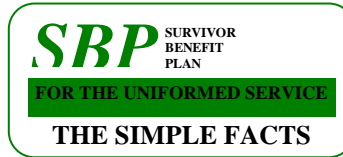


SBP FACT SHEET

SPOUSE COVERAGE

This fact sheet is designed to supplement the Department of Defense brochure:



You should become familiar with the general provisions outlined in the main brochure before reading this fact sheet.

The main brochure also lists other fact sheets that are available.

This fact sheet provides information to help you understand the provisions of SBP, but it is not a contract document.

The basic statutory provisions of SBP law are in chapter 73, title 10, United States Code.

SBP spouse coverage is the primary option of SBP. It is designed to give you a way to continue part of your retired pay to your surviving spouse after you die. This fact sheet presents key aspects of this SBP option.

BENEFIT PAYMENTS

The SBP annuity is determined by the base amount you elect. The base amount may range from a minimum of \$300 up to a maximum of full retired pay. The SBP annuity is 55 percent of the base amount regardless of the annuitant's age. Also, the base amount and the payments to the surviving spouse will generally increase at the same time and by the same percentage that cost-of-living adjustments (COLAs) are made to retired pay.

SPOUSE REMARRIAGE

Your surviving spouse may remarry after age 55 and continue to receive SBP payments for life. If an annuitant remarried before age 55, SBP payments will stop, but may be resumed, if the marriage later ends due to death or divorce. Based on a court case, a surviving spouse authorized both SBP and DIC will receive both if remarried after age 57.

CHILDREN

Child coverage may be added to spouse coverage. In this case, SBP payments will be made to the children only if your surviving spouse dies or remarries before age 55. Eligible children equally divide benefits equal to 55 percent of the base amount.

SBP COSTS (PREMIUMS)

The SBP premiums for spouse coverage are:

(1) 6.5% of your chosen base amount, if you became a member of a uniformed service on or after March 1, 1990, and you are retiring for length of service [does not apply to disability retirement, or at age 60 as a Reservist (non-regular service)].

(2) for Soldiers who entered service prior to 1 Mar 90, who are retiring for disability, or Reservist retiring for non-regular service; the most advantages of either 6.5% of chosen base amount or 2.5% of the first \$735, the threshold amount (effective January 1, 2011), plus 10% of the remaining base amount. The threshold amount will increase at the same time and by the same percentage as future active duty basic pay.

TAX SAVINGS

Monthly SBP costs are not included in your taxable Federal income. The true cost for SBP is thus less than the amount deducted from retired pay because less Federal tax will be paid. This also applies to most state income taxes. SBP payments to survivors are taxable, but spouses usually receive benefits when their total income is less and the extra tax exemption for being over age 65 is applicable. The surviving spouse's tax rate should be lower and a long-run significant tax savings should result.

LOSS OF SPOUSE

If your spouse dies first or you get divorced, SBP costs will stop (once you notify the pay center). In divorce cases, spouse coverage may be converted to former spouse coverage (see the Former Spouse Coverage fact sheet). In some instances of divorce, conversion of the coverage to provide for the former spouse may be required by court order. See the Member Remarriage Fact Sheet for remarriage options for members who remarry following a period where spouse coverage was suspended.

EXAMPLES

Table 1 shows the costs associated with several "base amount" options and the benefits your spouse will receive based on these options.

TABLE 1

EXAMPLE OF SPOUSE COVERAGE COSTS AT TIME OF RETIREMENT

(Effective January 1, 2012)

Base Amount	Annuity	Premium	Premium
Monthly	Monthly	(1)	6.5% Base Amount
\$300	\$165	\$7.50	\$19.50
\$747	\$411	\$18.68	\$48.56 (1)
\$800	\$440	\$25	\$52
\$1,200	\$660	\$65	\$78
\$1,601	\$881	\$104	\$104 (2)
\$1,800	\$990	\$125	\$117
\$2,000	\$1,100	\$145	\$130
\$2,600	\$1,430	\$205	\$169
\$3,000	\$1,650	\$245	\$195
\$4000	\$2,200	\$345	\$260
\$5,000	\$2,750	\$445	\$325
\$6,000	\$3,300	\$545	\$390
\$7000	\$3,850	\$645	\$455

Notes:

(1) 2.5% of the first \$747 of your elected base amount (referred to hereafter as the "threshold amount"), plus 10% of the remaining base amount.

(2) If your base amount is greater than \$1,601, costs will be less using 6.5% of your chosen base amount. If your base amount is less than \$1,601, costs will be less under the formula in (1) above.

Table 2 shows what can happen after retirement when inflation is a modest 4 percent per year. Retired pay is increased annually to keep pace with inflation. Survivor payments are generally increased at the same time, by the same percentage. These increases are made even after the member dies. In the example (table 2), the annuity at age 90 would be roughly 2 and 1/2 times the covered retired pay at age 40. This demonstrates two very favorable features of SBP:

- a. Payments can never run out.
- b. Payments keep increasing along with the increased cost-of-living.

If you die shortly after retirement, your surviving spouse could receive cost-of-living adjusted payments for 50 years or more. Lifetime payments from an original election to cover \$1,000 of retired pay could total over \$750,000.

TABLE 2

LIFETIME EXAMPLE

YOUR AGE	SPOUSE'S AGE	RETIRED PAY	COST OF SBP	BENEFIT *Note 1
40	38	\$1,000.00	\$65.00	\$550
45	43	\$1,214.00	\$78.91	\$667
50	48	\$1,474.00	\$95.81	\$810
55	53	\$1,790.00	\$116.35	\$984
60	58	\$2,175.00	\$141.38	\$1,196
65	63	\$2,644.00	\$171.86	\$1,454
70	68	\$3,213.00	\$208.85	\$1,767
80	78	\$4,749.00	\$308.69	\$2,611
90	88	\$7,024.00	\$456.56	\$3,863

(Note 1) Represents monthly annuity computed by multiplying the base amount by 55%.

(Current as of Jan 12)