but there was an underlying and ongoing sense of satisfaction with their purchase or investment. Regardless of the actual product, the emotional benefit was exactly what they had hoped for, and had been led to expect from the advertising. This left them less likely to criticise or question what they had done.

They felt they had acted responsibly by removing a burden on their family and, more than that, many were quietly proud of what they had done. They described their feelings as peace of mind, or relief, an absence of guilt.

Another strong emotional reward was a sense of being organised because this money was completely separate from their other finances and, in the case of insurance, payments happened automatically with no need to remember or administer it. They could forget about it.

Those who had chosen a prepaid funeral particularly felt happy that they were in control. They had decided on specific elements in the service, such as the music, and these were known to the funeral director.

Whether or not they came to question the detail of their arrangement—as some did in the course of the interview—they were always completely certain about the wisdom of their decision to take out some type of funeral plan. Most of them had barely given it a thought since they did it and often struggled to find their paperwork. It was simply comforting that it was there, in the background—something satisfactorily achieved, which could now be safely ignored.

Conclusions and possible next steps

From our research, we have identified a number of actions that may assist consumers who are deciding how to meet future funeral costs.

Information

1. Information should help people work out the real cost of a funeral.
2. Information about all three product types should be:
 - easily accessible
 - in plain language (Year 10 level or below), and
 - tailored to specific groups such as pre-retirees and retirees.
3. Information about funeral bonds should explain:
 - how instalment plans work
 - the effect of bonds on the Centrelink asset test, and
 - whether bonds can be assigned to a particular funeral director or not.
4. Information should help people decide whether and when to exit a product which no longer suits them.

Product descriptions

5. Products should be described so that:
 - consumers can estimate the likely total cost given different life expectancies
 - different payment options (e.g. stepped, level or frozen insurance premiums) and their strengths and limitations are made clear, and
 - where costs increase over time (as with some insurance premiums), the premiums quoted match the represented target audiences for the product (in visuals and text).

Product features

6. Product providers should consider offering options, such as lower upfront deposits for prepaid funerals and funeral bonds, to make these products more accessible to people on pensions.
7. Funeral directors should consider offering options such as ‘hands off’ prepaid funerals, including online, for people who prefer to avoid any details beyond the financial decision. There should be better communication of the availability and features of funeral benefit products.

A Project background

Funeral benefit products

How do consumers make sure that there is sufficient money available to cover the cost of their funeral, or to help plan the funeral costs for someone else? What options are available to them?

One option is to save, perhaps in an account dedicated for that purpose. However, some people have no savings, or have difficulty saving, especially if they are on the pension. A second approach would be to use life insurance, superannuation or the estate to cover the costs, if there is any life insurance or superannuation, and if it can be retrieved in time.

Some consumers choose a third option, which is to purchase a funeral benefit product that is commercially available. Table 3 summarises the mostly commonly used services and products.

The Australian Securities and Investments Commission (ASIC) has regulatory responsibility for the conduct and disclosure obligations of issuers of funeral bonds and funeral insurance, while the Australian Prudential Regulation Authority (APRA) has prudential responsibility for life insurance companies and friendly societies. Prepaid funeral plans are regulated at the state and territory level.

Table 3: Types of funeral benefit products

Type of product	Description
1. Prepaid funeral	<p>Funeral directors allow people to 'prepay' their funeral, with the cost calculated on the features that the person selects, such as the style of coffin and the type of service. These funerals are in 'today's dollars' and can be paid as a lump sum or in instalments.</p> <p>A prepaid funeral is usually portable within the firm of funeral directors, but generally cannot be transferred to another firm.</p>
2. Funeral bonds	<p>Some investment organisations such as friendly societies and insurance companies offer investment bonds which can be used to save for a funeral. The investor chooses the amount to be invested, either by planning the details of the service, or just by choosing a particular amount. The investor can invest a lump sum, or pay in regular instalments.</p> <p>The bond can be used to pay for a funeral with any funeral director. Bonds cannot be cashed in.</p> <p>Some funeral directors promote the use of bonds, as an alternative to prepaying a funeral.</p>
3. Funeral insurance	<p>Some insurance companies offer insurance policies designed for funeral cover. The insured person pays a regular premium for a benefit amount that they choose. The money goes to a nominated beneficiary, who can then use the money as they wish. Full cover is immediate for accidental death (often at a higher benefit amount), but there is a waiting period of one (or less commonly two) years for death from any other cause.</p>

Research objectives

This research was commissioned by ASIC's Consumer Advisory Panel (CAP). CAP members have become concerned that some consumers may not fully understand the funeral benefit products they are buying.

The fundamental purpose of this research was to provide CAP members with consumer-generated information which could be used to help educate consumers when choosing funeral benefit products.

A secondary objective was to provide consumer-generated information to assist ASIC perform its consumer protection function in relation to those funeral benefit products that are financial products.

The focus of the research was prepaid funerals, funeral bonds and funeral insurance.

The research was designed to answer these questions:

- Do the consumers who prepay a funeral invest in a funeral bond or take out funeral insurance understand what they are buying?
- What buying process do consumers go through? How do they identify the product they want to buy? How extensive is the search? What kind of product comparisons do they make?
- What was the influence of sales and marketing activities?
- Do consumers understand the full cost of the product, including fees?
- How satisfied are people who currently have a funeral benefit product?
- Are consumers confused about any of these products, or do they misunderstand anything? If so, how has this occurred?
- What information or tools would help consumers better understand and compare these products?

To meet these objectives, Susan Bell Research designed a research study which mapped the consumer journey for funeral products from awareness of alternatives to product selection and post-purchase evaluation.

The research aimed to scrutinise each stage of the decision journey in order to understand the right 'trigger points' when education, information, or other regulatory options would be most beneficial.

Research method

Qualitative research

This research was exploratory. Susan Bell Research set out to understand funeral benefit products from the perspective of people who had bought them. Our task was to understand what matters to this market segment. What are their priorities? How do they make decisions? Therefore, the research was conducted qualitatively.

Individual in-home interviews

The design of this research needed to be suitable for mapping a decision journey. For this reason, we conducted individual in-depth interviews. The research also needed to be conducted sensitively. For this reason, we conducted the interviews in the respondent's home, or in another place of the respondent's choosing. Home interviews have the additional benefit of helping the researchers to understand the family and domestic context in which the person made their decision.

Further to this, we also believe that comprehension is individual. We needed to conduct research which tested people's comprehension of their chosen product, which meant conducting the interviews individually, not as a group.

In some cases, members of the family were present during the interview. Twice this was to help translate. In other cases, the husband or wife was present but not active in the discussion.

Each interview took about an hour, and was audio-taped where permission was given. Other information about the methodology is in the appendix.

Multiple locations

We conducted the interviews in Sydney, Wollongong, Brisbane and Melbourne. This was partly because we were unsure at the start of the project how prevalent these products were so chose to recruit in several locations. There are also some regional differences, in that many of the friendly societies that issue bonds are based in Melbourne.

Interviews were conducted by Susan Bell and Suzanne Burdon.

Sample size and structure

We conducted n=25 interviews in all. The sample was deliberately structured to ensure that it contained similar numbers of people with prepaid funerals, funeral insurance, and funeral bonds. As discussed in more detail in the report findings, we were aware that this industry tends to use some terminology fairly loosely—for example, the term 'funeral plan' can refer to a prepaid funeral, an insurance policy, or a bond. This knowledge influenced our approach to screening and recruitment.

We set some quotas on age and gender and whether the prepaid funeral or funeral bond had been paid as a lump sum or in instalments.

Therefore, the structure of the sample does not necessarily reflect the overall demographics of this market. Indeed, one of the issues faced when designing this research is that there is little publicly available information about this market.

We wanted to ensure that the people we spoke to had made their own decision, rather than simply following the advice of someone else. Therefore, we excluded anyone who had not made the decision themselves. Only one member of our sample had used a paid financial planner when making a decision about their funeral bond but the planner had endorsed rather than influenced the decision. Some other people had consulted financial planners at other times in their life.

The screener we used and the final sample structure are in the appendix. The sample structure was:

- prepaid funeral, n=8
- funeral bond, n=7, and
- funeral insurance, n=10.

Table 4 summarises the sample used.

Table 4: Summary of sample

Product	How long for	Instalment/ lump sum	Location	Age	Gender	Highest education level completed
Prepaid	18 months	Lump sum	Melbourne	70 plus	Female	University
Prepaid	1 year	Lump sum	Brisbane	70 plus	Male	Year10
Prepaid	2 years	Lump sum	Melbourne	45–59	Female	Year 12
Prepaid	2 years	Instalments	Wollongong	45–59	Female	Year 12
Prepaid	4 years	Lump sum	Melbourne	60–69	Male	University
Prepaid	4 years	Lump sum	Sydney	70 plus	Female	Primary school
Prepaid	6 years	Lump sum	Brisbane	45–59	Male	University
Prepaid	48 years	Instalments	Brisbane	60–69	Male	Trade
Bond	2 weeks	Instalments	Melbourne	45–59	Female	University
Bond	2–5 years	Lump sum	Wollongong	70 plus	Female	Year 10
Bond	2 years	Instalments	Wollongong	60–69	Male	University
Bond	3 years	Lump sum	Brisbane	60–69	Male	University
Bond	10 years	Lump sum	Brisbane	70 plus	Male	University
Bond	20 years	Lump sum	Melbourne	70 plus	Male	University
Bond	32 years	Instalments	Brisbane	60–69	Male	Trade
Insurance	1 month/ 6 years*		Brisbane	60–69	Female	Year 10
Insurance	18 months		Sydney	60–69	Female	Year 10
Insurance	18 months		Melbourne	60–69	Male	Trade
Insurance	2 years		Wollongong	45–59	Female	Year 10
Insurance	3 years		Melbourne	60–69	Female	Year 10
Insurance	3 years		Wollongong	70 plus	Male	University
Insurance	7 years		Brisbane	45–59	Female	Year 10
Insurance	10 years		Melbourne	60–69	Male	Trade
Insurance	10 years		Brisbane	60–69	Female	Year 12
Insurance	11 years		Sydney	60–69	Male	Year 10

*changed provider

Analysis of marketing resources

To help shed further light on the cultural expectations of consumers, we conducted a ‘discourse analysis’ of some of the marketing resources that consumers may be exposed to. A discourse analysis is a formal analysis procedure in which the discourse analyst examines the words and sentence structure used in the text. Topics of interest are: Who is the subject of the sentence? What style of language is used? How complex is the sentence structure?

