



Oct. 17, 2011

Dear Subscriber:

There seems to have been some fallout from the recent sale of Federated Funeral Directors of America, based in Springfield, Ill., to the worldwide firm named Fiducial, but it's the kind that funeral homes can be happy about.

As is often the case when a top firm changes hands, others are swooping in to serve those who may not be so happy about the sale. This includes a group of former Federated employees led by Tom Flynn, who have formed the Funeral Professionals Alliance, which is 100 percent employee owned. The company offers many of the same services that Federated offered – accounting, tax planning and preparation, financial analysis, business valuation, succession and estate planning and other consulting services.

Not to be outdone, another well-known figure in funeral service who is also based in Illinois is starting an accounting firm of his own. David Nixon, owner of Nixon Consulting in Chatham, Ill., is now also an owner of the newly formed Heartland Funeral Solutions in Springfield, Ill.

Nixon used to be an owner of Funeral Management Service, which was bought by Federated before it in turn was recently sold. "I went out on my own in 2003, and I have continued to help clients make money," Nixon says. "People have asked me since the day I left my old firm if I would offer accounting services, and I stayed away from it for a long time, but in the last year, I've been thinking about it more." Nixon says that he would have launched Heartland regardless of whether or not Federated was sold, but the sale made it easier to launch the firm sooner rather than later.

Joining Nixon at Heartland will be his own trusted certified public accountant, Robert Cameron, owner of Cameron-Smith & Co. in Springfield. "Rob has been vital to our firm and like me, he is positively devoted to the family-owned business," Nixon says on Heartland's website.

Will more firms that specialize in accounting also enter the arena to serve funeral homes? Only time will tell, but Nixon notes, "Obviously, it's a wide open market here."

Survey: Funeral Directors Miss Opportunities to Profit from Celebrants

Funeral homes continue to miss opportunities to profit from the increasing number of families who want to memorialize their loved ones in personalized services that do not involve clergy members, according to the 2011 Funeral Directors Survey conducted by Citrin Cooperman & Co. LLP.

The full-service accounting firm's survey mainly collects responses from Connecticut, New Jersey,

New York and Pennsylvania funeral homes. According to the latest report, only two in five funeral directors said they had ever used a celebrant, but about 75 percent said they were either very familiar or somewhat familiar with the role of celebrants in funeral service.

The survey sought to determine who is driving the use of celebrants – the funeral directors or the families they serve. According to the report’s findings, “Clearly there is a shift underway where both a greater percentage of funeral directors make families aware of the option, while an increasing percentage of families also inquire about the services of a celebrant.” The report adds, “Interestingly, while 50% of funeral directors never even make families aware of the celebrant option, there is even a smaller percentage of families that inquire about the use of a celebrant.” The report concludes, “This indicates that awareness of the use of celebrants is more widespread among funeral professionals than among the general public.”

Ernie Heffner, owner of Heffner Funeral Home & Crematory, which has locations throughout Pennsylvania, is a proponent of using celebrants, and says that if the results are true, “It’s an exciting commentary for an open-minded competitor.” He says, “Those not embracing the celebrant option either have strong religious convictions that preclude them from anything to do with celebrants or they may be concerned with offending certain clergy or they simply choose to ignore the statistical data and the group of consumers who prefer not to have a religious ceremony.”

David Nixon, owner of Nixon Consulting in Chatham, Ill., agrees that there is money to be made by using celebrants. “But the problem is that funeral directors are reluctant to substitute a celebrant for a clergyperson for fear that the clergyperson won’t direct business their way,” he suggests. “In most cases I’m aware of, celebrants do a better job acting as a eulogist than the clergy, and the bad service of the clergy reflects poorly on the funeral home.”

To make services more meaningful for families, service must improve, Nixon insists. Funeral homes need to take a close look at where they are located as they determine whether they should explore the use of celebrants. “In some areas, churches are still strong, and there is still a good attendance at church, so those areas probably are not as prone to celebrant activity as opposed to where church attendance is down. Those areas are very much ripe for that type of service.”

