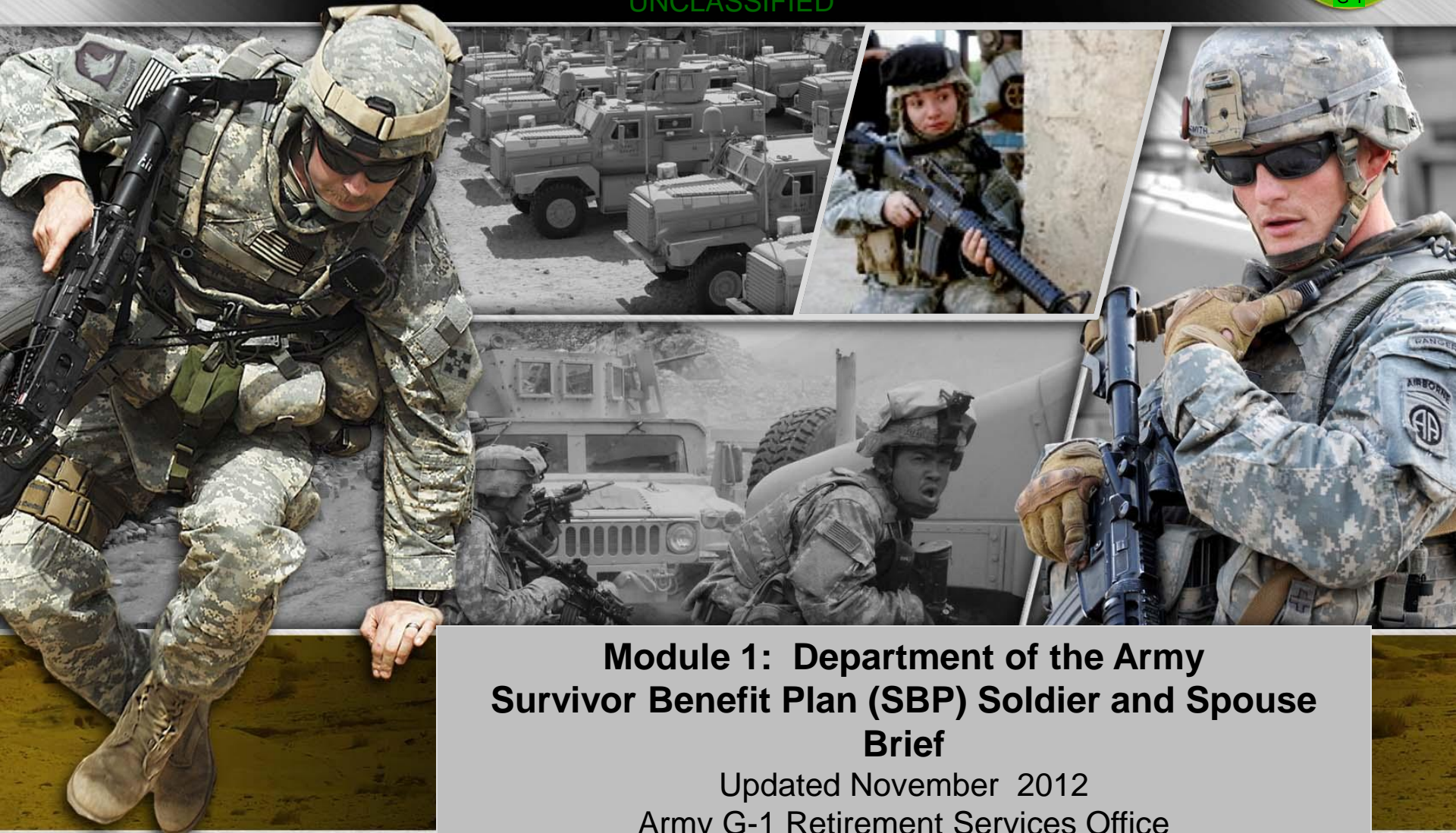




UNCLASSIFIED



**Module 1: Department of the Army  
Survivor Benefit Plan (SBP) Soldier and Spouse  
Brief**

Updated November 2012  
Army G-1 Retirement Services Office

UNCLASSIFIED





# Our Goal



**CHANGE.... MISINFORMATION**  
you may have heard about  
SBP from  
**MISINFORMED People**

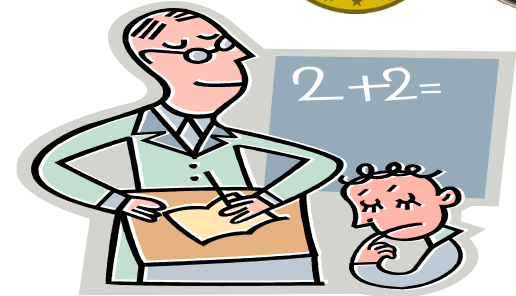


**INTO..... INFORMATION**  
From **INFORMED Experts**





# Purpose

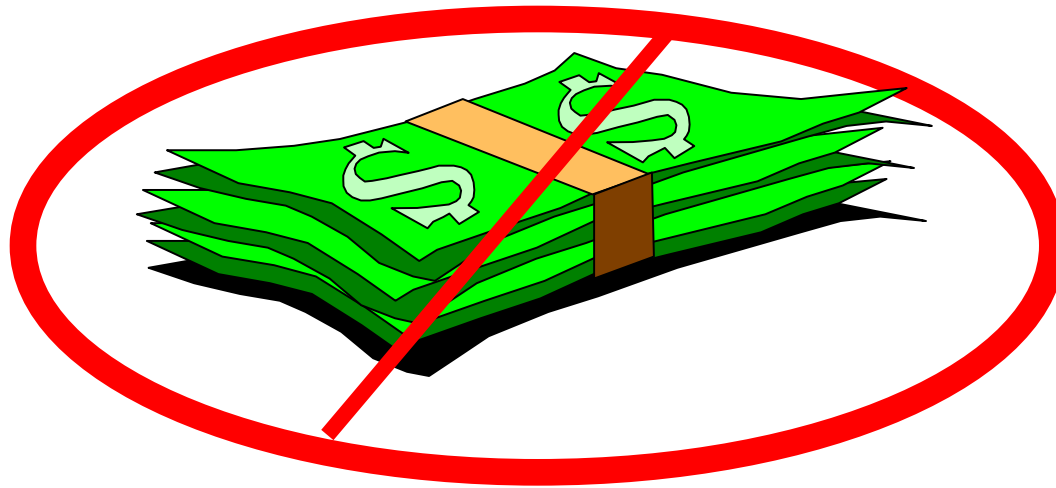


**This briefing will break SBP down into manageable understandable blocks, to help you to make an informed decision on your individual SBP election.**





# THE BOTTOM LINE RETIRED PAY STOPS



**WITH THE DEATH  
OF THE RETIREE!**



## Are You Risk Averse?

### Weigh:

Higher risk of leaving your loved ones with insufficient income



### Against:

Smaller risk that your survivor may not get back every cent paid in premiums



# What is the risk of your spouse outliving you?

- Life Expectancy (Note 1)
  - Male **75.1** years
  - Female **80.2** years
- SBP Annuitants Who Exceed Life Expectancy: **45% or 117,755** (Note 2)

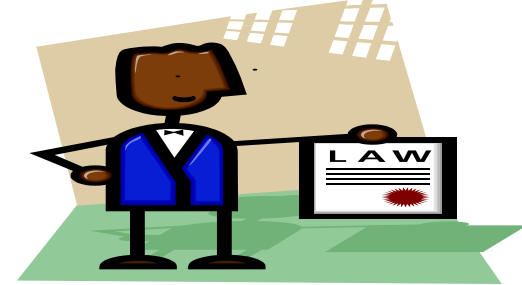


Note 1: US Census Bureau , The 2010 Statistical Abstract

Note 2: Source: DOD Actuary Statistical Report on Military Retirement System



# WHAT IS SBP?



- Enacted by Congress in 1972
- Sole means for retiree to continue a portion of retired pay to survivors
- Coverage is free while on active duty
- Decision at retirement -- begin to share cost
- Over eight out of ten retiring Soldiers elect SBP to protect their family's financial future