The texts analysed were from websites and Product Disclosure Statements (PDSs) of companies that members of the sample had used or considered. Websites for these companies are listed below.

Prepaid funerals

- Funeral Plan Management: <http://www.fpmanagement.com.au/fpm/pages/personal/index.jsp> (included because it is a friendly society which provides information on prepaying a funeral)
- White Lady Funerals: <http://www.whiteladyfunerals.com.au>
- Guardian Funerals: <http://www.guardianfunerals.com.au/PrepayingaFuneral/PrepayingaFuneral.aspx>

Funeral bonds

- Foresters Funeral Bond: <http://www.forestersfs.com.au/3funeral.html>
- Australian Unity: <http://www.australianunityinvestments.com.au>

Funeral insurance

- APIA: <http://www.apia.com.au/apia/funeral-plan>
- InsuranceLine: <http://www.insuranceline.com.au/funeral-insurance>
- Suncorp Funeral Insurance: <http://www.suncorp.com.au/insurance/life-insurance/funeral-plan>
- Aussie Funeral Plan: <http://www.aussie.com.au/insurance/funeral-insurance.htm>

B Detailed findings

The marketing of funeral products

The report starts with a summary of the way in which prepaid funerals, funeral bonds and funeral insurance have been marketed to the general public.

Advertising

Almost everyone who took part in this study commented on the strong presence of television advertising for funeral insurance, especially on daytime television. A few people were critical of this advertising. However, these critics were in the minority. For most people, the advertising for funeral insurance has played a key role in making them think about the cost of their funeral, and its impact on those left behind. It also seems to have normalised the idea of planning to pay for your own funeral.

The advertising appears to have prompted people who were already aware of alternatives such as prepaid funerals to actually act on that awareness.

Indeed, one of the most surprising findings from this study is how much influence the advertising of funeral insurance had, not just on those who took out an insurance policy. Some people who prepaid a funeral or invested in a bond, with the memory of an organised or disorganised funeral fresh in their minds, did so because they had been seeing the funeral insurance advertising *'for years'*. Even those people who claimed to watch little or no television were aware of the thrust and tenor of the television advertising, and the advertising in seniors' magazines seems to play a supporting role in increasing awareness.

There has also been some direct marketing of funeral insurance to customers of a company's other insurance products. That is, insurers who offer both car insurance and funeral insurance may offer the funeral insurance to their car insurance customers.

The message that people have received from this advertising is that planning ahead *'is very necessary, otherwise you are letting your family down. They make you feel guilty if you don't'*. (Insurance, Female)

This is especially true since discussion of the topic among family and friends was very rare. The advertising filled a cultural void and created an environment where people felt that consideration of funeral plans was acceptable and desirable.

Websites and PDSs

As described earlier, we conducted a discourse analysis of some online material for a cross-section of companies who provide funeral benefit products. This discourse analysis examined the words, phrases and images used on these websites and in PDSs.

The key findings of this analysis are as follows:

- There is considerable overlap in the language used by the various providers in this industry. The term 'funeral plan' has been used to describe prepaid funerals, funeral bonds and funeral insurance.
- Money is the focus of the information provided about funeral bonds and funeral insurance, specifically how the lack of that money will cause stress and distress. In contrast, the funeral directors' discourse is about the funeral, and how organising what will happen at the service beforehand will ease the stress.

- The funeral insurance discourse is simple. Providers use short sentences, and there are few words with more than two syllables. Providers of prepaid funerals and funeral bonds use longer sentences and some longer words (e.g. 'alleviate' and 'upon receipt of satisfactory documentation'). The language of bonds can be particularly complex.
- Apart from these differences, the language used is very similar, with providers of all three product types using the same words for the same emotions, such as such 'relief', 'peace of mind' and 'at this emotional time'.
- In terms of imagery, there is a mismatch between the visual images and the message. For example, most funeral insurance websites use 'grandparent and child' visuals. However, this image sits alongside a quote for the regular premium for an 18–44 year old.
- Visuals are less common—and more varied—for prepaid funerals and funeral bonds.

The overall effect of this seems to be the creation of a de facto 'funeral preparation' industry which shares the same language and concepts. Indeed, one of the key findings of this report is that people who prepay funerals, people who invest in bonds, and people who insure have essentially the same motivation, purchase process and post-purchase evaluation, even though the products they have bought are very different.

However, the providers of the three products engage with consumers in different ways. Funeral insurance providers engage with consumers simply using visuals to convey emotion. Funeral bonds seem to be directed towards an audience more familiar with investment, while the funeral directors' focus is on the service itself.

The next section describes the decision journey taken by people who became aware of the idea of preparing for the cost of their funeral.

The decision journey

Introduction

The rest of this report describes the 'journey' that people took from thinking about their funeral, to buying a specific product to pay for it. This 'journey' had the same stages, regardless of the type of product eventually purchased. Whether the product purchased was a prepaid funeral, a bond or an insurance policy, the journey was initiated for broadly the same reasons, and led to the same emotional conclusion.

The journey that people went through had the following four stages: see Figure 1.

Figure 1: The decision journey



A growing commitment to the idea

Becoming aware of the idea

Most of the people we spoke to were aged over 60. For these people, attending funerals had become a normal part of life. They began to have experiences of funerals when their parents died, and sometimes when their peers died. One person in our study had organised her son's funeral; others the funeral of a partner, parent or friend.

Funerals were not something people had wanted to think about, but gradually they became aware that other people had thought about it. Some people had attended funerals which had worked well because the deceased had had a plan of some kind to pay for the funeral beforehand. This pre-disposed the surviving family members—especially the older ones—to consider some kind of pre-planning for themselves.

Others had attended a funeral which had been financially stressful or complicated. This stimulated some people to think about how to avoid forcing this kind of stress on their family and friends, and one of the ways to do that, they believed, was to make some plans.

My wife and I lost a parent each in the last two or three years and made us a bit more aware of things. My mother is still alive but she has actually prepaid her funeral. They were separated and my father had also done quite a bit directly with a crematorium where he lived and I just saw how much easier it made the whole situation when he passed away. And then my wife's father died about a year ago and he made no arrangements and no criticism to him, but we saw how much more complicated it was and my wife is part of a fairly big family, she is part of five. So not that there was conflict about it, but I did see a lot of things were more complex trying to keep everybody happy when nothing had been put in place. That also had an influence on our thinking. (Bond, Male)

Sometimes, younger people had experiences with friends that made them realise a funeral was something that was not necessarily a long way off.

One of my friends was killed in [a] car accident. There were a lot of people scrabbling around for the money. (Insurance, Female)

The other way that people had become aware of the idea was through funeral advertising. As discussed earlier, this age group has been exposed to an extensive amount of funeral insurance advertising, mostly on TV. Rarely had this advertising been acted on immediately; it seems to have its impact by slowly building its message over time.

Normalisation of the idea

This growing awareness from multiple sources, such as advertising and attending funerals, seems to have normalised the idea of planning for funeral costs.

The TV ads say remove any concerns now rather than leave it to the persons left behind. It is their major thrust and I think it is a very good one. If you are a caring person it would touch a chord with many people in particular if they are getting older and even more in particular if their health is crook. (Prepaid, Male)

Becoming emotionally committed to the idea

The motivation to plan was emotional. Regardless of which funeral benefit product they had bought, the buyer's motivation was always the same: to not be 'a burden' on other people. This was a phrase almost everyone we spoke to used.

The fear of becoming a burden turned into a sense of obligation or duty. Once aware of the possibility of the need to pay for their own funeral, most saw this obligation as an extension of their social role in life—that of a parent, a husband or a friend.

If I kicked the bucket, it would probably put everyone under a lot of pressure. Because they would have to find the money for the funeral, so we didn't want to take that risk. (Insurance, Male)

Parents worried about making their children face the unpleasant task of organising the funeral at a time when they were shocked and grieving.

I had a breakdown and ... I'd put them through so much strife already, I didn't want to think I'm gone and still a bother. (Insurance, Female)

My husband died and we had no life insurance or savings. I really struggled to pay for the funeral. I don't want my sons to go through that. (Insurance, Female)

It might not completely cover you but you don't know what position the children will be in. They might be quite good now but in 10 years or so they might not be. (Insurance, Male)

Couples also were aware that their partner would be left with the task. Single people with no children would have to rely on friends, or more distant family.

Some people interviewed held very strong religious beliefs which made them insist on a burial rather than a cremation. Some had bought a funeral benefit product out of fear that otherwise the family would only have enough money for a cremation.

For some younger people, pre-retirement, this was a message that was pushed into the back of the mind for later. For older people, post-retirement, it tended to generate a sense of guilt, or at least a growing sense of unease.