Heffner says he’s not surprised that the survey shows a greater awareness of celebrants among funeral homes than actual consumers. “What an alarming number of consumers *are aware of* is death followed by religious ceremony, and a significant number have opted for direct cremation and no service as the only way to avoid paying thousands of dollars only to be preached at,” he contends. He adds that more than 30 percent of married couples did not have a religious ceremony, and that places of worship are for

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sale as pure pieces of real estate throughout the country. “This is not a phenomena exclusive to any particular faith,” he says.

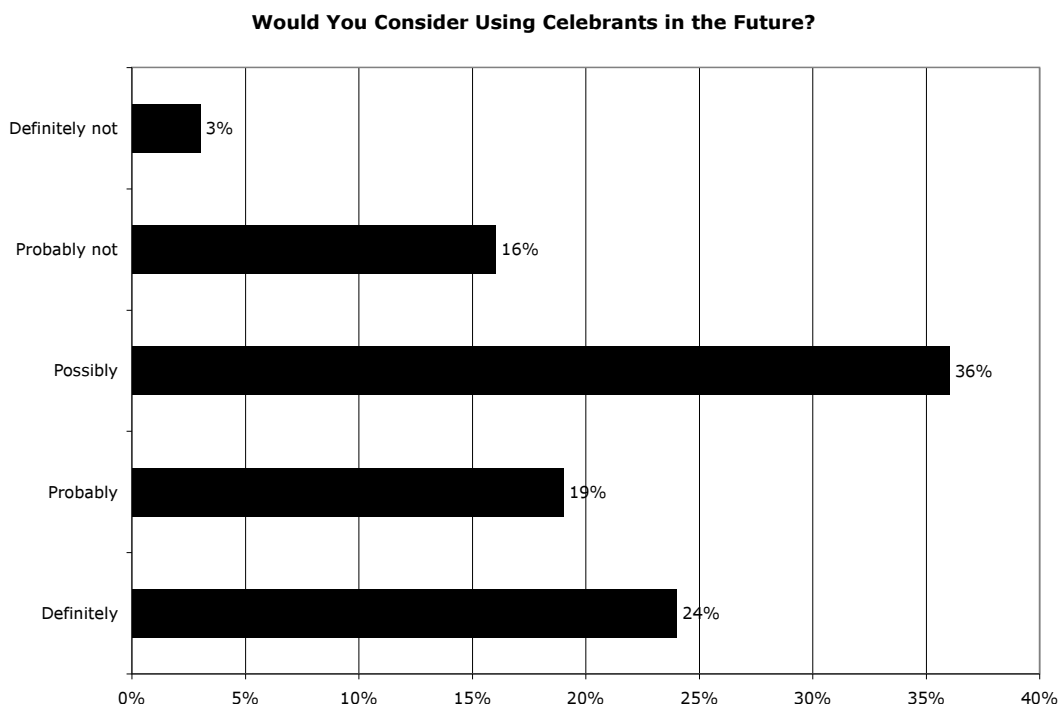
Ed Horton, partner-in-charge of the Funeral Industry Services practice at Citrin Cooperman, says that the demand for celebrants is being driven by baby boomers and others who want to do things *their* way. “The emphasis is on celebration of the decedent’s life,” he says. “They are looking for a customized casket, to have a celebrant – and they may be looking for a video tribute, a bagpiper – whatever it may be.”

He adds, “The funeral directors – if they are smart – what they are going to do is not just adjust their pricing but try to make the funeral a very special thing.” He continues, “I don’t want to trivialize it, but it’s a little more showbiz. It’s probably not the right term, but if you can make that funeral for grandpa really special where everyone remembers it – not focusing on how he died but what a great life he had and how he touched all of us, then the funeral home has a real winner because everyone in that room will remember and tell everyone they know.”

Perhaps the most interesting finding on celebrants, however, is that 85 percent of respondents used a celebrant from “the outside,” instead of someone on their payroll. The report states, “Perhaps as a result, over 90% billed the service as a cash advance, charging families at their cost. However, since the service is relatively low cost with about 90 percent charging \$400 or less, funeral directors seem to be missing an opportunity to enhance profits by marking up the service.”

