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March 18, 2015

## **Consumer advisory: 3 pension advance traps to avoid**

By Nora Dowd Eisenhower, Assistant Director, Office for Older Americans, and Holly Petraeus, Assistant Director, Office of Servicemember Affairs, Consumer Financial Protection Bureau

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. [\[MORE\]](#)

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