



Oh,

FRANCESCO PASQUALINI
1-8-1927 22-8-1986

VINCENZO GALLO
14-7-1922 15-12-1982

CONIOTE
SALVATORE D'ANGELO
16-11-1929 21-8-2000
GIOLANDA DE LUCA
29-10-1921 10-3-2016

ROSA INGIATO
GIACINTO
18-7-1925 20-11-1987

TERESA CORSO +22 PROCCACINI
17-11-1921 5-4-1983

PAOLO MARIANI
1-4-1927 7-7-1982

JONE GIANNONI
18-4-1921 28-7-1982

the Horror!

by Daniel M. Isard, MSFS

Neglecting Your Cemetery Grounds Could Ruin Your Reputation

IT WAS LIKE A SCENE FROM A HOLLYWOOD MOVIE. Coffins were dangling on the side of a building containing burial niches from four stories up. Coffins containing people's loved ones exposed and in danger of severe damage after the wall of the building known as The Resurrection collapsed on the grounds of the oldest cemetery in Naples, Italy. Pictures certainly are worth more than words when the press grabs a candid shot of such a horrific scene.

No one was physically injured in the collapse. But the families of those who dangled were emotionally injured and even held a protest to hold the city officials accountable for their alleged poor management of the public cemetery. Unfortunately, this was the second incident occurring this year at the cemetery. In January, about 300 burial niches were destroyed when another building onsite collapsed.

And that's not all! In 2021, after a landslide, 200 coffins fell into the sea off the coast of a town in Northern Italy after part of a cemetery collapsed. No word whether those loved ones were ever recovered.

When something occurs, the normal reaction is to say, "That couldn't happen here." Sure, that could never happen here, right? Hmm, do even know the structural integrity of your buildings and mausoleums? Do you inspect them regularly?

Saying that such a horrific event could never happen in this country is the same as sticking your head in the sand. This is not comforting. That statement doesn't describe the steps you would take to protect the consumer. That statement doesn't explain what you do differently.

We have witnessed headlines in this country regarding bad crematory operators, thieves of pre-need money, and other reprehensible acts by bad actors within the sphere of our profession. We no longer live in a world where the local news is all that affects us. A story that catches your neighbor's eye, even if the story is a thousand miles away, could affect you.

Profit vs. Loss

Too often in cemetery sales, we fail to talk about what we do differently. I think the first thing we do differently than a city cemetery is the use of perpetual care. I have worked with many city cemeteries in my career. It is unfortunate that city cemeteries are subject to budgets that are more limited than privately operated cemetery companies. Cemeteries in the eyes of city managers often go from being a "source of pride" to a "cost" quickly.

I have seen city cemeteries sold by governments because of the increasing cost of maintenance, insurance, and staffing. The problem of increasing costs is not unique to city cemeteries, but private cemetery ownership often has a keen eye on the revenue and new sales, which turns a cost into a profit.

Many city cemeteries are not operated with a profit agenda, which means adhering to the budget and maybe even cutting corners on deferred maintenance is a constant issue.

In almost all cases, city cemeteries are exempt from creating Endowment or Perpetual Care funds. So they don't create reserves. I have seen a problem with the sustainability of Endowment or Perpetual Care funds for those cemeteries that are required to be funding into them. The problem stems from a simple mathematical issue.

The government sets a minimum funding standard for the deposits into an Endowment or Perpetual Care fund. This minimum is set without any study. Is the corpus of this trust going to

be sufficient in the future when it will be required to produce the income for the maintenance of the cemetery site IN PERPETUITY?! Sorry for shouting, but the answer is “no.”

This is a funding standard agreed upon by negotiation between legislators and lobbyists. In one case, I saw a record of a hearing on this matter from the 1980s where people assumed an 8% interest rate. Well, maybe at 8% there are sufficient funds; but we have not seen 8% bond or CD rates in 40 years! What might be sufficient at 8% is clearly underfunded at 2%!

Your own state law on the use of Endowment or Perpetual Care funds is important to revisit. Can the corpus of the trust be used for maintenance and repairs? In some states, repairs and maintenance may be a use of the trust corpus; but in others, it is not allowed.

I think it is important that we all shift away from funding our Endowment or Perpetual Care trusts at the required minimum. I think we can all turn this



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overfunding into a marketing advantage.

A consumer’s worse cemetery nightmare is that the site is poorly maintained. By overfunding, we are going to have more corpus working today. The interest earnings today can be used to provide for the site.

The property will look better today. The better the property looks, the better the annual sales will be.

More sales equals more trust funding. More sales not only improve the value of the cemetery (if you are in a position to sell

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someday), it increases the earnings of the cemetery.

When someday the property is fully subscribed, then the consumers will have confidence in the future care. It is a *perpetual motion financial machine* funding a perpetual trust.

I would contend that no one wants to buy a cemetery that has no available sales space. Yes, you might be able to harvest some fence lines and build a multiple story above your current crypts. However, in essence once a cemetery is down to its last generation of sales, the quantity of available buyers declines sharply.

Structural Capacity

Modern structural concrete may have a lifespan of 100 years. Obviously, the accuracy of this warranty won't be known during any of our lifetimes. However, the cost of reinforcing an outdoor mausoleum 100 years from now could be well beyond what most cemeterians (for profit and not for profit) can afford. Where will the funds come from to provide for this capital project?

A marketing opportunity exists in the highlighting of the construction differential between your outdoor mausoleum and others. There are so many factors that cheap construction of a mausoleum omits, which exacerbates problems. Items such as rebar support, drainage, and air circulation can affect the life of the building.

The difference between outdoor crypts and indoor crypts must be compared. The complexity of building an indoor mausoleum

adds to the cost; and if properly constructed, it adds to the lifespan of the mausoleum building.

As we learn from the errors of Naples cemeteries, we need to look internally. We must be prepared to answer several key questions:

- What are we doing to ensure the structural integrity of our interment buildings?
- What are the funding standards for our trusts?
- What can I do to make sure the sustainability of my trust will exceed expectations?
- What can I do now to provide for effective maintenance expanding the lifetime of my above ground interment sites?
- Do I need to lobby to change my state law as it pertains to the use of trust corpus for repairs and maintenance?

Another way to look at this is to take a due diligence trip to Naples. If you explain that this article scared you, maybe it could be a tax deduction! ☑

Daniel M. Isard, MSFS, is founder of The Foresight Companies LLC, a Phoenix-based business and management consulting firm specializing in mergers and acquisitions, valuations, accounting, financing HR services and family surveys. He is the author of several books and hundreds of published articles in industry magazines, including "The Director's Finance 201" column. He can be reached at 800.426.0165 or danisard@theforesightcompanies.com.

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