

# How Many

*Does It Take*



# Funeral Directors

## *to Run a Small Business?*

Check Your Bottom Line,

*It Could Be a Staffing Issue*

by Curtis D. Rostad, CFSP

**J**ack Spratt operates the McLean Funeral Home, which does about 150 calls a year. Yes, the names are fictitious, but the funeral home is real. Most of his calls are still traditional funerals, including casket, visitation, funeral service, and cemetery burial, but his cremation rate is about 40%. His prices are in line with his competition and the rest of his service area. He is still purchasing the business from his father-in-law, and the payments are reasonable for the size of business. His collections are reasonably good. He said his staff is hard-working, if not overworked, and yet he isn't making money and wants to know how to fix it.

A quick glance at his profit and loss statement reveals his problem. While you would expect a funeral home to have personnel costs in the 25% to 30% of revenue range, his is at 50%. For every \$2 of revenue received, \$1 goes to payroll.

When questioned, he reveals that six funeral director licenses are hanging on the wall. One is that of his father-in-law who is fully retired but still receives a partial salary in addition to the payments for the business. Two are regular full-time employees. One is a "mostly retired" long-time funeral director who used to work for his father-in-law. The family has kept him on the payroll out of friendship and loyalty.

The next is a brother-in-law who (thankfully) rarely shows up at the funeral home. Apparently, that is a long story. The last, of course, is himself. He is slowing down and taking more time away from the funeral home whenever possible. He has a full-time office staff person along with part-time help for visitations and funerals.

He also has a semi-retired insurance agent selling pre-need for him. So, in effect, he has two licensed funeral directors on the schedule to operate a 150-call funeral home even though he is paying for almost six.

Problem identified.

His case brings up an interesting issue. How many funeral directors do you need for your size business? How do you determine the size of the licensed staff you need?

In the past, we separated traditionally focused funeral homes from those who considered themselves alternative providers—those who focused on the cremation and budget-conscious consumer. The general guideline for the traditional funeral home was two licensed funeral directors for the first 125 traditional or casketed calls and then one additional funeral director for every 85 calls thereafter. In the case of a cremation-oriented business, the guideline was two funeral directors for the first 200 non-casketed, cremation calls and one additional funeral director for each 125 calls thereafter.

### **Different Time, Different Formula**

Today, however, while there are still firms that identify themselves as traditional funeral homes and others that market themselves as cremation-oriented, less expensive, or as an alternative to traditional funeral homes, the lines have blurred.

Almost every firm does a mixture of casketed-with-a-service type calls along with cremation calls

with and without services. That makes using this formula not only complicated but doesn't consider the many options people have regardless of disposition chosen. Today, we have a different formula that takes these service options into account. This is certainly not an exact science and is only meant to be a guideline because there are many factors that need to be considered.

First, the new formula assumes that funeral directors will perform the functions and duties generally and traditionally reserved for professional staff. Those functions include removal of remains; embalming; cosmetology, dressing, and casketing of remains; making funeral arrangements with the family; supervision of visitation; directing the funeral; and directing the graveside service.

We acknowledge that different state licensing laws dictate what functions must be done by a licensed funeral director and which may be done by others. For instance, at least one state requires that a licensed funeral director be on every removal from the place of death.

Another one requires the presence of a licensed funeral director during visitations. Other states allow interns to perform most of the functions of a funeral director but under some definition of "supervision" by a licensee. All of this will factor into the number of licensed staff you need.

It is also assumed that there are additional non-licensed staff to perform other functions such as administration, book-keeping, cleaning, and maintenance. If your licensed staff is putting in a lot of overtime, make sure it isn't because they are doing tasks a non-licensed person or part-time employee should be doing.

We also assume that except for an occasion walk-in client, there are separate non-licensed staff to sell pre-need contracts.

### Do the Math

So, to use this formula we must first determine the availability of a licensee. How many days do they work each year? We begin with the number of days in a year and subtract the number of days the licensee will not be available due to days off, PTO (vacation, sick days, personal days) and



**You don't necessarily need an experienced funeral director requiring a top-dollar salary. In fact, a soon-to-be licensed intern may be your best choice.**

holidays. We will use this for our example:

365	days per year
-104	weekend days or other days off
-20	PTO days
-6	holidays
<hr/>	
235	the number of days the funeral director is available to serve families

Obviously, you must adjust this number according to your funeral home's policy and schedule. Not everyone can be off on a weekend, so you may offer days off in the middle of the week. You may offer more or less PTO time. You might recognize additional holidays and either pay when those are worked or offer additional time off. You may also have a variation of PTO times between licensees depending on years of service. You can use an average number. A few days difference between employees won't significantly affect the result.

