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NFDA Reports on Indigent Funeral Funding

By T. Scott Gilligan
NFDA General Counsel

BROOKFIELD, WISCONSIN – Of the many good works funeral homes provide to their communities, one routinely overlooked is the care of indigent decedents. Throughout the country, funeral homes provide dignified disposition for indigent decedents and receive minimal government funding that in many cases does not even cover out-of-pocket expenses.

While funeral homes across the nation have reported funding cutbacks by state and local governments for indigent dispositions, there has been little data gathered on what government programs actually provide. At its last meeting, the NFDA Policy Board targeted this issue. Board members reported on how indigent disposition was handled in their respective states and what sources of funding were available from state or local governments.

The data confirm what we already knew. With the exception of a few states, government funding for the disposition of indigent decedents is minimal, and with state and local governments facing more budgetary restraints, the trend will only worsen.

Of the 50 states and the District of Columbia, just 19 still have funding available from the state government. While state funding appears to be more generous than funding provided by counties and municipalities, it is often available only to decedents who were recipients of government welfare and assistance programs. Therefore, if an indigent is not a beneficiary of one of these programs, his or her funeral may not be covered by the state. In that case, funeral homes may have to seek funds from counties or local governments, if available.

Of the 19 states providing indigent funeral funding, it appears that the approximate amount of funding falls into the $800 to $1,200 range. Some states, such as Alaska and New Jersey, significantly exceed the average amount, with the former offering up to $4,190 for a winter burial and the Garden State providing up to $2,246 to the funeral home and an additional $524 for the cemetery.

Another positive aspect of state funding concerns the issues of whether the family may select the form of disposition and whether the family may add their own funds to the state funding to enhance the funeral services. In 14 of the 19 states, the family can opt for burial instead of low-cost cremation. Additionally, 12 of the 19 states allow a family to contribute certain amounts to the government funding to enhance the funeral. However, it should be noted that all of these states put a cap on the amount of the family contribution and a few offset the state contribution by amounts contributed by the family.

For the 34 states in which indigent funeral funding is provided by county and local governments, hard data is difficult to come by. Because there may be dozens of counties or hundreds of cities and townships in each state that provide funding, the amounts available and the restrictions imposed vary greatly from jurisdiction to jurisdiction. It is difficult in these 34 states to have more than a general overview of the funding available.

With the possible exceptions of Nebraska and North Dakota, most government entities are providing minimal funding. Also, many counties and cities will pay only for cremation, and they prohibit any contributions from the family to enhance the funeral.

While indigent funeral funding is a burden most funeral homes bear as good citizens to their community, it may become an even heavier weight with possible changes to the Medicaid program. Currently, Medicaid eligibility requirements mandated by federal law and regulations allow the elderly to fund irrevocable preneed funerals without adversely impacting their Medicaid eligibility. The widespread use of the preneed funeral funding spend-downs significantly reduces the level of indigent funeral funding because most persons on Medicaid will have some preneed funding available upon their death.

The incoming Trump administration has promised significant changes in the $532 billion Medicaid program. A principal revision that has been floated is for the federal government to provide grant blocks to the states and allow the states to set their own eligibility criteria for Medicaid. Although the primary reason for giving the states discretion in setting eligibility criteria is to limit the number of persons who became Medicaid eligible due to the Affordable Care Act, states could also use this new authority to restrict preneed funeral funding options now mandated by federal law. If such a scenario were to occur, the demand on indigent funeral funding programs could skyrocket.

To date, all of the discussions regarding tightening eligibility requirements for Medicaid benefits have focused on the Affordable Care Act. But if state governments are given the discretion to set eligibility requirements for long-term care under Medicaid, there could be efforts to restrict preneed funeral exclusions. NFDA and state associations must be vigilant to protect the preneed funding exclusion.