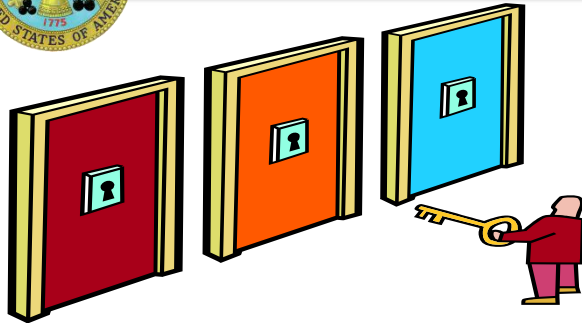
# *The Annuity*



## Amount:

- **Annuity of 55% of selected base amount regardless of the annuitants age**





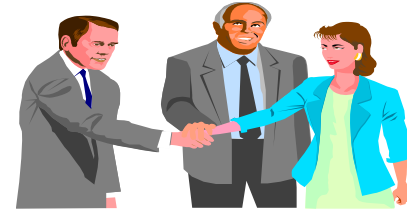
# ABOUT ELECTIONS

- **Must be made before retirement**
- **Certain elections need spouse concurrence**
- **Generally irrevocable**
  - may be cancelled with spouse concurrence between months 25-36 following retirement**
- **For non-regular Reserve retirement ( Age-60), only Reservists who elected RCSBP election Option A, Decline RCSBP**



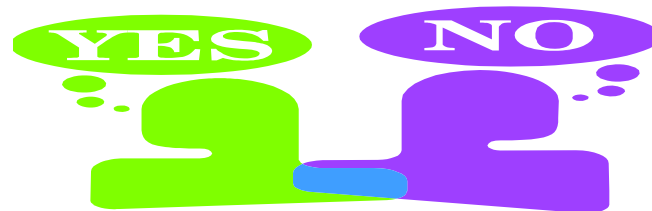
## A **JOINT** Decision For Married Soldiers Who . . .

- decline coverage
- cover less than full retired pay
- elect “child only”
- are under REDUX retirement plan and **do not elect** full base amount based on retired pay they would have received under High-3



## It is the Soldier's election

- The spouse can only concur or non concur





## Termination Feature



- **termination during one-time, one-year window between 25th and 36th mo. after start of pay**
- **spouse concurrence required**
- **barred from future enrollment**
- **no refund of past premiums**
- **why the law change?**
  - acknowledges need for flexibility



# Medical Retirement SBP Considerations



- Soldiers being medically retired need to consider the following in their SBP decision
  - Withdrawal from SBP based on a VA Total Disability Rating
  - SBP and Dependency and Indemnity Compensation (DIC)
  - Special Survivor Indemnity Allowance (SSIA)



# Withdrawal from SBP Based on VA Total Disability Rating



- You may withdraw from SBP if:
  - You have a service-connected disability that has been rated by the VA as totally disabling for
    - not less than five continuous years from the date of retirement --or--
    - if awarded after retirement for ten or more continuous years.
  - Withdrawal is allowed because surviving spouse will qualify for DIC benefits because death will be presumed to be from service-connected reasons
  - When retiree dies, the surviving spouse will be entitled to a refund of all the SBP costs that were paid



# SBP and Dependency and Indemnity Compensation (DIC)



- SBP and DIC
  - DIC is only payable if retiree's death is determined by the VA to be service connected
  - SBP provides annuity if death is not determined to be service connected
  - SBP premiums are refunded to the spouse for any portion of SBP that is offset by DIC
  - SBP is offset dollar for dollar by DIC
  - Based on a court case, a surviving spouse authorized both SBP and DIC will receive both if remarried after age 57



# Special Survivor Indemnity Allowance (SSIA)

- SSIA is paid to spouses whose SBP annuity is fully or partially offset by DIC.
- SSIA will be paid to the surviving spouse if
  - entitled to DIC, receiving an SBP annuity either partially or completely offset by DIC; and SBP offset is at least equal to the SSIA
  - Payments will be paid in the following monthly amounts:
    - For months in FY 2013, \$90; 2014, \$150; 2015, \$200; 2016, \$275; 2017, \$310
    - Ends 1 Oct 2017 unless extended by Congress

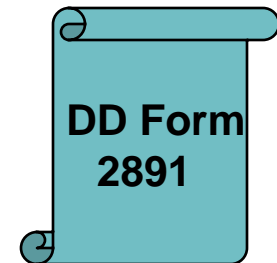




## Payment of SBP Cost when Retired Pay is Completely Offset by VA Disability Pay

- If your VA disability compensation completely offsets your retired pay, there is no automatic deduction of monthly SBP premiums
  - Unpaid SBP premiums carried over into a new billing month will accrue a six (6) percent interest fee
- By submitting a DD Form 2891 (Authorization For RSFPP and or SBP Costs Deductions) to your servicing VA office, you can authorize VA to deduct your SBP premiums from your VA disability compensation and pay directly to the Defense Finance and Accounting Service or you can also pay SBP premiums by direct payment to the following address:

