

Protecting your retirement



**Ron
Watson**

Less than 100 years ago, during the Great Depression of the 1930s, the national poverty rate among senior citizens was greater than 50 percent. The American electorate decided that was not acceptable. A number of legislative solutions to the problem were considered. The Townsend Plan proposed a \$200 monthly payment to every citizen over the age of 60, funded by a 2 percent national sales tax. The EPIC (End Poverty in California) program would have paid \$50 per month to every state resident aged 60 or over.

The Social Security Act, passed in 1935, was the program that made it into law. It followed the 1920 law creating the Civil Service Retirement System (CSRS). Those programs and the Federal Employees Retirement System (FERS), which replaced the CSRS in 1984, have succeeded in creating a more just society, by ensuring that most Americans do not live in poverty at the end of their working careers.

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All three—Social Security, CSRS and FERS—are deferred-income systems. Workers and their families receive less in net pay as money is deducted from their paychecks; and, along with contributions from their employers, placed into trust funds; and the workers and their families are then able to receive income from the trust funds when they reach a certain age and meet other criteria.

There is a lot of money in those trust funds, which makes them attractive targets for anti-worker legislators (targeting all retirees) and the unscrupulous practices of some companies (targeting individual retirees). Regular readers of this column will be familiar with prior alerts: about legislative proposals to increase the amount workers must pay into their retirement system and reduce the amount they receive when retiring, as well as about financial companies targeting the TSP accounts of individual retirees.

Recently, the NALC Retirement Department learned of an OPM advisory regarding a company directly targeting retirees’ annuities. That OPM alert is provided below.

Companies Offering To Buy Your Annuity, Be careful!

The Office of Personnel Management (OPM) has recently learned of an aggressive marketing push targeting Federal annuitants. Companies are offering a cash payment in exchange for a portion, or all, of your future annuity payments generally much less than their long-term worth, and typically charging high interest rates and fees. OPM has specifically received numerous phone calls from one company in particular asking to not just verify annuity amounts, but also banking information, including routing numbers and account numbers. OPM’s suspicions were confirmed by its Inspector General’s office who discovered this company is currently under investigation by the Consumer Financial Protection Bureau (CFPB).

CFPB lists three things you can do to protect your retirement annuity:

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. Go to <https://www.consumerfinance.gov/about-us/blog/consumer-advisory-3-pension-advance-traps-to-avoid> for more information.

Also feel free to report any suspected scams to OPM’s Office of Inspector General (OIG) at:

- OIG hotline number:
877 499 7295.
- Or Write To:
OPM Office of the Inspector General
1900 E Street NW Room #6400
Washington, DC 20415-1100

The American people have successfully organized society in a way that provides a modest economic security for workers and their families. Other elements in our society would destroy that security. Retired letter carriers are wise to vote for their own economic interest and to remain alert against unscrupulous individuals and companies seeking to profit at their expense.