Pension Advance Scams:

Retirees Beware!

A pension is a type of retirement plan, usually tax-exempt, in which an employee makes contributions toward a pool of funds set aside for an employee's future benefit. The pool of funds is invested on the employee's behalf, allowing the employee to receive benefits upon retirement.

- *Are you earning a pension from your employer and need cash fast?*
- *Are you an investor looking for new ways to grow your investment dollars?*

If you answer yes to either question, you may be the target of a new wrinkle on an old type of scam.

How it Works

The scam involves investors who provide funds to make cash advances and pensioners who are willing to turn over future pension payments in exchange for an immediate lump sum cash payment. Here are some risks both parties should know to keep scam artists from carrying away your nest egg!

In many ways, this current scam is similar to earlier scams involving viatical and life settlement holders. Both involve people holding entitlements to large amounts of money who need cash fast. Scammers offer to purchase the rights to those cash entitlements at a discount and then seek to sell investment interests in these rights to investors.

In an actual case, a company called Structured Investments Co., LLC raised money by selling securities in the form of membership interests in the company. Investors were promised an 8 percent return on their investment with monthly payments that would be generated from U.S. military service pensions. The payments stopped unexpectedly in 2009.

The firm used the money raised from investors to offer lump sum cash payouts to pensioners in exchange for assigning their future pension payments. The company advertised to pensioners that they could "put their pension money to work now by receiving quick cash." The pensioners filed a class action lawsuit against Structured Investments and the court found that the assignment of government pensions is prohibited by federal law and ordered the company to pay back the pensioners.

(over)

Issued: April 2016

To learn more, contact:
North Dakota Securities Department
www.nd.gov/securities
email: *ndsecurities@nd.gov*
phone: (701)328-2910 or (800)297-5124

NORTH DAKOTA
SECURITIES DEPARTMENT

Investors: Questions to Ask Before You Invest

- ***Is the investment registered?*** Check with your state or provincial securities regulator before you invest to determine if the offering is registered.

- ***Did you do a regulatory check on the background of the principal officers of the company offering the investment?*** Background information is available from your state or provincial securities regulator, BrokerCheck, IAPD, or even the Internet.

- ***Is the transaction legal?*** Some pension rights cannot be transferred. As with the case cited above, federal law prohibits the assignment of U.S. government pensions and disability benefits. Check out the source of the pension funds in which you will be investing.

- ***Can you afford to lose the money?*** These are risky investments. You should not invest more than you can afford to lose.

- ***Can you get your money if you need it?*** Many of these investments are illiquid and you may not have access to your money.

Retirees: Questions to Ask Before You Sell Your Rights

- ***How financially secure is the company offering to buy your entitlement and is the company registered to offer the product?*** Check the background of the principals before entering into the agreement.

- ***How does the company make its money?*** The company typically takes commissions and other fees that may result in the cash payout being lower than the future benefits you are assigning. Do these costs outweigh the convenience of a lump-sum payment?

- ***Do you know what restrictions, if any, apply to your ability to assign your pension benefits?*** Check with your pension administrator to determine what restrictions apply. The transaction could be illegal and therefore void.

- ***Does the company require you to purchase life insurance naming it as the beneficiary?*** If so, you should consider this increased cost when considering whether the payout is worth it.

- ***Did you consider the tax consequences?*** The lump-sum payment you receive may be taxable as income.

Bottom Line: Before making any decisions with your money, ask questions, do your homework and contact the North Dakota Securities Department at ndsecurities@nd.gov; (701)328-2910 or (800)297-5124. Also, be sure to visit NASAA's Serve Our Seniors website at serveourseniors.org for more information for senior investors.

NASAA Informed Investor Alert

NASAA has provided this information as a service to investors. It is neither a legal interpretation nor an indication of a policy position by NASAA or any of its members, the state and provincial securities regulators. If you have questions concerning the meaning or application of a particular state law or rule or regulation, or a NASAA model rule, statement of policy or other materials, please consult with an attorney who specializes in securities law. For more investor alerts and advisories, visit www.nasaa.org