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BUSINESS

Avoid losing preneed funeral funds

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Families considering preneed agreements for burial services may have second thoughts after learning of a local funeral director who mishandled funds, leaving financial victims in the wake of his death.

Jeffrey Fretti, who owned J. Jeffrey Fretti Funeral Home in Toledo, died in April, but the extent of his business's financial woes was not discovered until weeks later.

The news "panicked" other funeral home officials, according to Megan Coyle-Stamos, director and prearrangement specialist at Coyle Funeral Home, who said she became concerned consumers would shy away from investing in preneed agreements. Most funeral homes place funds into guaranteed, irrevocable trusts to ensure the money is safe.

"It's their money, and the funeral home does not have any access to it until the death has actually occurred," Coyle-Stamos said. "So it is a very safe and very comforting thought to know that things are paid for, that they are in order."

Trust beneficiaries and insurance policyholders lock in the cost of the funeral services even if they are not needed for years. Client funds through J. Fretti Funeral Home, however, were self-managed, which Coyle-Stamos said sets up a situation that "can easily go awry."

Another advantage to trusts and insurance policies is that their values are not considered personal assets if a client needs to rely on Medicaid later in life.

"The growth of the policy will cover any inflationary rise, and that's the funeral home honoring and taking that risk to ensure that the families are taken care of at the time the death occurs," she added. "[But] they should always ask for details about how a funeral home or even a cemetery would protect their money and they should ask for an accounting of where that money is and how those funds will be kept."

John Wanick, a lawyer serving as executor for the Fretti estate, said clients can avoid risking their funds by requesting documentation from the bank holding the trust or the insurance company writing the policy. Only upon the death of the individual can a funeral director access the funds unless, in some cases, the client funding the trust or policy consents to a dispersing of the money.

"As far as the Fretti matter was concerned, the majority of the moneys that were given to Mr. Fretti were to go into a trust with a local bank," Wanick said. "It was set aside specifically for preneed funding. The insurance policies were not what he would normally do."

"How do people avoid having this occur? Make sure that if they are giving money to a funeral home, they obviously get a receipt back from the entity where it is supposed to have been deposited."

Recent legislation passed by the Ohio State Legislature takes full effect in early July, which Wanick said "tightens up" preneed funeral contracts to protect clients who invest in preneed services.