Aware that having a plan to pay for their funeral might offer some benefit to themselves or others, they rarely acted immediately. Instead, they usually put this knowledge and understanding away into a mental compartment until some future time, when something triggered them to do something about it.

It does worry you and you watch these ads on TV and think "we should do something about it". (Bond, Female)

During this time, people discussed the idea of preparing for their funeral with their spouse or, in some cases, with their close friends. Some migrants whose English was poor discussed it with some of their children, to solicit their help organising everything. Otherwise, the decision was made individually and without consultation.

Growing concern about the cost of funerals

How much do funerals cost?

Some people were able to use the cost of a recent funeral they had attended as a guide to their cost. Others, however, did not know what the cost of a funeral would be until they made specific enquiries. As we describe later in the report, the process of prepaying a funeral involves planning the service and therefore the costs in some detail. However, some people who took out funeral insurance, and some people with bonds had not needed to make specific enquiries about the cost. Therefore, they used a rule of thumb, suggested by the funeral insurance or investment company, that the cost would be around \$5,000, \$10,000 or \$15,000.

In reality, funeral costs seem to vary considerably. People who had paid for someone else's funeral, or who had prepaid their own funeral, generally quoted figures of around \$5,000 to \$7,000 for the coffin and service. However, there were wide differences in quoted expectations about funerals among different community groups. For example, orthodox Jewish funerals were said to be very plain, with a plain coffin, and therefore relatively inexpensive. In the Italian community, by contrast, some funerals are expensive.

The salesperson told me we could have our own private garden that nobody else could walk on and that's \$55,000 and you get your own private rose bush. Then she said there was the option of the wall, where you put the coffin in the wall. It is \$38,000 at the bottom and \$40,000 at the top. I know now when you have someone die, you want the best because you are so emotional and that's how they get you.

Then we got to the crematorium part. If you just want to go in the brick wall it's \$800, but if you want a marble wall, it's \$3,000, but if you want your own private garden it's \$9,000.

You can see why people get sucked in by this sort of thing. Out of emotion you choose the best. If you want your own house (mausoleum) it's \$250,000. (Comment from daughter—Prepaid, Female)

While these costs were not typical, this comment reveals the social pressure that some people feel that they should pay for the right kind of service.

Some people, expressed concern that funeral costs were 'escalating'. Even if the individual had money now, they worried that by the time they died there would not be enough for the funeral. Some funeral insurance companies keep in touch—once a year it seems—with their customers to remind them that funeral prices have increased.

Yes, they would get in touch with me and say "things are getting more expensive and funerals are more expensive—would you like to increase the cover?" I think that is what it started out at, \$3,000 and up to about \$5,000 now. (Insurance, Female)

Some similar information seems to have come from funeral directors too.

This suggests that consumer expenditure on funerals is influenced to some degree by available information on the cost of funerals. The advice given to consumers may not take into account the difference in cultural expectations. In other words, one community may expect a funeral to cost \$20,000 while another may expect it to cost only \$4,000.

Even within communities, costs are variable. Some will want to pay for a priest. Some will choose a more expensive coffin; some may want music and flowers or other 'extras'. Some people want their funeral to represent their personality. For example, one person we spoke to was an extrovert and wanted to be remembered that way. Some families want to 'remember mum' in the right way.

When does the funeral have to be paid for?

It's not just what the funeral will cost that worries people; it is how quickly their family or friends would have to come up with the money. In general, most people believed that funeral costs must be paid for relatively quickly—approximately at the time of the funeral. They expect this to be before life insurance payouts are made and before banks and super funds release money to the estate.

Although there were some wealthier exceptions, many of the people in this study were pensioners with no savings. Some were renting, so had no realisable assets. If they had or had had superannuation, their super savings were either small or had been spent.

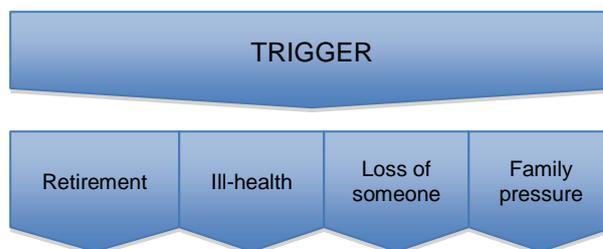
In such cases, the funeral costs would have to be borne by the family. One strong concern expressed was that the person's children would have to pay—and these children had their own families and mortgages, and therefore could not pay without going into debt. Even if the children seemed to have the money now, the future was uncertain.

A trigger to act

As we have seen, the people who bought funeral benefit products had typically been aware of the idea for some time before they acted. What, then, made them actually decide to go ahead and choose their benefit product? This section describes the triggers that prompted people to act.

There were several different triggers to action: see Figure 2.

Figure 2: Action triggers



Retirement

Some people used retirement as a marker in their lives. It was a time to reconsider their financial arrangements and think about the future.

When I retired, I felt I was entering a new phase of life. I wanted to put my affairs in order. I had no family in Australia and I knew I would have to rely on friends and I wanted to make it as easy as possible for them. I also wanted to do it while in a positive frame of mind, not sick or too old. (Bond, Male)

Sometimes people did this alone, or only talking to their partner. However, two people had approached a Centrelink Financial Information Services (FIS) officer, who advised on the benefit of including a funeral plan in their arrangements. The possibility of it making a difference if they claimed any Centrelink benefit after retirement influenced that decision.

Ill health

A very specific trigger was a diagnosis of ill health or a health scare. It made people confront the possibility of death, and think about their financial arrangements and the people they might leave behind.

It was my health, primarily. I want as many loose ends as possible tied up before I go. My health is such with the cancer it is very serious and no guarantee I will be here in 6 months let alone 12 or 24. I wanted to get wills and all sorts of aspects, not just the accounts, clear up the whole caboodle so there will be a minimal challenge to the family. (Prepaid, Male)

Others had less serious health scares such as chronic fatigue or a breakdown, but nevertheless had started to feel vulnerable.

Loss of a spouse or friend

Some people had the experience of losing someone close to them as the trigger. In some cases, the realisation of the cost of the funeral and their struggle to pay for it made them determined that this would not happen to them.

My husband passed away 8 years ago and with expense of the funeral, it took me a while to pay off the funeral and I was on the pension at the time and it was quite difficult. And I decided to take that out (insurance) and for a couple of dollars week it's handy when the time comes, so there's no issues with my boys. I have 2 sons and it's so expensive on them and the worry that you have to go through and the stress when someone passes away and what you have to fork out. (Insurance, Female)

In other cases, the example of observing the smooth running of the funeral process with the financial arrangements previously put in place—or the disaster when they weren't—brought home the necessity of making arrangements as soon as possible.

A couple of people had been the one responsible for organising a funeral, as a relative or an executor, and this had alerted them to the complexity of the arrangements as well as the cost.

Pressure from a relative

As people got older, they sometimes experienced pressure from a relative, usually a son or daughter, to get the funeral arrangements organised. In some cases, it was a requirement for nursing home admittance. One daughter had suggested to her father that he should increase his cover after she had discussed the cost of funerals with colleagues at work.

Once triggered to 'do something' about their funeral, how did consumers select a funeral benefit product?

Product selection and purchase

This section describes how people selected their chosen product. Overall, the way in which people selected their funeral benefit product was very similar for the three types of products: see Table 5.

Table 5: Product selection summary

Factor	Considerations
Awareness	<p>Most people were aware of funeral insurance.</p> <p>Most people were aware that funerals could be paid in full in advance.</p> <p>Few knew of bonds or of the option of paying by instalments of any kind.</p>
Information search	<p>Most looked at only one product category (e.g. insurance). Comparisons across categories were rare.</p> <p>Most undertook very limited search within the product category.</p>
Product selection	<p>When choosing their product, consumers focused on what was memorable and familiar.</p> <p>Consumers chose what they could afford, based on how much money they had at the time.</p> <p>Most have become practised at '<i>not reading the fine print</i>'.</p>
Post-purchase	<p>The act of choosing a product in itself created a sense of closure.</p>

The next section looks at how and why some people decided to prepay their funeral with a funeral director—from awareness, through information search, product selection, to post-purchase evaluation.

Prepaid funerals

The people interviewed who had prepaid a funeral varied in demographic and socio-economic terms. They ranged in age from the 45–59 age group to the 70 plus age group. Some had finished education at Year 10, some at Year 12 and some had a university degree.

Awareness of prepaid funerals

Knowledge about prepaying a funeral typically came about through an ‘encounter’ with a funeral. The people who prepaid their funeral became aware that this was possible either because they had attended a prepaid funeral—and the topic was discussed—or because they learnt about it by speaking to a funeral director involved in the funeral they attended, or because they were involved in arranging a funeral which had been prepaid.

Information search

People who had prepaid funerals had gone directly to a specific funeral director to ask, often the one who had organised a funeral they attended, or a local funeral director whom they knew socially. One had a recommendation through his church.

Extensive search was rare. Many had spoken only to the one funeral director, though some had checked out a couple of different ones. Usually contact started with a phone call, then most had met in person, though one woman had organised everything online.

What happened after the initial contact depended on the funeral director. Some funeral directors market a prepaid service and some offer a bond. Typically, consumers took the option that was offered to them, without being aware of alternatives. Only one person who had a prepaid plan had considered a bond as an alternative. What mattered most was their relationship with the funeral director, whom they trusted.