According to Horton, “Funeral directors are in many cases using a traditional mindset. They are thinking that it costs me \$150 to bring this person in, so they put \$150 on the statement of goods and services.” But this is a big blunder, Horton argues. “Instead, what they should be doing is thinking of all the wonderful things a celebrant can do, and if a family wants this service, charge \$300.” He adds, “It doesn’t matter if they pay a celebrant \$150 – I don’t think you’ll get a pushback on price because it’s valued.”

The chart below shows how funeral directors who responded to the survey view celebrants.



Why Celebrants Matter

While Heffner does not deny that funeral homes can mark up the price of celebrant services, he does say this, “The revenue opportunity in offering celebrant services is *not* in a mark-up on the service of a celebrant but rather the opportunity a firm might have in the privilege to provide a meaningful ceremony, a service as opposed to no service, direct disposition.” Read between the lines: Heffner’s saying that offering celebrant services leads to more satisfied customers, repeat business and increased market share. That means more calls and more money for your firm – much more than the \$150 or so you might make on marking up the service each time.

Kathy Williams and Melissa Drake, co-owners of American Funeral Consultants in New Paltz, N.Y., regularly address the topic of funeral celebrants with their clients. “The use of funeral celebrants adds a whole new dimension to the options offered by funeral homes to those families who prefer to have a secular or nondenominational funeral service,” they state. “We agree that the practice of outsourcing to outside funeral celebrants results in missed opportunities for an additional revenue stream for the funeral home.” They conclude, “Funeral home owners should seriously consider having a staff member(s) receive training to become certified as a funeral celebrant. Furthermore, newly licensed funeral directors should consider obtaining their certification to make them more marketable when seeking employment.”

What do you think about celebrants? Email tparmalee@katesboylston.com

Expert Provides Estate Planning Tips, Strategies at N.J. Convention

By Patti Martin-Bartsche

If estate planning for funeral home owners were simple and easy, Dan Isard probably wouldn’t be talking about it. But the fact is, funeral directors don’t necessarily understand why estate planning is vital to effectively transferring funeral home ownership.

This is what explains why the founder and president of The Foresight Companies, based in Phoenix, stood in from of a packed room at the recent New Jersey State Funeral Directors Association Convention in Atlantic City, N.J., talking about “The Common Estate Planning Problems of Funeral Home Owners.”

“Estate planning is tough,” Isard acknowledges. “You have to balance value, who gets what, when do they get it and what assets are shared.” It only gets tougher when you throw family into the mix. “What if you have one kid who’s active in the business and the others are not? Is being equal being fair? It’s a basic philosophical problem,” Isard notes. “And many a funeral director’s solution is to do nothing, hoping, ‘maybe I’ll outlive the kids and not have to piss anyone off.’”

And while doing nothing is an option, Isard says there are better, more reasonable and more workable solutions. The first step, he said, is to identify the assets, values, recipients and timing of the transfer, which can be either during the person’s lifetime or at the time of death.

It’s important, Isard says, for funeral directors to understand how the Federal Estate Tax is computed. The tax is issued by the federal government for the transfer of any assets under the control of a decedent. Assets are valued at their fair market value, and the first \$5 million is not taxed for the federal estate tax.

So how do you value a business? “You don’t value a business by doing X times the revenue or Y times the number of calls. Those numbers are immaterial,” Isard says. “Rather, the way to value a business is the book value plus the goodwill, which gives you the fair market value.”

In most cases, Isard says, it’s beneficial to get a professional appraiser in to help with the valuation.

“They know what to look for, how to go about getting the true number ... it’s not something you want left to chance.”

Goodwill, Isard explains, is the multiple of the predictable earnings of the company. And when it comes to goodwill, an appraiser is the best person to determine what comparable businesses recently sold for in your region. It’s also important to note, Isard says, that business real estate is not worth the value of comparable real estate. “The fact is, funeral home buildings are specialized buildings,” he says. “A funeral home is not just another piece of commercial real estate, and there’s no question that there will be a valuation difference.”

