

Why GAO Did This Study

The VA pension program is intended to provide economic benefits to wartime veterans and survivors with financial need. GAO was asked to examine (1) how the design and management of VA's pension program ensure that only those with financial need receive pension benefits and (2) what is known about organizations that are marketing financial products and services to enable veterans and survivors to qualify for VA pension benefits. GAO's study included a review of VA's policies and procedures, site visits to VA's three Pension Management Centers, and online research and interviews of organizations that market financial and estate planning services to help veterans and survivors qualify for VA pension benefits.

What GAO Recommends

Congress should consider establishing a look-back and penalty period for pension claimants who transfer assets for less than fair market value prior to applying, similar to other federally supported means-tested programs. VA should (1) request information about asset transfers and other assets and income sources on application forms, (2) verify financial information during the initial claims process, (3) strengthen coordination with VA's fiduciary program, and (4) provide clearer guidance to claims processors assessing claimants' eligibility. In its comments on this report, VA concurred with three of GAO's recommendations and concurred in principle with one, citing concerns about the potential burden on claimants and recipients of verifying reported financial information. VA agreed to study the issue further.

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VETERANS' PENSION BENEFITS

Improvements Needed to Ensure Only Qualified Veterans and Survivors Receive Benefits

What GAO Found

The Department of Veterans Affairs' (VA) pension program design and management do not adequately ensure that only veterans with financial need receive pension benefits. While the pension program is means tested, there is no prohibition on transferring assets prior to applying for benefits. Other means-tested programs, such as Medicaid, conduct a look-back review to determine if an individual has transferred assets at less than fair market value, and if so, may deny benefits for a period of time, known as the penalty period. This control helps ensure that only those in financial need receive benefits. In contrast, VA pension claimants can transfer assets for less than fair market value immediately prior to applying and be approved for benefits. For example, GAO identified a case where a claimant transferred over a million dollars less than 3 months prior to applying and was granted benefits. Also, VA's process for assessing initial eligibility is inadequate in several key respects. The application form does not ask for some sources of income and assets such as private retirement income, annuities, and trusts. As a result, VA lacks complete information on a claimant's financial situation. Also, the form does not ask about asset transfers—information VA needs to determine whether these assets should be included when assessing eligibility. In addition, VA does not verify all the information it does request on the form. For example, VA does not routinely request supporting documents, such as bank statements or tax records, unless questions are raised. VA's fiduciary program, which appoints individuals to manage the financial affairs of beneficiaries who are unable to do so themselves, collects financial information that may affect some pension recipients' eligibility, but VA pension claims processors do not have access to all this information. Further, guidance on when assets should be included as part of a claimant's net worth is unclear; and VA claims processors must use their own discretion when assessing eligibility for benefits, which can lead to inconsistent decisions.

GAO identified over 200 organizations that market financial and estate planning services to help pension claimants with excess assets meet financial eligibility requirements for these benefits. These organizations consist primarily of financial planners and attorneys who offer products such as annuities and trusts. GAO judgmentally selected a nongeneralizable sample of 25 organizations, and GAO investigative staff successfully contacted 19 while posing as a veteran's son seeking information on these services. All 19 said a claimant can qualify for pension benefits by transferring assets before applying, which is permitted under the program. Two organization representatives said they helped pension claimants with substantial assets, including millionaires, obtain VA's approval for benefits. About half of the organizations advised repositioning assets into a trust, with a family member as the trustee to direct the funds to pay for the veteran's expenses. About half also advised placing assets into some type of annuity. Some products and services provided, such as deferred annuities, may not be suitable for the elderly because they may not have access to all their funds for their care within their expected lifetime without facing high withdrawal fees. Also, these products and services may result in ineligibility for Medicaid for a period of time. Among the 19 organizations contacted, the majority charged fees, ranging from a few hundred dollars for benefits counseling to \$10,000 for establishment of a trust.