Reasons for choosing a prepaid funeral

Bearing this in mind, people chose prepaid funerals for several reasons, as listed below, but most only perceived it as a viable choice if they had sufficient funds:

- They had the money, so there was no need to insure.
- It was the best choice if facing serious ill health or very old age (of self or parents).
- They felt there was no risk—all would be paid for. Costs are locked in.
- They felt they needed control of their funeral details.

They had the money, so there was no need to insure

People who prepaid as a lump sum had the money to do this. This money came from superannuation, on retirement and sometimes from an inheritance.

Paying a lump sum, with no outstanding commitments, gave people a great peace of mind. Only two people had a prepaid funeral paid by instalments. One had been taken out many years ago. One who had done so more recently was one of the few people who had conducted extensive research. She discovered through this process that paying by instalments was an available option. (As described earlier, funeral directors’ marketing information tends to focus on the details of the funeral itself, rather than payment options.) This woman works casually and has been ill with cancer. She could not have been able to afford a lump sum. She was paying \$82 a month (after paying a \$500 deposit) over 3–4 years.

It was the best choice if facing serious ill health or very old age (of self or parents)

Some of those prepaying a funeral were doing so for elderly parents, or had serious illness themselves, and for these the insurance policies with a one year wait were unsuitable.

They felt there was no risk—all would be paid for. Costs are locked in

Knowing that all (or most) costs have been anticipated and that the price will not go up provides emotional and financial security. Some people felt that this was the only form of funeral plan that was risk free. The requirements for the funeral would be met, regardless of their future cost.

The difference between this and others I found [is that], you pay a certain amount and bang that is it. Where they are different to others, no matter what effect inflation has in the future, ... you don't pay another dollar if inflation went through the roof and funeral expenses went up by 50%, you wouldn't have to pay for that and only pay for what is quoted to you. (Prepaid, Male)

I wouldn't be good at paying weekly or monthly and making sure I had the cash flow to support it. Which is one of the attractions of prepaid for me is that it is done and a cost provided for and don't have to make any other provision. (Prepaid, Male)

They had been reassured about the security of their money by the funeral director who told them the money was held in trust. In other cases, the prepayment was deposited with a friendly society, which one man described as 'a cast iron contract'. (Prepaid, Male)

Most of the funeral directors used were large firms such as White Lady Funerals and Simplicity Funerals. Consumers who had prepaid felt secure with their chosen director, but others who had a bond or insurance did worry about the risks involved in prepaying, such as the firm closing down or becoming insolvent.

They were typically unconcerned about the 'time of value of money'. That is, they were aware they received no interest on their money and therefore it might not keep up with inflation. This was acceptable to them because they were assured that the funeral would be paid for regardless.

They felt they needed control of their funeral details

When people had a very clear idea of what they wanted at their funeral, being able to sit down with the funeral director and discuss their choices gave them confidence that it would all happen as they wished. For example, some wished to ensure they were buried not cremated or wished to ensure live music was arranged for their funeral.

One woman had felt 'bamboozled' when her first husband died suddenly, and now regrets some of the decisions made for his burial. Part of her reasoning when choosing to prepay her own funeral was to make these decisions, and it was a conversation that she was having openly with her second husband so this did not happen again. Another had seen the difficulties families had in making decisions about the conduct of the funeral.

I have been executor for a couple of people and know when families are traumatised and bereaved they are not necessarily making the best decision. There are time constraints put upon them for trying to remember what dear departed so and so would have wanted or whatever and who should consult with who and it is all quite wearying. So I didn't want to do that and leave that undone stuff for my family. (Prepaid, Male)

Some people had no interest in these details or did not want to confront it. For them, the motivation to prepay was purely the financial certainty.

Understanding the costs

Part of the process of organising a prepaid funeral is to work with the funeral director to decide on the details. The funeral director then advises on the actual cost.

Overall, very few people were aware that it was possible to pay for a funeral in instalments. Although the instalments could be affordable—one woman was paying \$42 a month—the deposit was out of reach of some people. Deposits were typically between \$500 and \$1,500.

Paying by instalments does not give the same sense of closure that an insurance policy does. As one man with insurance said:

It is not enough for a person to go to bed at night, to say "If I die tomorrow, I am covered".
(Insurance, Male)

Achieving this sense of emotional closure is a crucial part of the decision journey: see 'Post-purchase: Emotional closure'.

Reasons for rejecting prepaid funerals

As we have described above, few people undertook extensive search or comparisons between products. Therefore, some of the people who did not consider prepaid funerals were simply unaware that this was possible. Also, some who took out a bond had done so because that was what the funeral director offered.

Among those aware, the greatest deterrent was cost. They simply didn't have enough money.

No one has that kind of money lying around. (Bond (instalments), Female)

They were unaware that the funeral could be paid in instalments.

We didn't have the money to do it. It's too big a lump sum to pay even though that's going to stay there forever and you don't have to increase the payment. It would be good to do. I would have chosen that above everything else, but I didn't have the money at the time. (Insurance, Male)

Some could not afford to pay in instalments because they would need to save up to pay for the deposit.

Even if they could afford it, many simply would not contemplate thinking about their funeral in this way. It would be too confrontational to visit funeral directors and discuss details of their own funeral.

That is getting a bit close to home. (Insurance, Female)

One or two people raised concerns about committing to a local funeral director. They imagined that if they moved interstate, for example, there would be difficulty in transferring their investment elsewhere.

Dissatisfaction with prepaid funerals

Of the people surveyed, there were no comments indicating dissatisfaction with prepaid funerals.

Funeral bonds

Awareness

With one exception, the only people who were aware of funeral bonds were those who had one. Even some of those who had one did not know that it was called a bond.

There are two ways to invest in a funeral bond: directly through the investment company, or through a funeral director. Those who invested directly knew about the bond because of either an existing financial relationship with the company, or through information from Centrelink which provides generic information on bonds because they are assets test exempt, or through personal research.

Some of those who went to a funeral director to discuss prepaying a funeral were directed towards a bond by the funeral director. For example, one woman went to a funeral director, who put her money into a bond. This was not necessarily what she expected—she just wanted to prepay a funeral—but she was happy to trust them to handle it as they saw fit.

We paid it to (a funeral director) and they transferred it to (a bond issuer) to keep it for us.
(Bond, Female)

Information search

Some people who considered or invested in a bond did little if any research generally because they discovered bonds through an existing trusted relationship, such as with a funeral director. One had done a significant amount of research before he found bonds as an option, but then consulted a financial planner.

Centrelink played a significant role in the search process. Two people reported that Centrelink officers had suggested they consider a funeral bond. One had been directly advised by Centrelink of the benefits of taking out a bond, and one had found a reference to bonds on the Centrelink website.

One person, having decided on bonds, had been directed to a particular company by a financial adviser. Another had chosen a particular bond because of the word 'Australian' in the name, another because it was a local company. In Queensland, there did seem to be some need to boost confidence in the deal by linking it to a local provider.

Reasons for choosing a bond

Those who chose a funeral bond did so to:

- minimise the impact on the pension
- gain a benefit from the investment
- have their finances all separate and paid up
- deal with a 'transparent' or more 'friendly' organisation, or
- take advantage of the flexibility.

Minimise the impact on the pension

Some people had gone to Centrelink for a free financial consultation on retirement, and the funeral bond was suggested as a way to minimise the impact on any potential pension. It seemed like a good idea for a small investment, so on retirement they used some of their super to take out the bond.

Part of it was going to see if we were going to get a part pension. We weren't planning our funeral at that stage but it seemed good to have something behind us if one of us passed away. (Bond, Male)

Before I retired I saw a financial advisor in connection with my superannuation fund—that might have been the first little seed planted there. My super fund had a [xxx] investment advice service. They give you a good deal to review any of your finances—a one off review—and I think at that time the first idea was planted in my mind. The advantage was that basically for Centrelink payments for my pension, the \$6k is not counted as part of my income—that was one of the major motivators I suppose to do it. (Bond, Male)

Another did extensive internet research on funeral plans that were not insurance. He had heard extensive bad publicity about insurance, especially on talkback radio, so was looking for an alternative.

He found out about funeral bonds as part of his search, but it was the Centrelink recommendation on its website that tipped the balance and gave him confidence, even though he was not in a financial bracket to get Centrelink payments.

I went to Google and different things came up including companies that sell the funeral bonds obviously and including this one we are with. But Centrelink came up so I had a look and that is where I could see what Centrelink said about funeral bonds. And so to me that had a certain level of reassurance—if you have a funeral bond this won't affect your allowances up to such and such a figure. So Centrelink giving it a bona fide, if you like, is essential to me. (Bond, Male)

Gain a benefit from the investment

Bonds were appealing to those who had them because they perceived them to be an understandable investment product. The lump sum paid in increased in value as an investment. People understood that this was a small amount. Such a relatively small amount of money would not yield a huge return in another place, such as a bank account.

You pay it upfront and it goes into sort of a bond, which if I died in another 5 years my funeral costs would have been higher than what I paid for it. So that would be in the interest, not a great deal I believe. (Bond, Female)

I have taken out a bond and the interest on the bond goes back into the funeral fund. So in other words that \$6k will grow over the years depending on how they invest it. (Bond, Male)

It does get a type of interest. They talk about bonuses and they have the money and are getting interest with it and they must pay back a certain amount apart from the profit margin. But I am led to understand it is not going to be a great deal of money. But that is not the main motivator for us because we could have put money in a bank account but that is not going to pay much interest either. I accept the fact that if we do live another 15 or 20 years it will be unrealistic to say that \$8k would probably pay or anywhere near paying, but I figure if we keep in reasonable health and keep financially secure we can up it. (Bond, Male)

Have finances separate and organised

Bonds allow the individual to retain control of the investment, while keeping their funeral money separate from other bank accounts and investments.