Isard says it is important for funeral directors to understand all the financial pieces of the estate planning process from identifying the assets, to understanding how the Federal Estate Tax is computed to the costs to settle the estate. Once a funeral director has a handle on the value of the estate, it’s time to do the estate plan juggle. “Who’s going to get what assets? How are they going to get the assets? When are they getting the assets? And who’s going to pay the taxes?” Isard says. Most often, there are three ways to transfer assets: by will, by operation of law or by contract. “But let’s add a fourth way – sell the business,” Isard says. A sale makes particular sense, Isard says, when there’s no one willing or able to step up and take over ownership.

Inevitably the question will arise when to give the assets. During the funeral director’s lifetime, which will be a gift, or at the funeral director’s death, which would be a bequeath. “There is no right or wrong way,” Isard says. He does point out, though, that a gift is given without strings, during the person’s lifetime at the fair market value, and the grantor pays the tax. In comparison, a bequeath is also given without strings and at fair market value, but it is given at death, and the tax is paid by the estate of the grantor.

Isard says it is also a good idea for funeral directors to understand and work to resolve other key estate planning issues including probate, marital trusts and living trusts. At that point, decisions should be made on what will happen to the business, should there be multiple children in the business or no kids in the business. “Either way, determine a post funeral director plan,” Isard says. “And then go out and enjoy your life. There’s nothing worse than not enjoying things in this world while you are in this world.”

Jewish Funeral Directors of America Affiliates with the ICCFA

The Jewish Funeral Directors of America and the International Cemetery, Cremation and Funeral Association recently announced an affiliation agreement, according to a news release.

“The affiliation with ICCFA begins a new and exciting time for the JFDA,” said JFDA President Albert Bloomfield. “Our members will now be entitled to full membership in the ICCFA and to the wealth of benefits that all ICCFA members enjoy. In addition, JFDA members will continue to receive the many benefits that accompany a JFDA membership.”

The JFDA will transfer information and files from its offices in Chicago to the ICCFA office in Sterling, Virginia, with the goal of completing the transition by Oct. 31, 2011.

“We are pleased and honored to affiliate with the members of JFDA,” said ICCFA President Ken Varner, CCFE. “This is really the best of both worlds because the JFDA will continue to function as an autonomous organization while the ICCFA expands its mission of representing every segment of the funeral services profession. JFDA members will be eligible to serve on the ICCFA Board of Directors and for appointment to officer positions and committee assignments.”

Expert Provides Tips on Hiring the Best People for Your Funeral Home

Some attendees at the recent New Jersey State Funeral Directors Association in Atlantic City were no doubt on the lookout for top talent, and they got some help if they went to “Right People, Right Fit,” a presentation that featured Elaine Hand, president of InnerView, a company that specializes in making great hiring decisions.

“How many people have hired someone and then a week later asked, ‘What was I thinking?’” Hand asked the crowd. Sadly, about half the people in the room raised their hands.

One of the reasons why people make bad hiring choices is because they make too many assumptions, Hand said. They also fail to match the right people with the right positions. For instance, someone who is technical might be a good accountant but not a great salesperson.

To show how often we overlook things, Hand conducted a simple exercise with the audience. People in the crowd watched a video featuring several people in black shirts and several others in white shirts passing a ball around. Spectators needed to count the number of times that people in the white shirts passed and received a ball.

After showing the clip, people came up with slightly different numbers, but that was to be expected. What was more of a surprise is that people were so focused on the people in white shirts that they failed to notice that someone in a black gorilla suit had walked into the scene in the middle of the video clip.

Only a few people in the audience actually noticed the person in the gorilla suit. In fact, Hand had to replay the video clip to prove that a gorilla actually intruded onto the scene.

Hand’s point was clear: “How many times do you think you miss things when you hire people if you missed that gorilla?” she asked.

