
If You Operated Your cemetery
as if it were Regulated,

WOULD YOU
DELIVER GREATER
SERVICE &
SUSTAINABILITY?

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Religious institution cemeteries do not face the same regulatory pressures as commercial cemeteries; they are afforded more freedom in how they operate. Because of this, many religious institution cemeteries do not maintain perpetual care trusts that operate as effectively and efficiently as trusts maintained by regulated cemeteries.

A significant reason for the difference in operation is because exempt cemeteries often do not take advantage of the professionals and services offered to regulated cemeteries related to trust establishment, maintenance, and record-keeping. In fact, exempt cemeteries are largely ignored by professionals offering trust services – such as trustees, investment advisors, and record keepers – because of the assumption that their services are not required or desired.

A new perspective is due. Exempt cemeteries must exist into perpetuity just like regulated cemeteries. Why should they treat their trust differently? There is much to be learned from the requirements imposed on regulated cemeteries and much to be gained from the professionals who provide services to help regulated cemeteries maintain compliance. It is time to bring exempt cemeteries and trust professionals together.

Religious institution cemeteries should understand that trust professionals – who, together, make up a “trust team” – do not exist only to ensure regulated cemeteries follow the law. Another critical role of theirs is to take actions that protect and grow the funds for a cemetery’s care and maintenance – an area where such providers could make a tangible difference for religious institution cemeteries.

Disadvantages and Missed Opportunities for Religious Institution Cemeteries without a Trust Team

First and foremost, maintaining and reconciling a cemetery’s trust records are not easy tasks. Without proper oversight, these records can quickly become a significant liability, directly impacting a cemetery’s cash flow in addition to ensuring funds grow over time for long-term sustainability. The cemetery owner or operator and his or her staff, whose primary job is to keep the cemetery open and maintained while serving its families, likely does not have the time nor expertise to properly manage and oversee these funds.

In addition, many religious institutions that operate cemeteries prefer to maintain control over investment of cemetery trust money, believing that an outside investment manager will invest the funds in ways that violate the tenets of the religion. However, an experienced deathcare trust investment advisor will work with the religious institution to develop an Investment Policy Statement (IPS) that adheres to the strictures required while also investing for the purpose of the trust: to maintain the cemetery.

By not properly maintaining trust records and not actively managing the investment of funds in the financial market in the most effective way, religious institution cemeteries may expose themselves to less efficient and effective trust operations. Such cemeteries limit their growth potential and revenue streams that help provide long-term sustainability for any cemetery, regardless of religious affiliation.

Breaking Down the Roles on a Trust Team

Following several instances of negligence, investment shortfalls, and inadequate funds for preneed and perpetual care trusts across the nation, leaders in the deathcare and financial services industries sought to expand the structure and increase oversight to improve management of these trusts and their funds.

To help familiarize yourself with each member of a trust team, below is a breakdown of all parties to a properly managed trust.

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Trustee

Typically, the trustee is a state or nationally chartered trust company or a bank with trust powers. The trustee has the fiduciary responsibility of the entire trust. It should not be a group of individuals (such as funeral directors or cemeterians), perhaps because a lack of expertise may subject them to personal liability.

Investment Manager

This individual or organization makes the decisions on how to invest the funds of the trust. Often, the trustee will also serve in this role. The investment manager must decide what instruments to invest in by closely following the guidelines put forth by the trustee and cemetery.

Trust Administrator and Recordkeeper

This independent party processes and reports on trust transactions. Duties include supporting trustee and cemetery compliance with state preneed and perpetual care regulations. The administrator can also substantially reduce a trustee's and cemetery's workloads while optimizing the efficiency and effectiveness of a cemetery's trust records management.

Legal Counsel

The legal counsel ensures all actions and activities of the cemetery's trust are conducted to help limit civil and regulatory liability. Cemeterians are wise to retain legal counsel that has a thorough understanding of the deathcare industry specifically.

How a Trust Team can Positively Impact a Religious Institution Cemetery's Trust

Now that we've covered the roles on a trust team and the missed opportunities of not engaging with these professionals, let's examine the ways owners and operators can begin seeing immediate beneficial outcomes and setting themselves up for short and long-term success by leveraging a trust team.

