

Consumer advisory: 3 pension advance traps to avoid

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Many retirees depend on a pension to cover day-to-day as well as occasional unexpected expenses, such as health emergencies or home repairs. We've heard that some retirees with pensions who are facing financial challenges have responded to ads for cash advances on their pensions. Although pension advances may seem like a "quick fix" to your financial problems, they can eat into your retirement income when you start paying back the advance plus interest and fees.

A pension advance is a cash advance in exchange for a portion, or all, of your future pension payments. Pension advance companies typically charge high interest rates and fees and often target government retirees with pensions. Former servicemembers should also be on guard. Military retirees and veterans who receive monetary benefits from the Department of Veterans Affairs (VA) have been offered pension advances even though it's illegal for lenders to take a military pension or veterans' benefits. Many of those companies use patriotic-sounding names or logos and even claim they are endorsed by the VA as a way of enticing potential customers.

If you or a loved one is considering a pension advance, consider your alternatives. A financial coach or credit counselor can help you weigh your options and plan for new or unexpected financial demands. The National Foundation for Credit Counseling (NFCC) provides a [list of member agencies around the country](#). You can also search for [local credit counseling](#) agencies on the Association of Independent Consumer Credit Counseling Agencies (AICCA)'s website.

Here are 3 things you can do to protect your retirement pension:

1. **Avoid loans with high fees and interest.** Pension advance companies may not always advertise their fees and interest rates, but you will certainly feel them in your bottom line. Before you sign anything, learn what you are getting and how much you are giving up.
2. **Don't sign over control of your benefits.** Companies sometimes arrange for monthly payments to be automatically deposited in a newly

- created bank account so the company can withdraw payments, fees and interest charges from the account. This leaves you with little control.
3. **Don't buy life insurance that you don't want or need.** Pension advance companies sometimes require consumers to sign up for life insurance with the company as the consumer's beneficiary. If you sign up for life insurance with the pension advance company as your beneficiary, you could end up footing the bill, whether you know it or not.

You can also get a [printer-friendly version](#) of this information to share with friends or clients who are considering pension advances. If you know someone who's received a pension advance offer, we want to hear about their experiences, good and bad. Please ask them to share their story at consumerfinance.gov/your-story/.