MBJ

T. Scott Gilligan is general counsel for the National Funeral Directors Association.

Post-election 2016: A Guide to the Markets

Editor's note: Last week, we presented an article written by Jason Benowitz, senior portfolio manager for Roosevelt Investment Group, about the impact of the 2016 presidential election on financial markets. This week, John Roscoe, senior portfolio manager with Roosevelt Investment Group, takes a closer look at the financial markets.

By John Roscoe
Roosevelt Investment Group

NEW YORK CITY – While the 2016 election is over, the understanding of its potential impacts has just begun. We have continued to ponder the implications of the new administration's anticipated policies and their influence on the markets in 2017 and beyond. President-elect Trump espoused a pro-growth agenda during his campaign, and three key points on which we are focused are tax reform, reduction of regulatory burden and fiscal stimulus/infrastructure spending, which we refer to collectively as the "Trump Triad." While other top campaign issues such as trade and immigration may also impact markets, we believe the intersecting forces of the Trump Triad are most prominent.

In the weeks following the election, as investors have attempted to anticipate the ramifications of the Trump Triad, capital markets have, in some cases, reacted very strongly. We've witnessed a stock market that has risen by several percentage points, with sharp rotations between sectors of the market, a meaningful rise in interest rates and a stronger U.S. dollar. What follows is our review of some of the key changes that have occurred and our view of their impact on certain sectors of the economy.

MARKET LANDSCAPE

We believe rates have moved up sharply because the market is starting to appreciate the possibility that the U.S. economy might experience stronger growth, as well as an increase in inflation, under the Trump administration. Broadly speaking, acceleration in economic growth tends to boost interest rates and increase the value of the dollar relative to other currencies. We have seen both take place since the election. Notably, the yield on the 10-year U.S. Treasury bond has increased from 1.85% to 2.45%, a significant increase for a short period of time.

In general, an increase in growth boosts demand for borrowing, and this incremental demand for loans tends to lead to an increase in interest rates. Given that our economy is now about eight years past the financial crisis and the unemployment rate has declined to what many believe is equivalent to a state of full employment, a boost in economic growth could also lead to inflationary pressure if wages rise in response to growth. A rise in inflation also tends to boost interest rates as banks and bond investors demand higher income since future dollars will be worth less.

Related to the increase in rates, the Treasury yield curve, the difference in rates between the three-month Treasury bill and the 10-year Treasury note, has significantly steepened, going from 144 bps to 186 bps. The steepness of the curve is an important consideration for the market, as it allows lenders (dependent on the spread between short and long interest rates) to achieve wider spreads and earn a greater net interest margin, thus increasing their profitability. Steeper yield curves have historically been a signal that the market is anticipating economic growth.

With global investors viewing the potential for higher economic growth as more likely, the trade-weighted dollar index has increased 4% since the election. In our view, the increased likelihood of Federal Reserve rate hikes over the next 24 months, across the backdrop of central banks elsewhere, which are still in monetary easing mode, has also probably boosted the dollar.

INVESTMENTS

A stronger dollar has impacts that ripple across the globe. These include disinflationary tailwinds in the

United States for those either importing goods from abroad or purchasing goods in other countries that become cheaper versus the United States. For borrowers overseas who borrowed in dollars, their debt becomes slightly more onerous as it appreciates in value as a liability, while conversely, borrowings by U.S. companies in non-dollar currencies become incrementally less onerous. This dynamic is particularly true in developing economies that may have more volatile currencies. In terms of trade with other countries, a stronger dollar is a headwind for U.S. exporters because it makes U.S. goods more expensive for foreign buyers, particularly in a competitive industry in which there are plenty of alternatives offered by local companies.

Lastly, while it's often been true that dollar strength is typically accompanied by weakness in commodity prices, we have seen increases in the price of many industrial commodities since the election, including copper, nickel, zinc, lead and iron ore. This may be due to anticipation of greater demand from economic growth or inflationary pressures overwhelming the impact of the strong dollar.