We had the money and went straight out and paid it off, get it off the road. (Bond, Female)

We could say we could put some money in the bank and pay off a savings account and call it your funeral account whatever, but this had a different sense of certainty. (Bond, Male)

Deal with a transparent or friendly organisation

A few people felt that bonds were a friendlier alternative to the 'corporate' nature of the insurance companies. One person particularly found that bonds were 'transparent'. He found them easy to understand, to see what he had to pay, when it would end, and to know that the money would be 'ready'. He felt he was in control of the choices that had to be made with respect to payment amounts.

Another found the word 'bond' reassuring—it was a safe place for the money. Comparing bonds to insurance, he said:

No hidden corners that you could see until you had gone round them and suddenly you realise you were up for whatever \$15,000 or \$20,000 that was never going to end... We chose the deposit we wanted to put down, the down payment and the monthly amounts within reason of

course and we weren't dealing with something that was a huge amount of money and so I think the straight forwardness of it appealed to us. (Bond, Male)

It comes from a friendly society and it is a bond and I like the bond part of it. Bonds are supposedly more secure than stocks and something solid about the concept of a bond. (Insurance, Male)

To the bond investors, friendly societies were also deemed reliable, coming from an ethic that supported the community.

I have a feeling it is a very old school approach to the problem because I think in reading up their history of [xxx] it was from migrants in a new country banding together as a friendly society. (Insurance, Male)

Take advantage of flexibility

Bonds generally allow the investor to choose their own funeral director. For many people in the study this did not matter because they had organised the bond through their preferred funeral director. However, for some people who expected to travel, the idea of not being locked into one funeral director was an advantage.

Understanding the costs

People who organised their bond through a funeral director knew what the costs of a funeral were likely to be, because they had organised it like a prepaid funeral. This took into account the possibility that prices could increase.

As has already been stated for prepaid funerals, few people were aware that bonds could be paid in instalments. Instalments can also be unpopular because it can be hard to have peace of mind when the funeral is not fully paid for. Only one person, who had a bond, knew that if he died before the bond was paid up, the balance of the funeral costs would need to be paid by his estate. The deposit can also be a barrier to entry for bonds.

Reasons for rejecting bonds

Only one person who knew about bonds decided not to invest in a bond. This was because '*they had really strange names*' (Prepaid, Female). Others said that bonds seemed '*old fashioned*'.

Most of the people in this study who did not have bonds found the idea of a bond confusing and were unwilling to trust unnamed organisations without any other information. They were '*complicated*' and perceived to be for wealthy people. When it became clear to them that some were available from 'friendly societies' (as well as life insurers), several people commented that they were unaware of that term.

I probably wouldn't even look at it because I know nothing about it. (Insurance, Male)

Dissatisfaction with bonds

One bond owner now saw disadvantages in his bond and wanted to change to a prepaid funeral. He had had the bond for ten years and as he got older, he was paying more attention to the practicalities of his death. He had become concerned that the return on investment was small, and he felt that he didn't understand how his wife would get the money from the bond owner on his death.

I don't know much about my bond, they sent us information but doesn't seem to be getting much interest on it so I thought of changing it to just a funeral parlour type prearranged type funeral. (Bond, Female)

Funeral insurance

The people interviewed who had funeral insurance lived in Sydney, Wollongong, Brisbane and Melbourne. Most had left school after finishing Year 10. Generally, the people who had selected insurance did not have access to money to prepay a funeral or to save to meet funeral costs by purchasing a bond. They had no savings and insufficient income to save in the future.

Awareness

Everyone in the study knew about funeral insurance. They had learnt about it from TV advertising.

Information search

Most of those with an insurance policy had undertaken a limited search among competing companies offering insurance products, usually those they had seen advertised on television. They usually rang and had a conversation with two or three companies, and as a result, seemed to think that the companies had broadly the same offer.

Maybe because the first one I rang and when the others didn't differ at all, I went with that. They all give you 30 days to like anytime in 30 days you can rescind it. (Insurance, Male)

The successful company was generally the one which appeared to give the best customer service on the phone by answering questions, or one they trusted more because it was more familiar to them, or one which was a bit cheaper.

Many of the people who took out insurance, especially after having watched TV ads, had not investigated other options. For some people with no savings or assets, insurance was all they believed they could afford. Even if they were aware of prepaid funerals, they were considered out of their reach in terms of the lump sum payment. No-one had asked about the possibility of instalment payments. They didn't know to ask. Awareness of bonds (lump sum or instalment) was very low.

Reason for choosing insurance

Although they did not consciously choose insurance over other products, these consumers did choose to insure when they could have decided not to. A key reason for this was that they typically felt very comfortable with insurance, seeing it as a part of normal financial behaviour. There was insurance on the car, the house, one's life—why not a funeral?

Insurance also offered very specific benefits, which were:

- familiarity
- affordability
- easy to buy
- funds available immediately after death
- incentives to buy, and
- accident cover.

Having made the decision to get insurance, most people didn't think too analytically about each component of the deal.

Being \$2 something a week and no medical forms and then they give you a list of what the funeral will cost you and they're not wrong there—and then the fact you have the money there and processed and sent out to you in 24 hours or 48 hours and you don't have to worry about it. (Insurance, Female)

Familiarity

The presence of the funeral insurance advertising on TV seems to have normalised the idea. The concept and the brand names have become familiar. Sometimes they were the companies used for house or car insurance.

Affordability

Being on a pension doesn't give you much opportunity to save. (Insurance, Male)

Most people had heard on the TV that the price would be \$2.95 a week, or thereabouts. Most discovered when they contacted the insurance company that the premium was going to be higher than the advertised price because of their age. Some people expected this, though others were upset about it, because part of their growing commitment to the product had come from believing that insurance was affordable.

We did not interview anyone who had rejected insurance after finding out the price. Those who went ahead after finding out the price all felt that the premium they were expected to pay was in fact 'affordable'.

It sounded a very reasonable price and I think they may have said there was no medical to take and paid monthly or fortnightly. It got me at a time when I thought, I was a bit vulnerable and I should perhaps take something out like that. Because I had no life insurance and knew there wasn't going to be any money for [her children] when I die. (Insurance, Female)

To some extent, consumers retained their commitment to the product, because they felt they had no other option—they wanted to avoid burdening their family, and believed they could not afford the alternatives.

Affordability was calculated in every case as 'here and now' affordability—that is, can I afford this today? Only two people calculated the total cost of the premiums over time. Reasons for not doing so were that they simply did not think of doing it, and would argue that they 'do not know how long I am going to live'. During the interviews, some policyholders realised that they 'should have' thought more long term, or taken more interest in how their premiums could be varied.

Easy to buy

People with funeral insurance found the whole process very 'easy'. There are no medicals and the direct debit can be organised there and then. The fact that it was just a phone call (plus a few forms) was non-confrontational. The fact that you can take it out in your own home also makes it easy.

The other aspect of ease of use was the direct debit from a bank account. This ensured that they didn't forget to make payments—most people knew that this would result in a default of the policy. It also reinforced the affordability. It was a small amount which they expected they could manage without each month, even out of a pension.

That way I don't miss the payment. I make sure it has gone out. (Insurance, Female)

Some people organise for the money to be debited on the day their pension or Centrelink payment goes into their account.

It's more important to me being able to cope with it month to month, than how much I pay over time. (Insurance, Female)

It struck me the fact that you can pay by direct debit or however it worded it and the fact it automatically comes out of my Centrelink payments as well. (Insurance, Female)

Funds available immediately after death

The fact that funds are available so quickly after death is a very significant factor for this target market, since much of the rationale for these consumers was that they have no other money. When they became aware during the interview that it is possible to use instalments to invest in a bond, or prepay, they became concerned that they might die before it was paid off, whereas with insurance:

If I died today, after 18 months of policy, I am covered for the full amount. (Insurance, Male)

Incentives

Some chose to take out funeral insurance because of the incentive offered. For one, the original offer had been a Parker pen when she signed up. She then replaced that policy with another one which offered a different gift. One had been offered one month free. Others had been swayed by the promise of having some of their premium returned after 3 years.

These gifts made people feel they were gaining 'a little bit extra', rather than losing. None of these people calculated how much this 'little extra' actually cost.

Occasionally, the free offers felt as if the company was being 'pushy', which caused their offer to be rejected.

For some people, these policies seem like an easy form of leaving some money to the children. One woman was paying a premium for a \$10,000 funeral. She expected it to cost \$5,000, leaving the remaining \$5,000 in her daughter's pocket. There were several examples of this—all people who had no life insurance.

Accident cover

Most policies allow only claims for accidental death in the first year, but the accidental death cover in funeral insurance is a multiple—perhaps 3 times—the usual cover. Some policyholders saw this as a bonus.

Understanding the costs

Choosing the level of cover

People with funeral insurance were currently paying a premium of between \$50 and \$140 a month per person for a funeral benefit varying in cost from \$5,000 to over \$17,000. In each case, the amount of cover initially chosen was based on the premium the individual felt they could afford.

As described earlier, some people had no idea what the real costs of funerals were so had no other information on which to base their decision. Some people took into account the cost of the wake or function that would be held after the funeral. Some people were not concerned about whether or not their benefit would cover the full cost of the funeral. They saw their arrangements as at least taking some of the burden off their families.

Once they had done their bit, by taking out funeral cover, they tended to put it at the back of their minds and not worry too much about the amount. They assumed that it would increase at least a little bit over time. Some thought it might increase to the extent that it would be too much for the funeral costs. In that case, as already mentioned, they were happy to think of it as a little legacy for their family.

