Insurance Department

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Annuities and Veterans Pension Qualification:
What retired military and veterans need to know before transferring assets to qualify for benefits

Approximately 16 million living U.S. veterans served in military action between the 1940's and the 1970's 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 accredited by the Veterans Administration (VA) to assist them in accessing pension benefits to help with their future care. But according to a recent Government Accountability Office (GAO) Report some of these insurance agents, financial planners, and lawyers take advantage of veterans by putting their money in financial products that may not be suitable for the veteran. So, whether helping a veteran plan for the future or worrying about making their savings last, the Utah State Insurance Department offers these tips

Accreditation and Licensing

Pension benefits are available to low-income wartime veterans who are sixty-five 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 the paperwork can be a challenge. "There are people who are charging veterans $500 and up to complete and file this paperwork," said Terry Schow, Executive Director at the Utah Department of Veterans Affairs (UDVA). "We have people here that will do it for **free**." In fact, as Mr. Schow emphasized; **"The US Department of veterans affairs does not allow any person or organization to charge a veteran to apply for their veterans benefits."** To receive assistance with this process call 801-326-2372 or 1-800-894-9497 or ldawson@utah.gov.

The federal VA also accredits financial planners and lawyers who can help veterans and their families. However, the products they sell to seniors to help finance their long–term care are not endorsed by the VA. Financial planners must be licensed to sell financial and insurance products. Before agreeing to any assistance with a VA benefit, make sure the individual is accredited through the VA. "If the individual is offering an annuity or other insurance product," warned State Insurance Commissioner Neal T. Gooch, "make sure he or she is licensed by the Utah Insurance Department." One way to do that is by going to the Company/Agent Search on the Department's website at www.insurance.utah.gov/ or call 801-538-3855 or toll free 1-800-439-3805.

Transferring Assets

The recent GAO report found that in some cases financial planners suggest 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 that these transfers could affect their ability in the future to obtain long-term care.

Please note: Agency hours are 8am-5pm, Monday-Friday.

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 five-year look-back period. If an individual has transferred substantial assets at less than the market value during the five-year look back period, then they may become ineligible for Medicaid services. Before agreeing to give assets as a gift 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 it can be financed.

Investing in Annuities

According to the GAO report, some planners placed 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 some organizations may sell deferred annuities to an applicant that would make their funds unavailable to them during their expected lifetime unless they pay 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 the owner of the annuity paying a premium or premiums. Annuities are most often purchased for future income and can be structured to provide income for long periods of time. Some annuity products are appropriate or useful to a veteran who is looking for a monthly income beyond his or her pension. However, a deferred annuity is structured so payment for the premium investment is not received for several years and to withdraw funds early can be costly. A deferred annuity may 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 money is invested, and when the benefit payments will begin. Get educated about annuity choices and the deceptive practices used when selling annuities, as noted in this consumer alert. Report suspected deceptive sales to the Utah Insurance Department complaint webpage, by phone to 801-538-3066 or toll free 800-439-3805, or email life.uid@utah.gov.

Marketing and Sales Practices

Beyond deceptive sales practices, seniors and their families should be aware of how some organizations market annuity products. The GAO reports some representatives may lead potential pension claimants and their family members to believe they are veterans advocates who represent a nonprofit organization or are endorsed by the VA when, in fact, they are insurance agents trying to sell a product. The GAO also highlighted a concern for veterans who have a degenerative mental condition. Many may not be in a position to make decisions about their finances and are more vulnerable to suggestions that they purchase a financial product to qualify for a VA pension. The Utah Insurance Department has adopted Rule R590-230, Suitability in Annuity Transactions, to prohibit unsuitable sale of annuity products.

The Utah Department of Veterans Affairs can help veterans navigate their options free of charge and the Utah Insurance Department can help determine if they have been misled by an insurance agent or financial planner.

Contact Information

To find out more about wartime veteran pension benefits, visit The Utah Department of Veterans Affairs at (http://www.veterans.utah.gov/) or call 801-326-2372 or 1-800-894-9497. To find out more about insurance or annuities go to www.insurance.utah.gov/, or call 801-538-3890 or toll free 1-800-439-3805.

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The Utah Insurance Department is a State agency. Its mandate is to regulate insurance marketed and sold in Utah. Currently more than 90,000 agents, agencies, and insurers are licensed; domestic insurers are audited to verify financial stability and compliance with insurance laws; administrative action is taken against licensees in violation of insurance laws; calls from consumers with questions or complaints are taken; and licensees and consumers are educated regarding insurance.