SECTOR IMPACTS

FINANCIALS

Given the anticipation of higher growth and the reality of a steeper yield curve, perhaps it should be no surprise that financials, and banks in particular, have been the best performing sector in the S&P 500 index since the election. Life insurers have also outperformed since they may also benefit from higher interest rates as their investment portfolios seek to generate income after what has been a historically challenging interest rate environment for the past several years. Sector performance has also likely been aided by the anticipation of the regulatory relief aspect of the Trump Triad since regulatory costs have added to the expense burden of financial services companies over the past eight years.

The flip side of this upward move in interest rates is that in many cases, bonds, preferred stocks and so-called bond proxies (REITs, utilities, telecom companies, and other high-yielding equities) have in some cases declined in value or underperformed in the broader market since the election. This is fairly typical of what occurs with a rise in interest rates, where the yield currently received on these types of securities may now be incrementally less attractive.

INDUSTRIALS

The industrials sector within the S&P 500 index has been the second-strongest-performing group after financials, despite what may be a headwind in 2017 from a stronger dollar. We believe this is likely because investors believe that the benefit from the assumption of stronger economic growth in the United States outweighs the headwind and also secondarily perhaps because a Trump administration might take a stronger stance on foreign trade in defending the rights of U.S. exporters.

Leading up to the election, both candidates indicated they would seek to boost defense spending, and as a result, defense stocks performed well prior to the election. The group's outperformance has continued after the election as investors anticipate how President-elect Trump might prioritize his spending plans. We have seen analysis suggesting that as much as $250 billion could be added to defense spending over the course of Trump's term in office. In addition, Congress has signaled its goal of eliminating sequestration, which has kept a lid on defense spending since it was enacted in 2011. An additional boost to defense spending could occur as a result of Trump's comments about NATO members sharing the burden of defense spending, as the majority have not lived up to their commitment to spend at least 2% of GDP on defense. This could represent incremental additional demand for products and services from defense companies.

Another group within the industrials sector that has responded favorably to the Trump Triad is transport stocks. For much of the past eight years, the economy has experienced modest growth and many transportation companies have had to cut costs wherever possible in the absence of meaningful sales growth. Freight transportation companies in particular are very sensitive to the level of volume shipped through their transportation networks and have downsized in recent years to adjust to slower growth. In anticipation of higher growth in the coming years, rail and trucking company shares have appreciated meaningfully in the post-election period.

Spending on infrastructure is another area that both candidates touched on leading up to the election, and given the age of many of our roads and bridges, it would seem to be an idea with bipartisan support in Congress. Ports, airports, public transportation and water are a few additional areas in serious need of modernization or updating. While the devil is in the details regarding how funds would be raised and where money would be spent, we believe it's likely that spending on infrastructure will increase during the coming years.

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HEALTHCARE

Leading up to the election, the healthcare sector was one of the worst-performing sectors of the stock market. This presumably was related to campaign rhetoric about drug pricing policies by pharmaceutical and biotechnology companies, as well as concerns regarding the Affordable Care Act. A diminishing number of plans are currently available on healthcare exchanges, and at higher prices, with many HMOs backing out of these exchanges because they cannot find a way to operate profitably. In the weeks after the election, the sector has continued to underperform. In our view, this relates to a weakened ability for companies to increase prices due to a greater national focus on the subject.

Campaign comments by Trump perceived as "healthcare unfriendly" include potentially changing the way drug prices are negotiated, the concept of importing drugs from Canada, and perhaps most importantly, a repeal of the Affordable Care Act. While the impact on various areas of the healthcare sector under an ACA repeal scenario is unclear, the uncertainty is perceived negatively.

ENERGY AND UTILITIES

In the energy sector, we anticipate that performance will be correlated with the price changes of the underlying commodity. While a Trump administration is unlikely to be able to impact the global oil price, a reduction in the regulatory burden facing energy companies could provide a boost to potential production rates in the future, perhaps given easier permitting for pipelines and drilling in certain areas. However, in an environment in which the global demand for oil is in balance with supply, any increased production coming from the United States could keep a lid on prices or even depress them.

