

Crowdfunding Caveat Emptor

What is crowdfunding, how does it pay for a funeral and what are the risks?

Dear Dan,
I have an iPhone, an iPad and a Facebook page for my funeral home and myself. I've even read a tweet or two. Today, however, I'm feeling old and out of touch. I am in service to a family that asked me to set up a crowdfunding account. They said this fund will pay all of the funeral expenses. The death was of a teen, so they asked that I cash-advance the cemetery. They bought a nice casket and vault, but I have no idea what I am doing with crowdfunding.

Signed, I Am Definitely Not Hep

Dear Definitely Not Hep,
Let's start with an explanation of crowdfunding. Then, if you decide to move forward with this fundraising arrangement, I will move for your commitment and the removal of all power to make independent financial decisions.

Crowdfunding is a process by which financial contributions are solicited from a large number of people to quickly fund a venture. These ventures are typically a project, charity or business startup. Using the internet, donors can contribute money directly to the venture. Some well-known funding sites are Kickstarter, Indiegogo and Crowdfunder. We see these accounts being used to fund everything from an artist's project to funerals.

Crowdfunding for a funeral, especially when the deceased was a sympathetic person, has become a significant platform for paying for a funeral. Many people are able to make small donations to fund the funeral. This is the virtual world's answer to the funeral car wash.

Funeral campaigns are set up via many different crowdfunding sites. Some, including GoFundMe, YouCaring and Indiegogo, seem to have started the trend. Other sites, such as Funeral Fund and Graceful Goodbye, focus only on funding funerals. In one well-known situa-

tion, some 110 people chipped in more than \$6,500 over a 30-day period to pay for a well-known but broke middle aged man's funeral.

GoFundMe states that its website has more than 22,000 campaigns and has raised more than \$40 million to date. If you assume that the average cost of a funeral and interment is \$10,000 and there are 2.4 million deaths in the United States alone, then the funeral and cemetery world is a \$20 billion industry. When I hear about crowdfunding financing more than \$40 million, I think this is a lot of money, but it is less than 2 percent of funeral billing for one year. Of course, 10 years ago, there was no crowdfunding, so the concept is still catching on.

Crowdfunding is a risk and fraud is a hazard. The bigger question is how to handle this fundraising arrangement. I recommend you don't. If a family hires you to serve them, you have an agreement with the family. Your fee is not contingent on their Facebook friends' feelings of mourning.

It makes sense that the concept catches on. There is some public distaste for "raising money for the funeral car wash," but the online funding is clean and fits in with a millennial's mindset. Some people don't want to have the obligation of providing for the funeral of a loved one. However, through an app, they have a good chance to get money raised by strangers and friends without being embarrassed.

On the GoFundMe site, there are 71,000 results using the word "funeral" in the search. Many feature pictures

of the deceased and the responsible party making the funding request. The web pages indicate the amount of funds raised and how many contributors donated. Most sites feature a cutoff time for funding. Funeral homes do not appear to sponsor a funding page, but I did not check all 71,000 of them.

One site featured a request to fund Prince's funeral. It had 62 people take pity on the deceased rock star's estate and give a total of \$1,788 (which is about \$18 per pound of rock star). Some of these funerals must have mahogany caskets, top-notch vaults and ornate headstones because several raised more than \$20,000. Either that or they gave the pallbearers a lavish lunch.

Many crowdfunding sites have a fee. They may charge 3 percent to as much as 10 percent of the amount raised. Crowdfunding recipients typically treat the receipt as a tax-free gift, and the contributors, who are getting nothing but a virtual hug in return for their donations, do not get a deduction unless the funding party is a tax-qualified charity.

Once someone creates a crowdfunding memorial site, they invite their friends to donate via social media. They can hyperlink the page and send out emails and hope their immediate friends will share or rebroadcast the email to others. I received one crowdfunding request from five different email confidants over a 10-day period. I wrote each of them to ask whether they funded this account or just felt compelled to pass on the message. All said they just passed on the message. I went to the site and saw that money was coming in, but for the life of me, I couldn't see the connection of those rebroadcasting the message. Maybe they all think my gig at *The Director* pays big bucks and that I would have the money to donate.



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Crowdfunding, like the World Wide Web, is everywhere. If your nation has access to the web and a currency, you can have a crowdfunding account. And if your nation has any crooks, I am sure they've discovered these sites as well. One case had a perfectly healthy woman pose as a dying, cancer-stricken, unwed

mother of three. About \$51,000 later, she was cured and in jail.

Crowdfunding is a risk. Donors don't know whether the request is legitimate, and fraud is a big hazard. Some will link the obituary to their funding page. In one recent case, the page owner raised and kept the money. The creator of the

page has no obligation to pay the money to the funeral home unless they themselves are the guarantor of the funeral.

The bigger question is how to handle this fundraising arrangement. I recommend you don't. If a family hires you to serve them, you have an agreement with the family, not with the crowdfunding account. Your fee is not contingent on their Facebook friends' feelings of mourning. In every case, someone or many people need to guarantee your payment. This is Receivables Management 101. For you to incur a lien or wait to see the success of the crowdfunding is risky behavior.

Well, Definitely Not Hep, I hope my explanation of this collaborative financing in the digital economy gives you something to ponder. Remember, death has costs. Responsibility has costs. Death X Responsibility = Big Costs. Crowdfunding is a way to pass those costs on to others, akin to begging but in the cyber world.

Said American author H.L. Mencken: "No one will ever go broke underestimating the intelligence of the American public." Mencken died before crowdfunding – or did he? I just put up a page to pay for his funeral, so I'm going to be rich within 30 days

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