Variations in premiums over time

The default premium type for the policies held by the people we interviewed was the stepped premium which increases with the consumer price index (CPI), or by a predetermined amount such as 5%, and with the age of the insured person.

Some policies offer 'level' premiums as an opt-in alternative to stepped premiums. The entry point for level premiums is usually higher than for stepped premiums for someone of the same age and gender. Some policies give consumers who choose level premiums the option of having their benefit and

therefore their premium increased by CPI. Some policies offer an opt-in alternative to 'freeze' the premium, in which case the benefit goes down over time.

One person had read the Product Disclosure Statement (PDS) after purchasing and decided to switch to a level premium. No-one else knew that level premiums were available.

Some people who had their policy for a while knew that their cover, and therefore the premiums, increased with CPI, but some people were not aware of this. Some had discovered that the premium increased with age. Two people were angry when they discovered that their premium had increased considerably because of age. One person started out paying \$7.70 a fortnight in 2006 and by 2011 was paying \$16.18. The benefit had gone up from \$3,000 to \$4,800. (Insurance, Female)

Others, who had taken out the policy more recently either did not know that premiums would rise with age, or expected them to rise 'a fraction'. (Insurance, Female)

Most had not read the PDS carefully. They knew they should have done so, but because it seemed so straightforward and was a comparatively small amount of money at the time, they saw no need.

Some only properly looked at the paperwork for the first time in the course of the interview. One woman, who had been considering letting her policy lapse because of the increasing premiums, was amazed to find she could vary the payment terms.

It says here unless requested otherwise each year your benefit will automatically be increased by the change in CPI or 5% whichever is greater. I will ring and say I don't want to go higher than this. It is on the paper—I should have read it. (Insurance, Female)

Increasing the cover

Funeral insurance companies have advised their customers that funeral costs escalate and so some insurers would contact their customers from time to time (once every year or so, it seems) with suggestions that they should increase their cover other than by the CPI increase.

They stressed the fact that funerals are getting more expensive. ...the last time they rang I said "No, I am not going to pay anymore" and said something about you can get \$7,000 and ... that is when I checked them out, the cost of funerals. I went online and checked and found out you can get cardboard coffins and it is \$2k and can be anything around \$2k for a plot of earth to put you in and thought "No way—wow". Burn me and throw me somewhere—I don't care. (Insurance, Female)

If a payment is missed

When asked what would happen if they missed a premium, most told us that they made sure they had the money in the account to pay. They expected that the insurer would be lenient if they missed one payment. No-one thought what would happen if an emergency occurred and they were unable to monitor their bank account to make sure enough money was there. One or two mentioned that after the age of 90, there were no more payments to make.

I would expect them to call me and then I would have to make up for it, I guess. I think they would make allowances for one, at least one. (Insurance, Female)

Total cost

In contrast to prepaid funerals and bonds which have a fixed total cost, the total cost paid for funeral insurance cover depends on how long the person lives. Most of those with insurance policies had not thought to calculate the total cost or to estimate likely costs given nobody knows when they are going to die or even any sense of average life expectancy for people their age, for example.

(Note that there are some insurance policies on the market which have a fixed cost. One, for example, stops taking premiums after age 90, though cover continues. Another promises that premiums will cease when the benefit amount is reached—effectively treating the premiums as instalments.)

Reasons for rejecting insurance

Among those who knew of funeral insurance but did not take out a policy, the reasons for rejecting funeral insurance were as follows:

- They had the funds for a prepaid funeral.
- They were concerned about corporate ethics and stability.
- They rejected insurance because of the cost.
- They needed immediate cover, because they were terminally ill.

Had the funds for a prepaid funeral

Those who had paid in full for their funeral had not necessarily rejected insurance. They simply felt that since they had the money, they might as well pay it all now.

Concern about ethics and stability

Some were negative about insurance in general. Some were suspicious about the reliability of the company, whether it would be there in the long term. Others wondered whether they could trust them.

Don't know about that you could be stung easily, they won't be there when you ring them up and say 'hey I need a funeral' and they would say 'you never ticked box x on your original thing and you are no longer eligible' or the phone will ring out and 'this number is no longer connected' Sometimes if I have been bored silly looking at the TV in the morning and you get all these 'join this funeral plan now' and some of them sound too good to be true and if they sound too good to be true they probably are too good to be true. Never been tempted to dial that number and same mob that give you life insurance. That doesn't make economic sense and there is too much latitude given to that sort of advertising, they just spurt it all out and get all that money in and probably fold before they have to pay it all out. (Prepaid, Male)

None of this negativity or suspicion came from direct experience of funeral insurance companies. A couple had had bad experiences with insurance companies for other products, which influenced their perspective.

Concern about the cost

Others had become aware that premiums could 'escalate'. Some talkback radio programs have had callers on this topic:

All the publicity about people who get caught up in paying off funeral plans. A few weeks ago when driving I listened to a whole lot of disgruntled people, often older people, and just how much they have paid out and got caught in a nether world—to pull out or not pull out, to keep losing money. And all that had me concerned. (Bond, Male)

The whole concept of insurance was very good, but there is that balance of premiums going up every year and that didn't appeal to me as much as the alternative. (Prepaid, Male)

One person had been advised by a funeral director to consider the total cost of insurance premiums over the whole life of the policy. She then prepaid her funeral instead. One other person had seen an infomercial from a funeral director which showed 'piles and piles of cash', again representing the total cost of a funeral insurance policy.

Someone who held a bond with a friendly society had had a promotion from them which pointed out the pitfalls of insurance.

They sent me a letter about 18 months ago telling me that the ones that are advertised on TV and so on are hard sell; they don't have the termination for deposits so you keep paying them up until the day you die. They said to me if you have any children or friends thinking of going onto that first give them a ring and I did and rang them up and they sent me out two of their proposals which I gave to my kids and one threw it in the bin and said "I am not worried about that" and the other said I am covered by work. (Bond, Male)

Needed immediate cover

One man who was terminally ill with cancer did not take out insurance because his death would not have been covered in the first year of the policy.

Dissatisfaction with insurance

Among those with insurance, dissatisfaction levels were generally low. However, some people were now struggling to pay their funeral insurance. One man was paying \$140 a month out of his pension. His premium had increased partly because of his age, and partly because he had increased his cover, fearing that funeral prices were escalating.

Those who were struggling did not want to cancel their policy—though they feared that might be forced on them one day. A classic case of a 'sunk cost', they felt committed to the idea that they would 'not be a burden' when they died, and knew of no other practical alternatives.

One woman, who had her policy for 7 years, was convinced that she would not be able to afford to keep paying, but she saw no need to cancel the policy now, even though she knew it would be lost money. It was a question of keeping it going until the very last minute that she could afford it.

It goes up every year, covered for \$12,000 probably too much to afford. Then it is dead money. ...it will be a problem because the fee that I am paying out now—\$47 a fortnight—is a lot of money, especially on a pension. By the time I am retirement age, it's far too much to fork out. You pay all that money and the time comes and you don't get nothing out of it and you can't get your money back, when the time comes and you turn 60. At the moment I'm working part time so am on a part pension so that little extra money I am earning as in working supplements my pension. But there will come a time when I won't be able to work and have to live just on the pension. That \$47 would be better in my pocket to pay for my other bills than what it would to pay for that. Better off putting a few dollars away each week or fortnight whatever I can afford and saying to the kids 'ok don't touch that in the bank, that is for my funeral' and that is that is what I will probably end up doing. All this money I am paying for 7 years paying to the funeral plan, once I stop that will be dead money and I won't get anything back. (Insurance, Female)

This section has explored why people chose particular funeral benefit products and touched on some of the potential problems. The next section of the report explains how people felt after they had decided what to do.

Post-purchase: Emotional closure

Most of the people we interviewed were satisfied with their purchase or investment. Indeed, they were more than satisfied—they had invested in the decision and were emotionally committed to it. They felt closure.

I don't have to worry about it anymore... I realised what peace of mind and what big burden I managed to eliminate off my shoulders. (Insurance, Male)

Regardless of the actual product, there was a sense of emotional benefit that was very personal. The emotional gain that people felt was a combination of:

- a sense of acting responsibly
- a feeling of pride
- relief and peace of mind
- being organised, and
- a sense of control.

The emotional benefit began immediately after purchase. This was so compelling that, as a result, people were unlikely to reflect on or rationally assess their decision, even when they were given a 7-day cooling-off period. Neither would they reassess it at a later date even if uneasy, for example, about rising premiums.

Acting responsibly

Without exception, people felt that they had done the responsible thing by taking out the policy, or bond or prepaying their funeral. It removes a burden on the family. This gave them a very personal sense of satisfaction, because often they didn't tell anyone else about their decision.

It was particularly true of people in a parenting role, and the feeling was especially strong among women who were single parents—divorced or widowed. Parents of both genders felt that even though, in some cases, their children did have the necessary resources, you couldn't tell what might happen in several years time, and in any case it was a lot of money for them to spend as they themselves raised families.

Some people felt that a death was a time when there might potentially be conflict among the remaining relatives, especially if money from the estate took a long while to come through. Usually this was based on an unpleasant experience in their extended family. They felt that their actions will protect their family from this conflict.

I just wanted it to be uncontentious, to leave no space for discussion. It's a sensitive time. Everyone's vulnerable. (Bond, Male)

I've had experience as an executor, and seen families traumatised, especially when there's time constraints. (Prepaid, Male)

For others, who were alone but without children, it was about relieving the burden on their friends.