Coal is a key source of energy for many utilities in the United States and abroad and is also in demand for steelmaking. Trump was very vocal in his support for coal during his campaign, but coal has been in decline since about 2000, when it represented roughly half of what was used to generate electricity in the country, and is now closer to 30 percent.

Natural gas has taken up much of the slack since many utilities have the ability to substitute gas for coal, and it is difficult to envision how this shift away from coal could change. Sources of incremental demand for coal may be primarily overseas as electricity generation infrastructure in many developing countries is still largely geared toward coal. Nevertheless, we continue to believe that coal is in long-term secular decline despite Trump's pro-coal stance during the campaign.

Shares of some companies focused on clean energy have underperformed since the election, and we think this may represent an interesting opportunity. Utilities are largely state regulated, and states have been pushing utilities to shift to renewables. These companies are not likely to change their plans to continue expanding the share of electric needs met by wind and solar, and the cost of building such facilities has declined to the point where it may be cheaper than natural gas or coal. As part of legislation earlier this year to enable U.S. exports of crude oil, tax incentives for wind and solar energy projects were extended for several more years. In addition, many companies are pushing ahead with their plans to source energy directly from clean-energy providers, especially technology companies building data centers to support cloud services. We believe this is a longer-term trend that is unlikely to be altered significantly by the Trump administration.

TECHNOLOGY

Technology shares, particularly many large-cap stocks, have generally underperformed since the election. While we do not see a clear reason behind their underperformance, part of it may simply be a shift by investors from growth to value stocks. (Somewhat counterintuitively, in an environment of improving economic growth, value stocks tend to outperform, while growth stocks often perform best in slow-growth environments in which growth is scarce.) We believe the tax reform aspect of the Trump Triad is particularly interesting when it comes to technology shares because many have large cash balances that are "trapped" overseas from a tax standpoint. It is believed that repatriation of overseas cash is part of the Trump administration's tax reform plans, and we think large technology companies are likely to be significant beneficiaries of such reform.

FINAL THOUGHTS

More broadly, we believe lower taxes and reform involving repatriation have the potential to stimulate the economy and the stock market. If we assume corporate tax rates decline, then corporate earnings should increase. Higher earnings, all else equal, should equate to a higher stock market. That said, higher interest rates and/or inflation, which tend to depress valuations, could impact this scenario. Beyond lower taxes, if cash can be repatriated without significant penalty, that cash could be used for acquisitions, share buybacks and investment in plants and equipment. Acquisitions and share buybacks tend to boost stock prices. Capital investment has been depressed for many years, and an increase tends to stimulate economic growth as well as demand for hiring.

For a long time now, our economy has been operating in a low-interest-rate, low-growth environment that many economists believed would persist well into the future.

At this point, we believe we may be on the cusp of change leading to an improvement in economic growth driven by policies that make up the Trump Triad. While there are many variables at work and certainly there are risks to such a view, it's possible we may be witnessing a significant inflection point in the trajectory of our economy and the stock and bond markets. For much of 2016, we saw outflows from equities to bonds, but that has reversed since the election and may continue. It's important to keep in mind that periods of uncertainty, such as a new incoming administration, usually create opportunities as well as traps. While key questions remain as to whether anticipated growth materializes and how the Federal Reserve responds, election impacts are just one of many factors investors must heed to properly navigate the investment landscape, achieve desired returns and meet long-term planning needs.

MBJ

John Roscoe is a senior portfolio manager for Roosevelt Investment Group, New York City.

Funeral Service Foundation Launches Foundation ’45 Awards

BROOKFIELD, WISCONSIN – The Funeral Service Foundation has launched its Foundation ’45 Awards, which are offered on the premise that access to a solid education and resources can help funeral service professionals propel their careers to the next level. The awards include an expanded array of academic scholarships, the newly created Career Awards and NFDA Professional Women’s Conference scholarships.