Next, we estimate the amount of time involved in serving a family depending on their service option. When a family selects a complete funeral service, including the purchase of a casket, embalming, visitation, funeral, and graveside service, we assume

that the funeral director will be serving this family for three days.

When a family selects an immediate disposition without a casket, embalming, and visitation but does arrange for a memorial service, the funeral director will be serving this family for two days. In the case of an immediate cremation or a shipping service, we assume the funeral director will be serving this family for one day.

It doesn't matter if one funeral director makes the removal, a different funeral director does the embalming, and yet a third director meets with the family. These are all functions traditionally done by a licensee. We also acknowledge that while the licensed funeral director may not actually enter the vital statistics into the computer to generate a death certificate or write the obituary, the licensee is still responsible for supervising these tasks and some of their time is consumed by that.

If your funeral directors are also the primary writers of pre-need contracts, you should add one additional time category—one-half day per pre-need arrangement. While it generally does not take four hours to meet with a pre-need family, you can

see that a 10:00 am pre-need appointment pretty much blocks that funeral director from being committed to performing other service functions that morning.

### Funeral Director Days Needed

Next, we are going to solve an equation for the number of funeral director days needed to serve the families that call upon your funeral home. For that, we add the number of days needed to serve full-service families, memorial service families, and direct disposition families. The formula is:

- \_\_\_\_\_ Full services  $\times 3 = A$
- \_\_\_\_\_ Full services  $\times 2 = B$
- \_\_\_\_\_ Direct dispositions  $\times 1 = C$
- \_\_\_\_\_ Preneed arrangements  $\times .05$  (if applicable) = D

$A + B + C + D =$  \_\_\_\_\_ number of funeral director days

Here is an illustration. Suppose a funeral home does 325 calls per year. Of those, 175 are casketed funeral services. One hundred-fifty are cremations, of which 45 of those are direct disposition and/or ship outs. There are dedicated pre-need sales staff. The math would look like this:

$$175 \times 3 = 525 \text{ days for full service families}$$

$$105 \times 2 = 210 \text{ days for memorial service families}$$

$$45 \times 1 = 45 \text{ days for immediate disposition and ship out families}$$

$$525 + 210 + 45 = 780 \text{ funeral director days.}$$

The final step then is to divide the number of funeral director days by the number of days a funeral director is available.

$$780/235 = 3.32$$

In our example, 780 funeral director days divided by the 235 days per year a funeral director is available, and our answer is **3.32 funeral directors** needed for this funeral home.

### What about you, dad, and grandpa?

The next question to ask is whether the number of funeral directors would include you the owner? Probably not—unless you work a full schedule plus perform the duties of managing the funeral in your spare time. If dad, mom, and grandpa are still on the

payroll, you should not count them either. Whatever business sense that makes will have to wait for another article.

### Where do I find a fraction of a funeral director?

The calculation will rarely result in an even number. In this case, how do you find one-third of a funeral director? If the fraction is less than  $\frac{1}{2}$  you may not have to. This is where you, the owner, may fill in part of that gap. The rest is probably already being made-up with occasional overtime.

However, if the fraction is more than  $\frac{1}{2}$ , you cannot be expected to be both a full-time funeral director and full-time manager. More overtime is not the answer either because it will lead to low morale, job dissatisfaction, and a high risk of burnout among your staff.

At this point, you should consider hiring another funeral director. You don't necessarily need an experienced funeral director requiring a top-dollar salary. In fact, a soon-to-be licensed intern may be your best choice. In either case, part of their salary will be paid for from the overtime that you are probably paying now and that you will save once they begin working.

If you find yourself overstaffed, we are not suggesting you terminate anyone, but in the event of resignation or retirement, you certainly want to think long and hard about hiring a replacement.

### Finding a Balance

Of course, the issue for our friend Jack Spratt is that he is saddled with a tradition and a family dynamic not of his own making. He is fully aware of that, but it doesn't make the operation of the funeral home any easier or more profitable. It might be too late to have the family conversation that should have taken place before he took over, but it's worth a try. His father-in-law has a vested interest in the viability of the business for as long as he expects monthly payment checks.

For Jack as well as for you, proper staff is not just about the money, of course. While too many employees are unnecessarily expensive, a staff that is too small and overworked can be expensive as well. Service suffers. When service declines, so does call

volume. Overwork leads to low morale. Employee homelife suffers. That can lead to staff turnover, which can also erode service. It can become a vicious cycle.

All this can easily be more expensive than adding one more funeral director to the staff. ☒

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