First, we'll start with the low-hanging fruit. A trust administrator and recordkeeper that serves regulated cemeteries will be highly qualified and equipped to conduct a full audit of a cemetery's trust assets to ensure the trust is fully and effectively funded. Since the administrator and recordkeeper regularly process transactions involving funds that move in and out of trust, it can offer detailed insight and counsel on how much money should be in trust over time to ensure it has adequate principal for a cemetery's longevity.

Despite the importance to a cemetery's future, many owners and operators never feel completely certain that their trusts are reconciled properly – a situation that could lead to significant accounting and cash flow issues. By acting as if a religious institution's cemetery were regulated, a trust administrator can seamlessly calculate how much money should be in a cemetery's trust fund, ensuring appropriate reconciliation and maximizing growth potential.

To improve day-to-day accounting and information security, key aspects of regulated cemeteries, many cemeteries have recently started to adopt deathcare-specific technology that helps process transactions, auto-calculate payments, and protect sensitive information.

While a religious institution's cemetery doesn't require this level of accuracy for a regulatory audit, all businesses should strive for every penny that moves in and out of its trust to be accounted for. When left to even the best accountant, this process is susceptible to human error.

Most of this technology is now available in the Cloud, which often uses two-factor authentication and stores information at highly protected data centers to ensure your sensitive records remain secure. Religious institution cemeteries should consider integrating this technology into their cemeteries to further strengthen operations, accounting, and information security.

With improved accounting and information security measures, and a properly funded trust, it's time to begin growing those funds by exposing them to the market in the same manner as a regulated cemetery.

A cemetery should start this process by working with a trustee to develop its Investment Policy Statement, which, as noted earlier, clearly defines the cemetery’s targeted investment strategy. In other words, the IPS serves as a directive on how assets in the trust should be managed, invested, monitored, and reviewed. The guidelines within the IPS should be specific to the needs of the trust and account for the owner or operator’s goals and risk tolerance. By developing an IPS, the cemetery’s investment manager, who will invest the funds on its behalf, is given a clear definition that helps assure fiduciary responsibility and that financial goals are met.

With a clear roadmap for investing, in addition to strong accounting and information security, a religious institution’s cemetery has the proper structure and direction to participate in a “master trust” if it isn’t already.

A master trust is an investment vehicle that manages pooled investments. In other words, it provides the opportunity for cemeteries with smaller trust funds to have access to better investment opportunities by collectively investing the trust funds of multiple cemeteries. A master trust also allows the cemetery to share the overhead costs of operating a trust with the other participating cemeteries.

By collectively investing these associated funds, the principal of the master trust is much larger, therefore allowing each cemetery to partake in better investment opportunities that provide a greater return over time, helping ensure long-term sustainability.

Growth Comparison

Not sold on the idea of investing your cemetery’s trust funds and joining a master trust? Given the steps you’d have to take to get started, especially if your cemetery is moderately successful today, that mindset is completely understandable.

To help paint a better picture of the benefits, the below table compares the 10-year growth rate of a cemetery with \$100,000 in its perpetual care account:

Earnings over Last 10 Years, with Starting Principal Balance of \$100,000			
	Savings Account	12 Month CDs	Master Trust
Assumed Annual Rate of Return	0.06%	0.20%	3.98%
Total Earnings	\$601.62	\$2,018.09	\$47,740.00
Total Value	\$100,601.62	\$102,018.09	\$147,740.00

Getting Started

Religious institution cemeteries will benefit from engaging with trustees, investment advisors, recordkeepers, and even legal counsel that regularly work with regulated cemeteries. While state regulations are not a concern, these professionals are experienced in managing, investing, and maintaining trust funds specific to the death care industry to help grow the trust long term.

Even if your cemetery is operating with success now, you can experience significant improvements by managing your cemetery as if it were regulated. By teaming up with professionals that know how to further improve a cemetery’s cash flow and long-term sustainability, you will be better equipped and empowered to accomplish the ultimate goal of the cemetery: serving families into perpetuity.