These scholarships, professional development opportunities and mission-focused resources can help funeral service professionals unlock their potential throughout every stage of their career.

ACADEMIC SCHOLARSHIPS

The Funeral Service Foundation now offers up to 12 scholarships ranging from $1,000 to $2,500 to full- and part-time students pursuing a degree in mortuary science from an ABFSE-accredited school. Scholarships include the Foundation ’45 Academic Scholarship; the Shipley Rose Buckner, Joseph E. Hagan and Dennis Schoepp memorial scholarships; and the Memorial Classic Golf Tournament Scholarship.

“We’re honored to offer a record number of academic scholarships this year,” said Stephanie Kann, chair of the Foundation Scholarship Subcommittee. “Our additions include the newly created Foundation ’45 Academic Scholarship, which honors our roots, and a record four Memorial Classic Golf Tournament Scholarships.”

The Foundation is looking for applicants who demonstrate a passion for funeral service that sets them apart from other candidates. The best applications are those in which students provide examples that show how they care about making a positive impact in their career. Those interested can apply online at *FuneralServiceFoundation.org.* The application deadline is March 30.

NFDA PROFESSIONAL WOMEN’S CONFERENCE SCHOLARSHIPS

The Foundation is also accepting applications for the NFDA Professional Women’s Conference Scholarships. Designed to support career development for women in funeral service by offsetting the costs associated with the annual conference, the scholarships cover recipients’ conference registration fees and provide up to a $1,000 travel and accommodation stipend. This year’s conference will be held April 7-9 in Franklin, Tennessee. Those interested can apply at *FuneralServiceFoundation.org.* The application deadline is February 15.

CAREER AWARDS

New this year: The Foundation will allocate up to 60 Career Awards to licensed funeral directors across the profession. Career Awards underwrite registration fees for a single NFDA Cremation Certification, Arranger Training or Certified Preplanning Consultant seminar of the recipient’s choosing.

“Generous donor support has allowed us to expand our reach and help a greater number of funeral directors access career-fueling professional development opportunities,” said Danelle O’Neill, executive director of the Funeral Service Foundation. “We’re thrilled to roll out the Career Awards and help funeral directors take their careers to the next level.”

Information about each of these innovative training programs is available at *nfda.org.* Those interested can submit their names at *FuneralServiceFoundation.org.* Names will be drawn in April, June and October. Recipients will have one year to redeem their Career Award, and the Foundation will accept names throughout the year.

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The Notebook

The **International Order of the Golden Rule** (OGR) has announced its Young Professionals Event, "Shatter Expectations: Takeaways for the New Generation of Funeral Professionals," which will be held in Austin, Texas, February 19-21. Attendees can earn up to eight CEUs in states where approved. Registration information can be found at *ogr.org/young-professionals.* OGR also announced its 58th Annual Conference & Supplier Showcase in New Orleans April 20-22. For more information, visit *ogr.org/annual-conference.*

Burr Funeral Home and Cremation Services (Chardon, Ohio) will present "Complicated Mourning," a seminar for caregivers, February 15 (9 a.m.-5 p.m.). The program will feature Dr. Alan Wolfelt, founder of Center for Loss and Life Transition, and be held at Quail Hollow Inn in Painesville, Ohio.