In order to hire the right people, Hand suggests that funeral home professionals use all the tools at their disposal, which includes the interview, checking references, personality testing, abilities testing, interests testing and job matching techniques.

For instance, the ProScreen Survey is a pre-hire assessment designed to give employers the information they need to make informed hiring decisions. It focuses on five key areas: general work experience, work ethic, reliability, integrity and team skills.

The PinPoint assessment is another tool. It helps organizations assess cultural fit when hiring, promoting and developing key people. The assessment helps employers assess work-type interests, behavioral makeup and cognitive makeup.

Such assessments can be conducted for a small fee each time they are used – in the \$25 range, Hand explains. A wide range of other assessments that do similar things are also available. The trick is to use assessments that you are comfortable with because they can help you make better hires, Hand says.

Just remember that anyone can seemingly be the perfect employee for an hour during the interview process, Hand says. “The right people can be the difference between extinction and survival, profit and loss,” she says.

Business Bliss Awaits at the Don CeSar Beach Resort, Nov. 3-4

Register for the Sixth Annual Funeral Service Business Plan Conference, Nov. 3-4 at the Don CeSar Beach Resort in St. Petersburg, Fla., by visiting www.katesboylston.com/bizplan.

The Latest News From Throughout Funeral Service

It's been another busy week for funeral service; here are some of the latest headlines you might have missed ...

CANA Hires Executive Director

The Board of Directors of the Cremation Association of North America recently announced the appointment of Barbara Kemmis as executive director effective Oct. 17, 2011, according to a press release.

Kemmis brings more than 15 years of experience developing and marketing member benefits, providing leadership in professional associations, fundraising and creating professional development opportunities. Most recently the director of member services at the American Theological Library Association in Chicago, Kemmis previously served as vice president of library and nonprofit services at the Donors Forum in Chicago. Kemmis has a master's degree in library science from Dominican University, a graduate certificate in nonprofit management from North Park University and a bachelor's degree from Earlham College.

Buchanan Group Purchases Fewell Enterprises

The Buchanan Group in Indianapolis, owners and operators of Flanner and Buchanan Funeral Centers, has announced that it has acquired Fewell Enterprises, of Scottsburg, Ind., one of the state's largest granite memorial manufacturing and finishing companies, according to a company press release.

"Fewell is roughly four times the size of our own Millennium Monument Company, so this is a major transaction for us," said Bruce Buchanan, a principal in the acquiring firm. The purchase was completed by Buchanan Group Services, a Buchanan Group subsidiary.

Fewell currently has customers in two-thirds of the country, from Florida to Pennsylvania to Colorado. Its customer base includes granite dealers who work closely with local funeral homes to design and deliver uniquely personal memorials, using state of the art laser designs.

"We plan to continue investing in and expanding the business at Scottsburg to increase our capacity and broaden the customer base," Buchanan says. "We will integrate Fewell with our own Millennium Company. We fully expect the combination of these two well established brand names will take our companies to new levels," he adds.

StoneMor Buys Funeral Homes, Cemeteries in Tennessee

StoneMor Partners based in Levittown, Pa., has completed the acquisition of three cemeteries and three funeral homes in Tennessee, according to a company press release. The cemeteries and funeral homes were purchased out of a state court-appointed receivership. StoneMor's investment in this transaction, including advances to trust shortfalls, totaled approximately \$5.0 million in cash. The names of the cemeteries and funeral homes were not disclosed in a company news release.

Sincerely,



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Meet Your Speakers:



Chris Farmer has handled investigations for employers throughout the United States, and he's also managed a large international docket of state and federal funeral home and cemetery matters.



Mike Nicodemus serves as the president of CANA, is chairman of CANA's Crematory Operations Certification Program and is the manager of cremation operations at Hollomon-Brown Funeral Homes.



Ron Salvatore is a certified crematory operator trainer and has been employed with Matthews Cremation Division for more than 20 years. He's trained more than 2,000 crematory personnel in the proper operation and maintenance of cremation equipment.

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