When I retired, I felt I was entering a new phase of life and wanted to put my affairs in order. I have no family in Australia and would have to rely on friends [to arrange a funeral]. I wanted to make it as easy as possible. (Prepaid, Male)

Pride

People were proud of what they had done. Husbands sometimes felt a sense of pride that they would continue after death, as in life, to consider their wife's wellbeing and be a good provider. They were happy to think that things would go smoothly for her. Sometimes this was in spite of the wife's protests that it was unnecessary.

It will make things easier for my wife. There'll be no issues finding the money. (Bond, Male)

It's the honourable thing to do. (Insurance, Male)

There was also a sense of pride among some people that by means of an increasing benefit, there would be money left over—a small legacy for their children.

Relief, peace of mind

Others described their feelings as peace of mind, or relief, especially that everything was now organised.

It's reassuring that I have done it. It's off my back. (Insurance, Female)

Some said that they particularly felt this relief now when they saw the ads on TV. It removed the guilt those ads engendered. They had already got it all sorted out.

I wanted minimal challenge to family, particularly my wife. I wanted to move as many worrying obstacles as possible. (Prepaid, Male)

Feeling organised

A strong emotional reward was a sense of being organised. It was particularly important for most that the funds were completely separate from their other finances. This applied equally to those on low and high incomes. Even those with other investments, who recognised it was a poor use of money, liked the idea of compartmentalising this particular amount.

My beneficiary knows which jam tin it's in. I'm not the sort person who's disciplined enough to keep it in a box. Under the bed or a separate account, I'd spend it. (Insurance, Female)

It was part of a process organising power of attorney, medical directives etc. I didn't want to leave stuff undone. (Prepaid, Male)

Being in control

This emotion was particularly strong among those who had chosen a prepaid funeral. Usually they wanted specific elements in the service (e.g. live music and a requiem mass), or they had particular ethnic or religious requirements that they wanted properly covered (e.g. a specific coffin). Usually this meant considerable expense, so there was a need to have that properly covered.

I can tell my daughter what I want before I die. (Prepaid, Female)

Some had no wish at all to be 'in control'. Either they had no interest or to pay attention to the detail was too confronting.

It's not important. The family can change it all anyway, afterwards. (Prepaid, Male)

People who had prepaid their funeral had usually chosen a funeral of about \$4,000 to \$7,000 and had deliberately avoided being too fussy about the 'extras' such as lots of flowers. These people tended to feel that they had made a wise financial decision. Others, with bonds or with insurance, did not express satisfaction with the 'deal' they had done.

C Conclusion

Advertising for funeral insurance has successfully promoted the new idea that people not only can but *should* formally prepare for the costs of their own funeral. While this message has stimulated interest in funeral insurance, it also seems to have influenced people to consider prepaying their funeral or investing in a bond.

The similarity of the emotional appeal across all funeral benefit products in both advertising and documentation ensures that this funeral planning concept is embedded in people's consciousness as a 'feel-good' mode of behaviour. Indeed, the people we spoke to gained just the sort of emotional reward promised.

The advertising acted on an emotional need which people felt could be resolved by buying funeral insurance. It could also be resolved by a prepaid funeral or bond, for those with the knowledge to do so, the necessary funds—and in the case of prepaid funerals, the courage to face the details. The advantage of insurance for low-income people is that it does not require the effort and uncertainty of saving and so people feel they can afford it.

To some extent, bonds and prepaid funerals are the least accessible product options, because of the reluctance that some people feel towards talking about the details of their own funeral. Also, the marketing material for bonds is written in a more technical language and the bond issuers are less well-known than the funeral insurance companies.

Overall, it seems that funeral benefit products in general and funeral insurance in particular are likely to attract customers in the 60 plus age range, particularly those who are ill, or respond to being made to feel guilty about leaving the family with a financial obligation.

It is of concern that there is so little depth of understanding of the limitations of funeral insurance policies—the increasing premiums, the total amount spent, the failure to pay clauses, and the real cost of funerals. It is possible that some people will be sufficiently prepared for the total cost over the lifetime of the policy. However, some will not be.

Also concerning is that there was little evidence of any real understanding of the existence of alternative methods of paying for a funeral, and the pros and cons of each.

These people knew they should read 'the small print' where this information is contained, but didn't. There was a sense that they were all the same, and if you do it, you should just go with it—set and forget it. Don't spend too much time thinking about it. Furthermore, people had gained such emotional benefit from the completion of the process that they had no interest in challenging it. It is therefore unlikely that people will educate themselves about the long-term costs without significant encouragement.

The study has identified some information that existing and potential customers of these products should know:

- how much typical funerals cost
- that there are affordable product alternatives and policy differences, and
- that people can have some control over the level of insurance cover and the level of premium they pay.

Appendix

Three case studies

Case study 1: Prepaid funeral

A married, relatively affluent couple in their early 70s had been thinking about prepaying their funeral since the husband's mother died four or five years ago, as she had prepaid her funeral. The funeral was interstate, so having it prepaid made it very easy to organise.

They thought they should prepay their funeral for their own children's sake, so that it wouldn't 'create expense for the kids when the time comes', and to know they have 'chosen what we wanted without them having to make the decision.' Bearing in mind a stressful funeral of another relative who died some time ago, 'I just thought I don't want my kids to be in that situation of under stress and thinking is this what Mum would want'. The couple also thought it would reduce potential family tension: 'And for the kids, they don't have to fight about it, that's another thing. Not that they would, but they may, who knows. If the decision is made then they can't say 'well I prefer this and she'd prefer that.'

They eventually prepaid their funerals about a year ago. They decided to do it when they were turning 70. 'It was probably when we were 69, we thought it's time that we make the decision, not too old but not too young.'

They chose a local funeral company because they'd 'been to quite a few funerals there in the past'. And they already had plots in the local cemetery. They've got to know the funeral director at an earlier funeral. They just made an appointment with the funeral director and found him 'extremely helpful, personable and easy to talk to'. He also made no difficulties about their request not to have the casket in the church.

The funeral director explained that if they lived a long time, funeral costs may have increased significantly, but they would still get what they had requested. In other words, the company bore the risk of increased costs, by investing their money. They were offered the option of paying it in instalments via a bond, but had the impression that it could cost them more over time, and the final amount might not meet their requirements. With a lump sum prepaid payment, they could be certain of what they would get.

The funeral director also pointed out the disadvantages of insurance. 'I don't know if there is an end result, like if you get to your \$15,000 or whatever they seem to advertise on the telly, whether you stop paying at some stage, or you just keep on paying. I don't know the answer to that, but I think he indicated you could pay an awful lot out if you are paying it like that.' Insurance also meant that the decisions didn't have to be made about funeral type, which is something they wanted to do.

They were also concerned about being locked into a local business if they were away travelling for instance, but the funeral director assured them that there would be no problem in dealing with that in Australia. Overseas they thought their travel insurance would cover it.

They found the transaction simple. They were taken to the bank next door to the funeral director to deposit the money.

They talked to their children, telling them they were going to do it and then the name of the company. They were pleased at the simplicity of it: 'I said, "Well really and truly, you just have to ring the company and it's all there"—basically if she forgets about where our papers are or something.' Occasionally they mentioned it to others if the subject was raised.

They are 'pleased we've done it, very pleased. It's just like another step has been done. It's out of the way—you don't having to keep on thinking about it, it's done.'

Case study 2: Funeral bond

A single man in his 60s took out a bond with a local friendly society for \$6,000 when he retired four years ago. He thought it was time to 'to sort through my finances' and put his affairs in order. He saw himself as entering 'a new phase of life'. He realised that as he had no immediate family, friends were going to have to sort out his funeral. He wanted to make it easy for them. He bought a funeral plot at the same time. He did it all fairly quickly because he didn't want to dwell on the idea of his death, and wanted to do it and forget it. He also wanted to tackle the idea of what he wanted for his funeral while he was in a positive frame of mind, while he didn't feel depressed about the end of his life.

He came across the idea of a funeral bond and through a review of his finances with his super fund before he retired. There was no mention of it in standard retirement seminars. They told him that it would not be counted as part of his income for pension purposes. When he retired, he followed it up through Centrelink. He talked to them about it, and thinks he saw it in some written information.

He heard about the bond issuer through print media, either in over-50s magazines or through a Centrelink retirement magazine; he couldn't remember exactly which. He chose one because it was local. (When he took out the bond he didn't use the internet much, but these days might 'Google' for information.) He didn't make comparisons because he didn't want to spend too much time on the process in case it depressed him, and he thought they'd be much the same anyway.

'I went into their office and was impressed because their office was here in [xxx] and I was dealing with local people and with an organisation based in Brisbane and I thought "that's good"'. He knew it was a friendly society founded 100 years ago and was impressed by that. He liked the idea of it having been set up to service the needs of a community.

He was very clear about how his bond worked: 'I have taken out a bond and the interest on the bond goes back into the funeral fund. So in other words that \$6,000 will grow over the years depending on how they invest it and it is to be given to the person I nominate to cover my funeral expenses.' He funded the bond out of his savings as a once-off payment.

He chose \$6,000 because it was the highest figure he could put in that would not affect his Centrelink payment and he could afford it. He wouldn't have wanted instalment payments anyway because 'I wouldn't want a statement on my bank account saying we have deducted this much for your funeral and be reminded every month'.

He is not worried about the final benefit, as he thinks it will be at least close enough to cover what he wants. 'It has increased marginally in value and \$6,000 should be enough to cover it and I have done something in the right direction.'