Defense Finance and Accounting Service  
DFAS-CL, SBP and RSFPP Remittance  
P.O. Box 979013  
St. Louis, MO 63197-9013



- Do not submit an SBP premium direct payment or by submitting a DD Form 2891 to VA until DFAS provides a Retired Account Statement (RAS) informing you that your retired pay is offset by VA disability





# Six Election Categories

- **Spouse Only**
- **Spouse & Child**
- **Child Only**
- **Former Spouse Only**
- **FS & Child**
- **Insurable Interest**





# Spouse Election



- provides annuity of 55% regardless of the surviving spouse's age
- annuity paid forever (unless remarriage occurs pre-55)
- if remarriage ends, annuity reinstated
- increased by annual COLA
- taxable as an annuity
- cost stops when no beneficiary



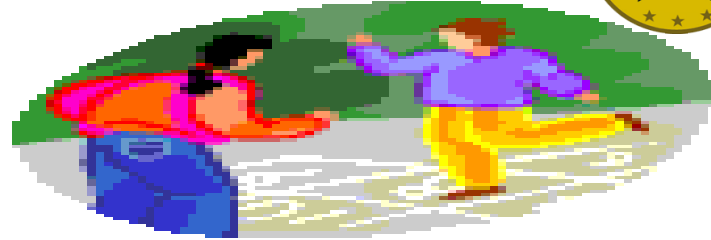
## Spouse & Child Election



- **spouse = primary beneficiary**
- **children are secondary beneficiary and receive the annuity *only if* spouse can't (pre-55 remarriage or death) *and* they are still eligible**
- **child cost is based on ages of member, spouse & youngest child**
- **cost of child coverage - very low**
- **child cost stops when no eligible children remain**



## Child Only Election



- eligible until 18, or 22 if full-time, unmarried student
- unmarried incapacitated child - eligible forever
- (if condition was incurred pre-18 or 22)
  - Note: It is recommended that you research the impact SBP for a fully disabled child may have on other benefits the child has or will receive.
- cost based on ages of member & youngest child
- all eligible children covered at one cost
- cost stops when no eligible children remain
- cheaper than “spouse” due to finite benefit
- costlier option than child when with spouse since child is primary beneficiary
- annuity divided equally among all eligible children



## Advice--Seriously Consider Child Coverage!



- **Q: Why bother to cover my 21-year old son who graduates from college soon?**
- **A: Because....**
  - incapacitation may occur while still eligible
  - “closing” the child category when there are eligible children closes it forever
  - family complete? perhaps a step-, grand-, foster- or natural child is in your future
- **Cost stops when no eligible children remain**



# “Insurable Interest” Election



- **Who Can Elect:** unmarried Soldiers with no or one dependent child
- **Eligible Beneficiaries:** relative more closely related than cousin; or business associate w/financial interest in Soldier (proof needed)
- **Base Amount:** Must be full retired pay
- **Cost:** 10% + 5% for each full 5 yrs younger beneficiary is than Soldier (maximum 40%)
- **Benefit:** 55% of retired pay *less* SBP cost
- **Loss of Beneficiary:** May elect new beneficiary within 180 days of current beneficiary's death.
- In order for an Insurable Interest election for a medically retired Soldier to be valid, they must live one year from retirement or if they die within one year, death must not be attributable to a medical condition for which they were medically retired.



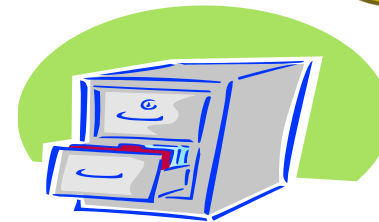
## Former Spouse (FS) “Particulars”



- **Former spouse SBP coverage can be:**
  - purely voluntary
  - incorporated into a written agreement
  - court-ordered
- **If divorce prior to retirement:**
  - If court ordered, Soldier should elect former spouse at retirement or could be held in contempt of court
  - Former spouse can provide DFAS-CL divorce decree with subsequent court orders plus a DD Form 2656-10 (Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election) within one year of the court order first awarding former spouse SBP
- **FS coverage can be changed if court order is amended or vacated by former spouse’s death**
- **If FS and child SBP, Only the children of the marriage to the former spouse are eligible**



## No Beneficiary at Retirement?



- **Keep SBP literature**
- **Keep “Echoes” -- RSOs’ ph. nos. listed**
- **Contact nearest RSO for a new briefing as soon as eligible beneficiary is gained**
- **Decision whether or not to enroll new family members **MUST** be made within one year of gaining them**
- **New spouse becomes eligible at 1-year anniversary. (SBP costs do not begin until then)**





## Base Amount



- amount of retired pay (in dollars) participation is based on
- minimum, by law = \$300
- maximum, by law = full retired pay
- may choose any \$\$ amount between
- Soldiers retiring under CSB/REDUX may choose full base amount based on retired pay they would have received under High-3.