The Foresight Companies will hold its Human Resources Spring Training Seminar March 22-23 in Phoenix. This seminar provides attendees with everything they need to know for implementation as a human resources director. During the two-day workshop, attendees will learn "what to do," "how to do it" and, most importantly, "what not to do." Participants will create all of their key human resources management documents during the instruction, which features Stephanie Ramsey, The Foresight Companies human resources expert. Attendees will leave with a ready-to-implement (subject to state law) employee manual, procedure manual, hiring letter, firing/termination letter, annual review form, job description, confidentiality/non-disclosure letter, consensual relationship agreement and motor vehicle accident reporting form. Attending the seminar also gives them the opportunity to receive the company's special HR updates and access to The Foresight Forecast, the company's new informational site hosting business blogs, videos, mini seminars and webinars posted weekly. To learn more, visit *theforesightcompanies.com.*

The families of 111 fallen first responders were served in 2016 by Commemorating First Responders, a philanthropic program of **Wilbert Funeral Services** and its licensees. Through the program Wilbert and its licensees throughout the United States and Canada were honored to donate burial vaults, urn vaults, urns and graveside services to first responders who died in the line of duty. Families of firefighters, law enforcement officers and emergency medical personnel received, at no charge, a Wilbert stainless-steel Triune burial vault when traditional burial was chosen. If cremation was chosen, Wilbert offered families a choice of any urn in its catalog or online at *wilbertdirect.com*; if the cremated remains were to be buried, a stainless-steel Triune urn vault was also provided. Each burial or urn vault can be customized with a Wilbert Legacy Series print depicting the hero's profession (donated by partner Legacy Prints) or a print personalized with photos. In 2016, the burden for the families of 72 law enforcement officers, 36 firefighters and three emergency medical personnel was made a little lighter because of the program. Since the program's inception in 2012, 600 first responders have been served.

Abbott & Hast Publications quietly shut down publication of its venerable funeral service magazine, ***Mortuary Management,*** with its December 2016 issue. The magazine, which was acquired by Abbott & Hast in 1975, carried on for more than three years after the death of publisher Ron Hast in August 2013.

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From the Editor's Desk…

Scamalot

It seems every new year brings with it a fresh batch of scams designed to separate unsuspecting consumers (and businesses) from their money. One of the first sent my way in 2017 was from someone presenting himself as a Microsoft employee telling me that my computer had been infected. The bogus message directed me to call a toll-free number. Think about that… Microsoft wants me to call them! This is the same company that takes great pains to direct callers to email or websites; it even employed an animated paper clip to answer users' questions for a while. Microsoft would steer you anywhere – except the phone. This scam was also very easy to detect because I have an Apple computer.

So who can you trust? Even the FTC says to beware of scammers posing as FTC agents, a ruse in which the fraudster pretends to be from the FTC and emails people telling them they're under investigation and to click on a link for more information. (Whenever an email calls for you to click a link, don't do it!) The federal government doesn't inform people they're under investigation via email. Sometimes the emails are phishing scams designed to collect personal information, including email and IP addresses – information that could be used to commit identity theft.

Bottom line: If you get an email saying you're under investigation by the FTC or required as a witness, the email is fake. Forward the phony email to spam@uce.gov. This database helps the FTC bring cases involving scams promoted via email. Most importantly, delete the email.

Scams run the gamut from people pretending they want to purchase cremation jewelry to individuals claiming a relative has died in another country and needing repatriation assistance. Scammers contact funeral homes in a variety of ways (fax, email, relay operators), and the inquiries can originate from anywhere in the world.

Even if a request is legitimate, there's no harm in verifying the information. When a U.S. citizen dies overseas and the remains must be returned to the United States, the nearest embassy or consulate will issue a certificate to accompany the casket. Still, you should personally verify the legitimacy of a death overseas and the intent to repatriate the body. The point is that if something feels like it's not right, it probably isn't.

Ed.

EDWARD J. DEFORT
EDITOR

Memorial Business Journal

13625 Bishop's Dr.
Brookfield, WI 53005-6607
800-228-6332 or 609-815-8145
www.nfda.org

EDITOR
Edward J. Defort
(edefort@nfda.org)

MANAGING EDITOR
Dawn M. Behr
(dbehr@nfda.org)

GRAPHICS
Brooke Luteyn
(bluteyn@nfda.org)

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