He feels satisfaction that he has 'decreased the burden on other people by taking care of it myself,' and that he has got it over and done with. He feels a sense of pride that he has dealt with this when, on the rare occasions it comes up, he realises that none of his friends have.

He wouldn't prepay a funeral because he didn't want to deal with funeral directors. He was 'not quite ready at this stage'. He also thinks bonds have a 'solidity' about them, and he likes the phrase 'capital guaranteed'.

He wouldn't have taken out insurance because he doesn't trust insurance companies. 'They try and get out of paying things,' he said.

Case study 3: Funeral insurance

A younger, single, unemployed woman took out insurance two years ago. She pays \$30 a fortnight for \$10,000 cover; if it's an accident, \$20,000. Her sister is the nominated beneficiary. The first year cover is only for accidental death, but is triple the benefit. This is an impressive feature to her.

She was motivated to take it out when one of her friends was killed in an accident. The woman was, like the respondent, separated and single. She saw how a lot of people were 'scrabbling around' to find money for the funeral.

She had known about funeral insurance because a couple of older relations had it. The ads on TV also developed a strong awareness, but she had thought it was just for older people. She hadn't thought about it for herself until her friend's accident.

She used the ads on the TV to get the phone numbers and rang two of them. She only saw insurance advertised, and there was no consideration of other types of insurance. She found one company very pushy: 'Buy now—we can take your credit card now—you must do it today'. She was also offered incentives—one month free, and she didn't like what she saw as hard sell. The other company seemed less hard sell—and a little cheaper—so she went with them.

She chose \$10,000 cover because her friend's funeral had cost \$7,000, and she thought that would be about right.

The company just sent documents, and she found it quite straightforward. She didn't read the conditions, just put it in the drawer and consulted no-one. She knows that she probably should have, but because she equated it with house and car insurance, this seemed just like them. The key details, she felt, she had been told on the phone.

She had never heard of bonds and only considered insurance because she could afford the small regular payments. When introduced in the interview, she thought bonds were a good idea, but would never have enough cash for a deposit. She had heard of prepaid funerals because her relations had done that, but again, she had no ready cash. She had no understanding that instalments might be possible with bonds or prepaid funerals.

Having the insurance, she felt reassured and confident. 'I don't want to be a burden to anyone. They've all got kids...' She liked the sense of this money being separate, tucked away and dealt with: 'I'm not the sort person who is disciplined enough to keep it in a box under the bed or a separate account. I'd spend it.' It is also accessible when needed. Her sister 'knows which jam tin it's in'.

She knew that she will pay much more, but that's just like life insurance. She also knew that if she defaults, she would lose it, again like life insurance. 'I would expect that.' She felt that you insure your life, house, car, so why not yourself? It was a familiar model.

She is confident in her ability to pay, even though she is unemployed. She sees it as a small amount. 'I won't miss a payment. I always pay my bills.' It is secure because it comes out automatically from her bank account; she doesn't have to save the money to pay it. She feels that if something inadvertent happened, she would write to the insurance company and expect a sympathetic hearing.

However, she did have some underlying concerns about increasing premiums. She believed that it goes up by CPI or 5%, whichever is lowest. It was a long-term worry, but not one she was confronting now. After discussing bonds during the interview, she thought she might investigate how much the upfront payment is.

If friends or relatives bring it up, she tells them it's a good thing to do.

Methodology

Sample structure

Figure 3: Age of respondents

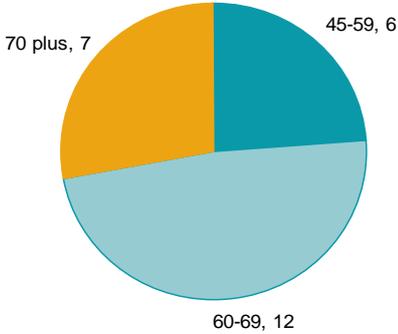


Figure 4: Gender of respondents

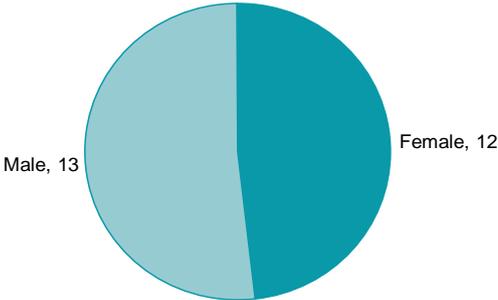
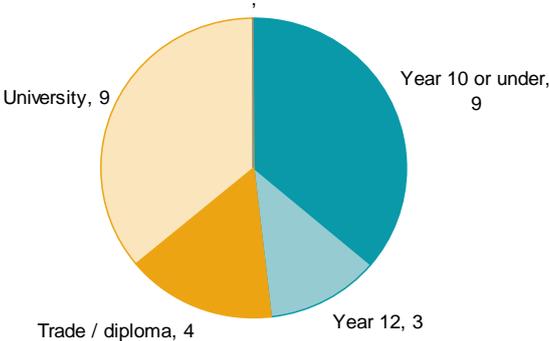


Figure 5: Highest level of education



Other factors

We excluded from the sample:

- temporary residents
- professional financial advisers (including planners, accountants and stockbrokers)
- people who work in or have worked in, or whose close friends/family work in, the insurance industry, the funeral industry, or market research, and
- people who have participated in research in the last 6 months.

Other details include the following:

- Respondents were recruited from recruitment databases.
- We outsourced recruitment to Q&A Market Research and Qualitative Recruitment Australia.
- When necessary, we used a member of the family to translate.
- Respondents were paid a cash incentive to participate.
- Respondents were told during recruitment that the research is being conducted for ASIC.
- Susan Bell Research is ISO 20252 accredited and a member of AMSRO.
- The interviews were audio recorded and transcribed.

Screener

Introduction: Hello. My name isfrom

1. Have you taken part in an in-depth interview or group discussion in the last 6 months?	
YES	TERMINATE
NO	CONTINUE

2. Which of the following industries do you work in, or did you work in?	
3. Do any of your family members or close friends work in these industries?	
Market research	TERMINATE IF YES TO ANY OF THESE
Insurance	
Financial planning	
Accountancy and stockbroking	
The funeral industry	

4. Are you an Australian citizen or permanent resident?	
YES	CONTINUE
NO	TERMINATE

5. Do you have a professional or paid financial planner or adviser?	
YES	TERMINATE (though monitor this)
NO	CONTINUE

6. These questions are about the way that some people plan ahead to meet the costs of their own funeral or someone else's funeral. Have you planned anything like that?	
YES for myself	CONTINUE
YES for partner (joint decision)	CONTINUE
DO NOT READ OUT: YES for late partner	Check if suitable for 'partner quota'
IF NONE OF THESE, TERMINATE	

7. Could you please tell me what you have arranged?

PLEASE ASK THEM TO FIND THE PAPERWORK AND READ IT OUT TO YOU.

WRITE IN

AND THEN CHECK WITH THE LIST BELOW TO SEE WHICH QUOTA IT FITS INTO

Funeral insurance/plan	Prepaid funeral plan	Funeral bond
If it is in this list, it meets the 'insurance' quota despite its name	Prepaid funerals come from funeral services companies that organise the funeral	Funeral bonds are like savings plans
ACBF Funeral Plan Apia Funeral Plan Aussie Funeral Plan Australian Seniors Funeral Plan Budget Direct Funeral insurance Ezicover Funeral Plan Freedom Funeral Plan GIO Funeral Insurance Guardian Funeral Insurance Insurance Line Funeral Insurance Plan My Funeral Plan National Seniors Funeral Plan Real Life Insurance Plan Sure Plan Friendly Society Zurich Funeral Insurance Plan	Examples of these are: Gregory & Carr Funerals Newhaven Funerals Simplicity Funerals White Lady Funerals Many of these are small local businesses. The person goes to the funeral director <i>directly</i> .	Ancient Order of Foresters Funeral Bond Australian Unity Capital Guaranteed Funeral Bond Bendigo Funeral Bond Friendly Society Funeral Bonds Guaranteed Funeral Plans Key Invest Funeral Bond Lifeplan Australia Funeral Plan Management— Funeral bonds Sureplan Gold

CHECK WITH THE RESEARCHERS IF IT IS NOT ON THE LIST BEFORE BOOKING THEM IN

Note: Do not categorise it as 'funeral insurance' if it is funeral cover which is part of a home and contents insurance policy—only proceed if it is a separate policy. Also, do not include it if it is part of life insurance or superannuation.

8. Approximately, how long ago did you first buy or take out this?

THIS YEAR	CHECK QUOTAS
2–5 YEARS AGO	CHECK QUOTAS
6–10 YEARS AGO	CHECK QUOTAS
OVER 10 YEARS AGO	CHECK QUOTAS

9. IF PREPAID PLAN OR BOND: Are you paying this by lump sum or instalment?	
LUMP SUM	CHECK QUOTAS
INSTALMENT	CHECK QUOTAS

10. RECORD AGE, GENDER AND MARITAL STATUS	
MALE	Aim for roughly equal gender mix by product
FEMALE	Aim for roughly equal gender mix by product

MARRIED	Mix across the study (not by product necessarily)
NEVER MARRIED	Mix across the study (not by product necessarily)
WIDOWED	Mix across the study (not by product necessarily)
DIVORCED / SEPARATED	Mix across the study (not by product necessarily)

<p>This research is being conducted for the Australian Investments and Securities Commission (ASIC). The interview will be about how you decided on the funeral insurance/bond/plan. Is this something you are OK to talk about?</p> <p>Everything you tell us will be treated in the strictest confidence and will be used for research purposes only.</p>	
AGREE TO INTERVIEW	CONTINUE