# SBP Cost Formula (Spouse Only)

## Formula:

- 6.5% of base amount selected
- cost lowered in Mar '90



## Examples:

|                          |               |               |               |
|--------------------------|---------------|---------------|---------------|
| <b>Base Amount:</b>      | <b>\$2000</b> | <b>\$3000</b> | <b>\$4000</b> |
| <b>Cost (6.5%)</b>       | <b>\$ 130</b> | <b>\$ 195</b> | <b>\$ 260</b> |
| <b>Annuity provided:</b> | <b>\$1100</b> | <b>\$1650</b> | <b>\$2200</b> |



# Sample SBP Costs



(Ages: Member=44; Spouse=41; Youngest Child=12)

## Monthly Cost

| Base Amount | Spouse Only | Spouse & Child | Child Only | Annuity Amount |
|-------------|-------------|----------------|------------|----------------|
| \$4000      | \$260       | \$260.52       | \$ 8.00    | \$2200         |
| \$3000      | \$195       | \$195.39       | \$ 6.00    | \$1650         |
| \$2000      | \$130       | \$130.26       | \$ 4.00    | \$1100         |



## SBP's *Real* Cost

|                        | <u>NO SBP*</u> | <u>SBP</u>   |
|------------------------|----------------|--------------|
| Retired Pay            | \$2,000        | \$2,000      |
| SBP Cost               | \$ 0           | \$ 130       |
| Taxable Pay            | \$2,000        | \$1,870      |
| Tax Paid (28%)         | \$ 560         | \$ 524       |
| Tax Savings            | \$ 0           | \$ 36        |
| <b>Actual SBP Cost</b> | <b>\$ 0</b>    | <b>\$ 94</b> |



\* The SBP participant receives a \$36/month tax savings – and a future survivor benefit of \$1,100. Tax rates will vary base on each individual's financial situation.



# “Threshold” Amount



- Portion of base amount which costs 2.5%
- Only applies to Soldiers whose Date Initially Entered Military Service (DIEMS) date was prior to 1 Mar 90, medical retirements, or reserve non-regular age 60 retirement.
- Indexed annually to AD pay raise(s)
- Instead of a \$300 base, cover base amount at 2.5%
- Effective 1 Jan 13

|            | <u>Base</u> | <u>Cost</u> | <u>Annuity</u> |
|------------|-------------|-------------|----------------|
| Threshold  | \$760       | \$19.00     | \$418          |
| Minimum    | \$300       | \$ 7.50     | \$165          |
| Difference | \$460       | \$10.50     | \$253          |



# “Threshold” Amount



- Portion of base amount which costs 2.5%
- Only applies to Soldiers whose Date Initially Entered Military Service (DIEMS) date was prior to 1 Mar 90, medical retirements, or reserve non-regular age 60 retirement.
- Indexed annually to AD pay raise(s)
- Instead of a \$300 base, cover base amount at 2.5%
- Effective 1 Jan 12

|            | <u>Base</u> | <u>Cost</u> | <u>Annuity</u> |
|------------|-------------|-------------|----------------|
| Threshold  | \$747       | \$18.68     | \$411          |
| Minimum    | \$300       | \$ 7.50     | \$165          |
| Difference | \$447       | \$11.18     | \$246          |



# Can I Tailor SBP To Meet My Needs? Yes....Think “Base Amount”



**Challenge:** What base amount should I cover to meet our needs?

**Solution:** Divide the goal amount by 55%

**Examples:**

**\$2000 annuity -- choose \$3636 as base**

**\$1000 annuity -- choose \$1818 as base**



## “30-Year Paid-Up Provision”

- **effective 1 Oct 2008**
- **no further cost (but annuity payable)**
- **AFTER...**
  - **30 years of paying SBP Premiums (360 payments)...**
- **AND**
  - **reaching age 70**







