

## Beware of Pension-Buying Funds

By Kerry Pechter     Sun, Apr 28, 2013

*Pension-buyout deals, which rip off veterans and others with certain types of pensions, are often financed by investors who are looking for higher yields on their savings. Don't let your clients be lured into this seamy trade.*

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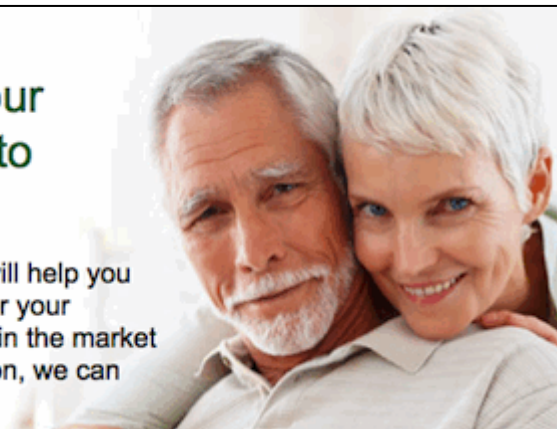


The retirement income underworld appears to be flourishing. As the *New York Times* [reported](#) yesterday, companies like U.S. Pension Funding and Advantage Financial Consulting operate websites that encourage cash-strapped veterans and others to sell their future pension streams at steep discounts.

Those same firms also invite yield-hungry investors to take advantage of the opportunity to earn returns of as much as 14% by investing in funds that buy those pension streams. If your clients are considering one of these investments, please persuade them to invest in something safer and more respectable.

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The structure of these investments is unclear, and one has to wonder if investors, like pensioners, might be victimized. While investors in structured settlements can obtain legal ownership of annuity or lottery income, the same may not be true of pension income. In fact, pension-purchasing may simply be illegal.

Here's a list of websites that encourage veterans, teachers and others to sell their retirement income streams (One site that is not listed below, [webuypensions.com](http://webuypensions.com), has been labeled a potential "attack site" that may try to hack your computer):

- [www.lumpsum-pensionloans.com](http://www.lumpsum-pensionloans.com)
- [www.uspensionfunding.com](http://www.uspensionfunding.com)
- [www.youtube.com/watch?v=BGfNkB5yP0g](http://www.youtube.com/watch?v=BGfNkB5yP0g)
- [www.pensionloancompanies.com](http://www.pensionloancompanies.com)
- [www.advantagefinancialconsulting.com/](http://www.advantagefinancialconsulting.com/)
- [www.structuredsettlementcompany.com/pension-cash.html](http://www.structuredsettlementcompany.com/pension-cash.html)
- [www.imperialstructuredsettlements.com/free-annuity-advice/pension-retirement-annuity-payments/](http://www.imperialstructuredsettlements.com/free-annuity-advice/pension-retirement-annuity-payments/)
- [www.acfunding.net/structured\\_settlements.htm](http://www.acfunding.net/structured_settlements.htm)
- [afc-structuredsettlements.com/index.php?option=com\\_content&view=article&id=55&Itemid=70](http://afc-structuredsettlements.com/index.php?option=com_content&view=article&id=55&Itemid=70)

- [www.military-pension-cashout.com/](http://www.military-pension-cashout.com/)

Although the *Times* played the story on its front page, the pension-buying business is not breaking news. It was exposed almost two years ago on the website [publicintegrity.org](http://publicintegrity.org), whose [story](#) on August 19, 2011, documented cases like these:

- Kirkland Brogdon Sr., a former Marine from Janesville, Calif., took a payment of \$24,542 in 2003 in return for eight years of payments from his pension and the purchase of a \$60,000 life insurance policy assigned to Structured Investments.
- Daryl Henry, a disabled Navy veteran from Laurel, Md., took a \$42,131 payment from Structured Investments backed by his pension in 2003. Including life insurance premiums, his contract's effective annual interest rate was 28 percent, according to data in his class-action court filings.
- Retired Navy physician Louis Kroot, M.D., of Lexington, Kentucky, and his wife signed over 95 monthly pension payments—a total of \$2,457.37 per month after taxes—to an account controlled by Structured Investments. They also agreed to pay \$131.04 per month over six years for a \$180,000 life insurance policy that lists Structured Investments as a beneficiary—an assurance the company would be repaid if Louis dies and his pension payments end.

These loans have been found to violate the law regarding military pensions. According to a report published at the [AARP.org](http://AARP.org) website in 2011:

"In an Aug. 22 ruling, Judge David C. Velasquez said the agreements that the retirees had signed violated federal law against 'assigning' military pensions to other parties. He called the pension buyouts 'unscrupulous and substantially injurious.' [For a copy of a September 2011 opinion by Judge Velasquez that it's illegal to buy military pensions, click [here](#).]

**What Types of Pensions Can Be Sold For a Lump Sum?**

★ Firefighter Pension	★ Military Pensions
★ Police Pensions	★ Army Pension
★ State Pensions	★ Navy Pensions
★ Government Pensions	★ Air Force Pensions
★ City Pensions	★ Marine Pensions
★ Public Pensions	★ Union Pensions
★ Teacher Pensions	★ Corporate Pensions
★ Medical Field Pensions	★ Civil Service Pensions
★ Local Government Pension	★ Un-assignable Pensions

"The company, Structured Investments, maintains that its practices are legal. A company official did not return calls seeking comment... About 1.5 million veterans received about \$40.3 billion in pension payments from the Pentagon last year, making them an attractive target for companies that place ads online and in trusted military publications."

Pension buyout businesses rely on the fact that many Americans are financially illiterate and can't calculate—or are too blinded by need or bereft of options to calculate—the poor value that they receive for their pensions or annuities. (Above, an example of a box that appears on one of the pension buyout websites listed earlier.)

In a new study, "[Financial Literacy and High-Cost Borrowing in the United States](#)," Annamaria Lusardi and Carlo de Bassa Scheresberg of the George Washington University School of Business show that people with

the least education are the most likely to be victimized by high-cost financing schemes.

“Considering a representative sample of more than 26,000 respondents, we find that about one in four Americans has used one of these methods in the past five years,” they write. “Moreover, many young adults engage in high-cost borrowing: 34% of young respondents (aged 18-34) and 43% of young respondents with a high school degree have used one of these methods.”

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