



THE BENEFITS OF THE MASTER TRUST

By

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As OFDA can see from the increasing number of Ohio Funeral Homes that are using the OFDA Master Trust, the benefits of using the Master Trust are becoming readily apparent to member firms. Whether the funeral homes are first time users or are returning to the Master Trust after years of using insurance-funding, they have made the switch to take advantage of the following:

1. 5.1% Average Annual Return.^{*} Over the past five years, the Master Trust's Managed Account has produced a 5.1% average annual return, net of investment fees. While the return that any one funeral trust account earns is going to depend on when it was invested and when it was withdrawn, overall, member funeral homes in the past five years have received a 5.1% annual average return. Compare that return with insurance-funded preneed contracts and realize how much money you are leaving on the table with insurance.
2. 2.5% Minimum Crediting Rate.^{*} Even though OFDA's Managed Account uses a balanced approach to soften the market swings, it is not immune to them. So, inevitably, there are preneed contracts that are invested during market upswings and paid out during downswings. Yet, because of the unique protection of OFDA's Master Trust's 2.5% minimum crediting rate, the return on these preneed contracts was a positive 2.5%. With the Master Trust, a funeral home always receives the benefits of an up market and protection against a down market.
3. Highest Quality Services. The team of advisors, investment managers, administrators, and financial institutions that assist the OFDA Master Trust has a record of experience that no other preneed provider can match. Together with the participation of funeral directors who serve on OFDA's Master Trust Committee, they have designed a program that provides funeral homes numerous options and benefits in operating their preneed programs.

The hallmark of the Master Trust is to allow participants to conduct their preneed programs in the way they feel most comfortable. Funeral homes have the option of writing preneed contracts using the Master Trust's secured website, but may also use pre-printed forms provided at no cost from the Master Trust. Death claims may be submitted by mail or by using electronic direct payments that significantly reduce death claim processing time. Quarterly reports are issued, but funeral homes may check preneed account balances at any time by accessing the Master Trust's website. And the Master Trust takes care of the administrative chores of filing tax returns for each preneed account and preparing the Annual Reports of Preneed Contracts for funeral homes to submit to the Board of Embalmers and Funeral Directors.

4. Safety. The Master Trust's 32-year track record for safety and security is unmatched. Unlike many insurance companies and financial institutions that have gotten into and out of preneed funding, OFDA is in it for the long haul. It is the only preneed trust program in Ohio that is member-driven and operated by a non-profit organization.

5. Increased Funeral Home Valuation. While member awareness of the benefits of the Master Trust is driving increased participation, one benefit that may be overlooked is that participation in the Master Trust will lead to a higher valuation for a funeral home. Obviously, one of the most important components of a funeral home's operation to a potential buyer is its ability to generate positive cash flow. A significant element in the valuation of any funeral home business is how much cash flow can it generate in the future.

As part of the due diligence process, a prudent buyer of a funeral home is going to closely examine the preneed investments of the selling funeral home. If preneed funds are invested in insurance products that have already paid a high commission to the current owner and are now providing minimal returns, that will adversely impact future cash flow. When insurance-funded preneed accounts go at-need, the buyer of that funeral home may find that the proceeds of the insurance policies do not cover the current prices charged by the funeral home.

On the other, if the funeral home's preneed funds are invested in the Master Trust with the protection of a minimum crediting rate and a managed account to take advantage of market upswings, the buyer will see greater cash flow when the preneed contracts come at-need. Greater cash flow should translate to a higher selling price for the funeral home.

The reasons for OFDA funeral homes to participate in the Master Trust program are clear. To get started in the Master Trust program, contact Laura Dempsey at (800) 589-6332, or email her at Laura@ofdaonline.org.

*Past performance does not guarantee future results. Future rates of return are subject to market fluctuations. In addition, the minimum crediting rate is subject to change.