

AGENT SERVICES

TO: All Interested Parties

FROM: Agent Services Division

DATE: November 9, 2012

RE: Consumer Alert for Veterans

Consumer Alert!

With the celebration of Veterans Day soon approaching, we wanted to alert veterans of some unscrupulous activity.

Some people who claim they want to help military veterans receive their veteran's benefits may actually be out to rip them off. State and federal officials have reported hearing from veterans who have lost hundreds of dollars to scammers who promised to help them navigate the VA process.

In most cases, people must be accredited by the Veterans Administration (VA) in order to represent veterans seeking benefits, and they are not permitted to charge any fees for their services unless they are assisting to appeal a VA decision.

You can [search for accredited](#) help on the VA's website, or contact an accredited [Veterans Service Organization](#) like the [NC Division of Veterans Affairs](#) for free help.

If you spot a scam that is trying to rip off our veterans, report it to the [NC Department of Insurance](#).

ANNUITIES AND VETERANS PENSION QUALIFICATION:

What Retired Military Need to Know Before Transferring Assets to Qualify for Benefits

Whether helping a veteran plan for the future or worrying about making a life savings last, the [National Association of Insurance Commissioners \(NAIC\)](#) offers these tips for evaluating these important decisions.

Accreditation and Licensing

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 their family must submit [paperwork](#) to the VA. Completing this paperwork can be challenging, so the VA accredits financial planners and lawyers who can help veterans and their families. This accreditation means that the individual is trained to fill out and file the VA paperwork, but the products they sell to seniors to help finance their long-term care are not endorsed by the VA. This also means the financial planner must be licensed to sell financial and insurance products. So, before

agreeing to any assistance with a VA benefit, make sure the individual is accredited through the VA and, if offering an annuity or other insurance product, licensed by the North Carolina Department of Insurance.

Transferring Assets

The recent Government Accountability Office (GAO) report found that in some cases these financial planners are suggesting veterans transfer assets to family members or a trust to help them qualify for a pension. While the GAO pointed out that this is allowable, some planners are not warning the veterans or their families of other issues this could cause.

For example, if the veteran needs long-term care and the pension benefit is not enough to cover the expense, it may be necessary to apply for Medicaid. However, Medicaid has a 60-month look-back period. If an individual has transferred substantial assets at less than market value in that period of time, then they may become ineligible for Medicaid services. Before agreeing to gifting assets to loved ones or putting the money in a trust, it is important to evaluate the benefit of the monthly pension versus the possible need for long-term care and how that care can be financed.

Investing in Annuities

According to the GAO report, some planners were placing senior veterans in products that may not be age-appropriate because the veteran may lose access to funds needed for future expenses. For example, the GAO reports that some organizations may sell deferred annuities to an applicant that would make their funds unavailable to them during their expected lifetime without facing high withdrawal fees.

An annuity is a contract in which an insurance company makes a series of income payments at regular intervals in return for a premium or premiums paid by the owner. Annuities are most often purchased for future income and can be structured to provide income for long periods of time. There are annuity products that could be appropriate or useful to a veteran who is looking to receive a monthly income beyond their pension. However, a deferred annuity is structured so that payment for the premium investment is not received for several years and withdrawing funds from it early can be very costly. This kind of annuity would probably not be desirable for an older veteran. Remember, an annuity is not an investment product to help reach a short-term financial goal.

Before signing a contract for an annuity, it is important to understand the terms of the contract, how any money is invested, and when the benefit payments will begin. Get educated about annuity choices and the deceptive practices that can be used when selling annuities in [this consumer alert](#). Report suspected deceptive sales to the North Carolina Department of Insurance.

Marketing and Sales Practices

Beyond deceptive sales practices, seniors and their families should be aware of how some organizations market these products. The GAO reports that some representatives may lead potential pension claimants and their family members to believe they are veterans advocates representing a nonprofit organization or endorsed by the VA when, in fact, they are insurance agents trying to sell a product. Sometimes they use presentations at assisted living facilities to offer assistance with a pension application to help veterans qualify for their VA benefits, but do not disclose they are actually insurance agents selling annuities to help them qualify for the benefits. 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.

State insurance regulators have rules in place that prohibit unsuitable sales of annuity products to seniors and take violations of these rules seriously, particularly for men and women who served in the armed forces. The North Carolina Department of Insurance and the [state Veterans Affairs office](#) can help veterans navigate their options free of charge. The North Carolina Department of Insurance can also help determine when a senior has been misled by an insurance agent or financial planner.