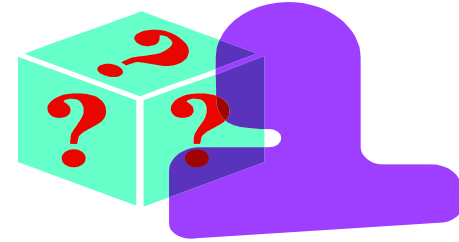
# SBP POSITIVES



- **Government-subsidized plan**
- **Tax-free premiums**
- **Inflation-adjusted annuity**
- **Level-term plan annuity of 55 percent**
- **Flexible: can terminate between ret years 2-3**
- **“Paid-up” after 30 years paying premiums + age 70**
- **Survivors cannot outlive annuity**
- **Age, health, smoking, sex, lifestyle -- not considered**
- **Cost in today’s dollars; benefit in tomorrow’s dollars**
- **Can only be changed by Congress**
- **Income safety net; peace of mind**
- **Every active duty Soldier enrolled at no cost from Day One**



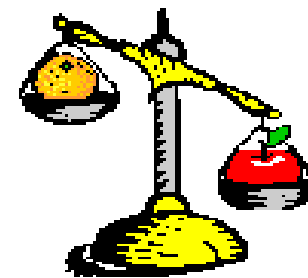
# SBP's "Perceived" NEGATIVES



- Annuity is taxed to survivor
- Premiums not returned if spouse dies first
- Retired pay reduced because of SBP costs
- Cost increases with COLA
- No inheritance provision
- No cash value; can't borrow against it



# Four Main Points When Comparing SBP to Life Insurance



- It takes a **surprising** amount of insurance to do for the spouse what SBP will (based on averages).
- It will take **a lot more** insurance if the spouse outlives the retiree by the longest period of time.
- The amount of insurance needed over time **rises due to inflation**.
- Even though insurance may appear to be an inexpensive “alternative” *at retirement*, it’s **harder to obtain and increasingly expensive** as you age.



# Replacement Value of Annuity

**Ret Pay: \$5000**

**Member's Age: 43**

**Spouse's Age: 42**



| <b>Spouse's Age<br/>At Soldier's Death</b> | <b>Annual After-Tax<br/>SBP Annuity</b> | <b>Replacement<br/>Value of SBP*</b> |
|--|---|--------------------------------------|
| <b>42</b>                                  | <b>\$29,700</b>                         | <b>\$830,444</b>                     |
| <b>53</b>                                  | <b>\$38,752</b>                         | <b>\$944,099</b>                     |
| <b>63</b>                                  | <b>\$52,079</b>                         | <b>\$998,434</b>                     |
| <b>73</b>                                  | <b>\$69,990</b>                         | <b>\$939,095</b>                     |
| <b>83</b>                                  | <b>\$94,061</b>                         | <b>\$738,339</b>                     |

**\*Face value of insurance needed to equal SBP benefit.**

**Assumes an inflation amount of 3% and return on invested insurance of 5.75%.**

**Based on DOD Actuary SBP Program, Spouse will live to live to 86.**

**Note: To access this program go to DOD Actuary homepage,  
[www.dod.mil/actuary/](http://www.dod.mil/actuary/), click on "SBP Programs."**



# Replacement Value of Annuity



**Ret. Pay: \$3000**

**Member's Age: 43**

**Spouse's Age: 42**

| <b>Spouse's<br/>Age at Death</b> | <b>Annual After-Tax<br/>SBP Benefit</b> | <b>Replacement<br/>Value of SBP*</b> |
|----------------------------------|---|--------------------------------------|
| <b>43</b>                        | <b>\$17,820</b>                         | <b>\$433,516</b>                     |
| <b>54</b>                        | <b>\$23,344</b>                         | <b>\$487,644</b>                     |
| <b>64</b>                        | <b>\$31,372</b>                         | <b>\$506,232</b>                     |
| <b>74</b>                        | <b>\$42,162</b>                         | <b>\$473,925</b>                     |

\*Face value of insurance needed to equal SBP benefit.

