

Guaranteed Price vs. Nonguaranteed Price Preneed Contracts

Many Florida preneed licensees are unaware that Florida law permits the sale of nonguaranteed price preneed contracts. It was long the tradition in the Florida deathcare industry for preneed sellers to offer only guaranteed price preneed contracts. But, sellers need not be limited in that way.

FSI's forms of Prearranged Funeral Agreement (PAFA) give sellers the ability to sell both types of contracts. In fact, a seller may guarantee the price of some items but not others within a single contract.

Note the language contained within the banner on page 1 of the PAFA. It says:



Unless indicated by an X the prices for Services and Merchandise are not guaranteed.
The prices for Cash Advance Items are not guaranteed. For all items for which the prices are non-guaranteed, the current retail price of those items, at Maturity, will be charged and must be paid for prior to the provision of the Services and Merchandise.

Emphasis added. In conjunction with the language on page 1, language on page 4 reads:

Statement of Guarantee. Some of the prices on Page 1 may be guaranteed, some may be non-guaranteed. For those items for which the price is guaranteed, Firm shall accept all funds in trust for those items and no additional payment for those items will be due if this Agreement was paid in full prior to Maturity. For those items for which the price is non-guaranteed, the current retail price for those items, at Maturity, will be charged and must be paid prior to the provision of the items identified on Page 1. The greater of the amount paid by Purchaser for items for which the prices are non-guaranteed or the current market value of the assets in trust related to such items, at Maturity, will be credited against the current retail price, at Maturity, for those items. If the current retail price of any items for which the prices are non-guaranteed, at Maturity, is less than the amount paid by the Purchaser for such items, the excess will be refunded to Purchaser or to the estate of the Beneficiary. If this Agreement is not paid in full prior to maturity, all prices will be treated as non-guaranteed.

Why, you might ask, would I want to offer my customers nonguaranteed price contracts or items? There can be many reasons, here are two:

- **You want a hedge against funeral inflation.**

If funeral inflation rises faster than your investments, this will protect you in the long run. Remember, the industry often uses the guarantee as part of the “sales pitch.” It is ingrained so deeply that it is simply automatic to just mention it. But there has never been a legal requirement to do so.

- **You have little or no control over many of your future costs, and you cannot predict the economy of the future. Why guarantee something you have little control over?**

Do you think the consumer will walk away if you don’t guarantee the price? Here’s a better question: Do you think the consumer expects a guaranteed price? I suggest not, unless you tell him otherwise. From the consumer standpoint, prepaying funeral expenses is not a financial investment; rather, it is an emotional investment. So, a price guarantee, even if the consumer assumes there is one, is easily overcome during reasonable conversation. The consumer is acting so that his “children don’t have to.”

FSI’s PAFAs are approved by the Board of Funeral, Cemetery and Consumer Services. Therefore, the Board considered and approved the sale of nonguaranteed price contracts or items. You can rest easy knowing that your preneed contract is compliant with the relevant Florida laws and rules. And, most importantly, you can make the sales choices that are right for your business!