

# North Carolina Department of Insurance Consumer Alert!

## ANNUITIES AND VETERANS PENSION QUALIFICATION: What Retired Military Personnel Need to Know Before Transferring Assets to Qualify for Benefits

*There are approximately 16 million living U.S. veterans who served in military actions between the 1940s and the 1970s, according to the U.S. Census. For many of these veterans and their families, securing long-term care is foremost in their mind. Many of them are turning to financial and estate planning services that are accredited by the Veterans Administration to assist them in accessing pension benefits to help with their future care. But according to a May 2012 [General Accountability Office Report](#) on VA pension benefits, some of these insurance agents, financial planners and lawyers are taking advantage of veterans by putting their money in financial products that may not be suitable for the veteran. The North Carolina Department of Insurance offers the following tips for veterans and their loved ones.*

### Veterans Affairs Accreditation

VA pension benefits are available to low-income wartime veterans who are 65 and older, or who are permanently and totally disabled by conditions unrelated to their military service. To receive these benefits, the veteran or his or her family must submit application materials to the VA. Completing the application can be difficult, so the VA accredits individuals (such as financial planners and lawyers) and Veterans Service Organizations that can help veterans and their families through this process. VA-accredited individuals and VSOs are trained to complete and file the VA application. Some might also hold state licenses to sell insurance products, investments and other financial products not related to or endorsed by the VA.

#### TIPS

- Before agreeing to receive assistance with a VA benefit, make sure that the individual or organization providing assistance is accredited by the VA.
- You can search for accredited help on the VA's website (<http://www.va.gov/ogc/apps/accreditation/index.asp>), or contact an accredited Veterans Service Organization (<http://www.va.gov/ogc/apps/accreditation/accredvso.asp>) like the NC Division of Veterans Affairs (919) 807-4250 for free help.

### Transferring Assets

Some financial advisors claim that they can help military veterans navigate the VA pension eligibility process, and/or maximize the dollar amount of their VA pension payments. However, concerned veterans and their families have contacted state and federal officials after being coaxed into financial decisions that turned out to do more harm than good. For example, according to the recent Government Accountability Office report on pension benefits, some financial advisors have told veterans to transfer financial assets to family members or into a trust, in order to minimize net worth, and therefore, qualify for a larger VA pension.

Even though this strategy may be allowable, some financial planners might not be warning veterans or their families of possible negative consequences. For example, transferring assets can cause a veteran to lose his or her Medicaid eligibility. If the veteran needs long-term care later in life, and if the VA pension does not provide enough money to cover the cost, then the veteran might have to apply for Medicaid. However, Medicaid has a 60-month "look-back" period. If the Medicaid applicant has transferred ownership of substantial assets during the 60-month period prior to the Medicaid application, then he or she might lose Medicaid eligibility.

### **TIPS**

- Before agreeing to transfer the ownership of financial assets in order to qualify for a larger VA pension, it is important to consider...
  - Will the VA pension be enough to cover most or all living expenses?
  - If not, will the veteran or other loved ones be able to withdraw funds from the transferred assets, without having to pay large penalties or withdrawal fees?
  - Will there be other liquid assets readily available to cover other large expenses (such as long-term care) that arise later?

### **Investing in Annuities**

The GAO report also states that some veterans were sold financial products, such as deferred annuities, that might not have fit their financial needs and circumstances. An annuity is an insurance contract that provides a future stream of monthly income in exchange for premiums paid by the owner. An “immediate” annuity begins making payments shortly after purchase. However, a “deferred” annuity might not begin making payments for a much longer period of time, and the insurance company might charge large fees or penalties for withdrawing funds or for cancelling the contract. Therefore, a deferred annuity might not be appropriate for an older veteran who needs access to his or her funds in the near future.

### **TIPS**

- If the individual is recommending an annuity or other insurance product, make sure that he or she is licensed as an insurance agent by the North Carolina Department of Insurance.
- Before signing a contract for an annuity, make sure that you understand the terms of the contract. How will the funds be invested? When will annuity payments begin? What are the penalties for withdrawing money before payments begin, or for cancelling the contract?

### **Deceptive Marketing and Sales Practices**

Some individuals trying to sell insurance or other financial products to veterans might falsely claim to represent organizations endorsed by the VA. Sometimes they give presentations at nursing homes and assisted living facilities, promising assistance with maximizing VA pensions, without clearly disclosing their role as insurance agents selling annuities. The GAO also highlighted a concern that many attendees at these presentations may have degenerative mental states and, therefore, are not in a position to make decisions about their finances, leaving them vulnerable to suggestions that they must purchase a financial product to qualify for a VA pension.

### **TIPS**

- Before agreeing to receive assistance with a VA benefit, make sure that the individual or organization providing assistance is accredited by the VA (<http://www.va.gov/ogc/apps/accreditation/index.asp>).
- Contact an accredited Veterans Service Organization, such as the NC Division of Veterans Affairs at 919-807-4250.
- If you think that you or a loved one is being taken advantage of by an insurance agent, report that activity to the North Carolina Department of Insurance.

### **Contact the North Carolina Department of Insurance!**

If you have questions about this alert, want to make sure that an insurance company or agent is properly licensed, or want to file a complaint, call the North Carolina Department of Insurance’s Consumer Services Division at 855-408-1212, or visit our website at <http://www.ncdoi.com/Consumer/>.