Note: This program can be accessed on the DOD Actuary homepage, [www.dod.mil/actuary/](http://www.dod.mil/actuary/),



# Replacing SBP with Life Insurance Proceeds--How Long Do They Last?



**Retired 2012**

**Ret Pay = \$2,695; Life Insurance = \$400K), SBP =\$1,482**

## **3% Average Inflation**

| <u>Death Year</u> | <u>Spouse Age</u> | <u>Insurance Proceeds</u> | <u>After-Tax SBP</u> |
|-------------------|-------------------|---------------------------|----------------------|
| 2032              | 60                | \$400,000                 | \$28,772             |
| 2042              | 70                | \$239,475                 | \$38,668             |
| 2048              | 76                | <b>\$ 3,802</b>           | \$46,171             |

## **6% COLA Average**

| <u>Death Year</u> | <u>Spouse Age</u> | <u>Insurance Proceeds</u> | <u>After-Tax SBP</u> |
|-------------------|-------------------|---------------------------|----------------------|
| 2032              | 60                | \$400,000                 | \$53,278             |
| 2037              | 65                | \$174,943                 | \$71,298             |
| 2039              | 67                | <b>\$ 6,226</b>           | \$80,111             |

- In this example , replaces SBP with insurance and dies after 20 years of retirement
- With inflation, SBP increases with COLA while insurance remains constant
- Assumes return on invested insurance of 5.75%, spouse lives to 84, and insurance replaces SBP
- With 3% COLA average, spouse’s insurance proceeds run out at age 76
- With 6% COLA average, spouse’s insurance proceeds run out at age 67

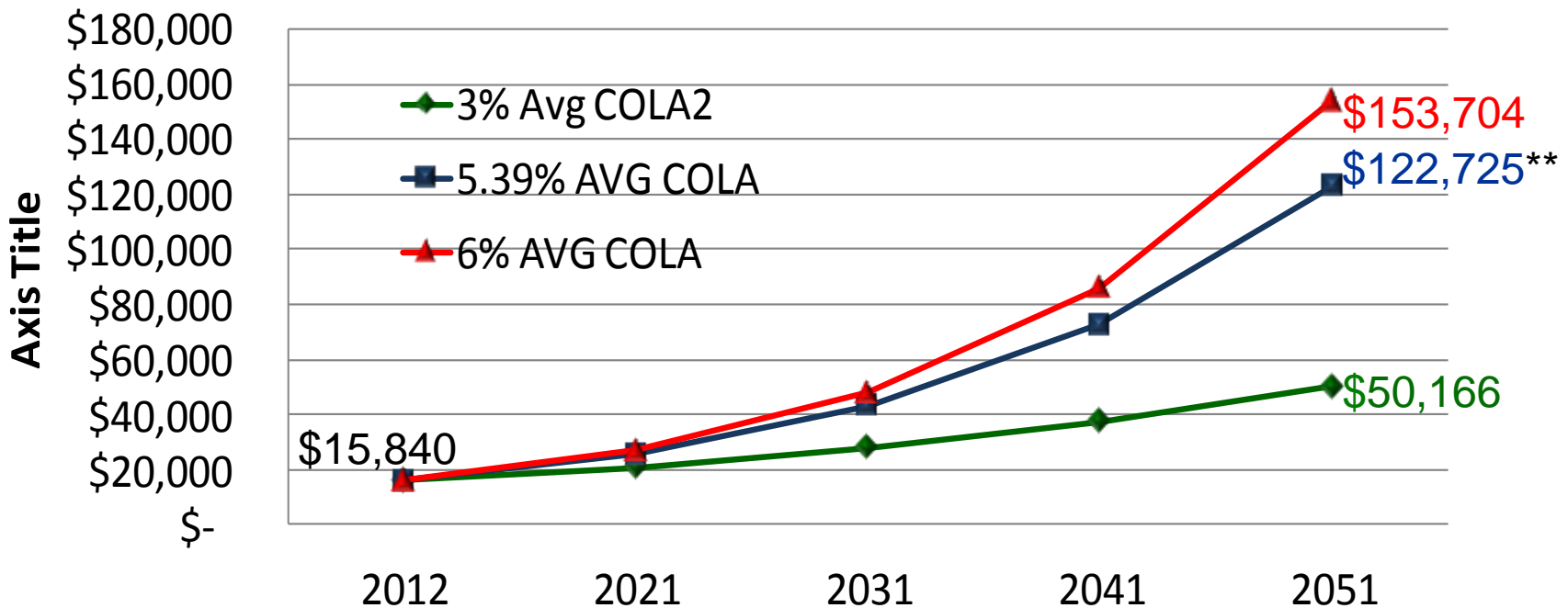
**Note: Program available at [www.dod.mil/actuary/](http://www.dod.mil/actuary/), click on “SBP Programs.”**



# SBP Cost of Living Adjustments (COLA)

The effects of COLA on SBP over 40 years for a SFC with a \$2,400 SBP base amount, yearly annuity is \$15,840 in 2012.

Yearly SBP Annuity



**You pay in today's dollars for an SBP annuity paid in future dollars\***

- **3% COLA** represents current average inflation
- **5.39% COLA\*\*** represents inflation average over previous 40 years
- **6% COLA** represents moderate inflation



# Years Required for Annuity to Exceed Premiums Paid for Spouse SBP



## Length of time Premiums Paid

- 5 Years
- 10 Years
- 15 Years
- 20 Years
- 25 Years
- \*30 Years

## Years for Annuity to Exceed Premiums Paid

- 8 Months
- 1 Year, 1 Months
- 1 Year, 6 Months
- 1 Year, 10 Months
- 2 Years, 2 Months
- 2 Years, 5 Months

**\*No further cost after 360 (30 years) premium payments and age 70)  
(Based on data provided by the DOD Actuary Office)**





# Life's Certainties?

## Civilians:

- 1--death
- 2--taxes



## Retirees:

- 3--Can't outlive retired pay

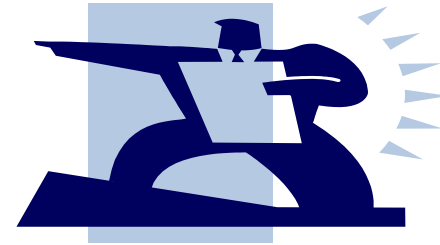
## Annuitants:

- 4--Can't outlive SBP annuity





# You Be the Judge Who Was Responsible?



**“I think I should be able to receive my husband’s Army pension to assist me in my everyday living expenses. He served this country for 20 years...in the Korean War & WWII. He was the recipient of the Purple Heart. ...If he were alive today he would still be receiving his pension....”**



# Actual Widows' Views on SBP



**“...each day I thank my late husband for his taking SBP...it allows me to live with decency and independent of others....”**

**“...I want to thank the Army for sending me an annuity to live on. From the bottom of my heart I am so thankful. With no life insurance on my late husband, without the annuity, I could not live in the wonderful retirement community....”**



# HQDA's Advice To All Retiring Soldiers

**“Do not forfeit SBP  
without having full  
knowledge of what you  
are giving up.”**



***(Chief, Army Retirement Services Office)***



Supporting Soldiers & Families – Active, Guard, Reserve and Retired



*For More SBP Information....*

*Log on to:*

[http://www.armyg1.  
army.mil/retire](http://www.armyg1.army.mil/retire)



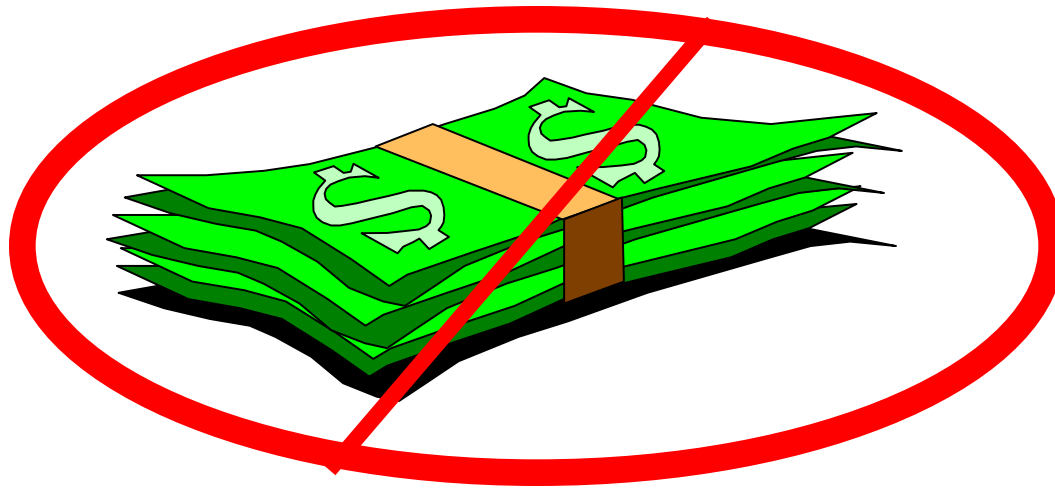
*Contact:*

**your nearest Retirement  
Services Officer (RSO)**





# REMEMBER RETIRED PAY STOPS



**WITH THE DEATH  
OF THE RETIREE!**