



**HEADQUARTERS DEPARTMENT OF THE ARMY
RETIREMENT SERVICES OFFICE**

Survivor Benefit Plan (SBP)

Mandatory Brief

30 April 2024

"BE ALL YOU CAN BE"



Our Goal

- Provide you with the facts so you can make an informed decision
- Correct misinformation

- Our goal in this briefing is to provide information to you on the Survivor Benefit Plan, or SBP. Along the way, we expect to replace some common misconceptions about the Plan with facts.
- We ask only that you unlock your assumptions and listen openly to this presentation.
- Your decision regarding whether to participate in SBP affects your family's future, and so, rather than making the decision based on someone else's opinion, we encourage you to consider your situation.
- Use what you learn in this briefing to make an informed decision that suits your family's need. It's a decision you will have to live with!

Purpose

- Break SBP down into manageable understandable blocks, to help you to make an informed decision on your individual SBP election
- Remember your current SBP decision impacts your Family's future financial wellbeing

SBP is a complicated program and this briefing is designed to break it down in to explain it in detail so you understand SBP. We use charts to graphically show concepts where possible. All of the material does not apply to you now but may be important to you in the future so we encourage you to pay attention to all aspects of the briefing. If you are attending an SBP briefing, please ask questions of the briefer when needed. Remember, your SBP decision is generally irrevocable and has profound impact on your family's future financial well being.

The Bottom Line

Retired pay **STOPS** with the death of the Retired Soldier!



**SBP ALLOWS YOU TO PROVIDE A
PORTION OF YOUR RETIRED PAY TO
YOUR ELIGIBLE SURVIVORS**

- While many of you will see this statement as a blinding flash of the obvious -- believe it or not, there are active and retired members and spouses who don't know this to be the case - who still believe that retired pay continues after a Retired Soldier's death - that checks just keep coming in.
- That's a myth! The fact is that entitlement to retired pay resides with and dies with the Retired Soldier....period!
- SBP participation is the **ONLY** way to continue a portion of retired pay to a survivor.
- The Army's pledge to "take care of its own" is met by offering Soldiers a way to take care of **THEIR** own, through SBP.

Which risk are you willing to take?

NO SBP

SBP

Risk of leaving
your loved ones
with insufficient
income

Risk that your
survivor may not
get every cent back
in premiums



- Your SBP decision bears only two risks:
 - 1-- the greater risk that your family will be harshly impacted if you die without SBP in place, *and*
 - 2-- the smaller risk that you might not get back every cent paid for SBP by way of a survivor's annuity.

What is the risk of your spouse outliving you?

Average	
*Life Expectancy Retired Member	81
**Life Expectancy Spouse	87
SBP Spouse Annuitants who outlive the Retired Member	67%

- Considers 82% of FY 2023 retired members were male and 18% were female:
 - For male retired members, 69% of SBP spouses are projected to outlive their retired member sponsor
 - For female retired member, 47% of SBP spouses are projected to outlive their retired member sponsor

Note 1: Source: DOD Actuary. The SBP Probability Tool can be accessed at: <https://actuary.defense.gov/Survivor-Benefit-Plans/>

*Note 2: Assuming member retired at age 45

**Note 3: Assuming survivor is age 47 at member's retirement

- OACT (Office of the Actuary) projects 67% of SBP spouses of FY 2023 retirees will outlive their retiree sponsors (excludes Death on Active Duty). Also, ignores dropping or adding coverage for divorces and remarriages.
- All Retirees: Average Retiree Age = 45. Life Expectancy = 36. Total Life Expectancy = 81
 - Non-Disabled Retirees: Average Retiree Age = 45. Life Expectancy = 38. Total Life Expectancy = 83
 - Disabled Retirees: Average Retiree Age = 33. Life Expectancy = 44. Total Life Expectancy = 77
 - Reserve Retirees: Average Retiree Age = 60. Life Expectancy = 24. Total Life Expectancy = 84
- Army Retirees: Average Retiree Age = 46. Life Expectancy = 35. Total Life Expectancy = 81
 - Non-Disabled Retirees: Average Retiree Age = 46. Life Expectancy = 37. Total Life Expectancy = 83
 - Disabled Retirees: Average Retiree Age = 35. Life Expectancy = 42. Total Life Expectancy = 77
 - Reserve Retirees: Average Retiree Age = 60. Life Expectancy = 24. Total Life Expectancy = 84
- Survivors

- Survivors (All DoD) Average Age at Member Retirement = 47. Life Expectancy = 40. Total Life Expectancy = 87
- Survivors (Army) Average Age at Member Retirement = 48. Life Expectancy = 39. Total Life Expectancy = 87
- Survivors (DoD from Active Duty) Average Age at Entitlement)= 75. Life Expectancy = 13. Total Life Expectancy = 88
- Survivors (Army from Active Duty) Average Age at Entitlement = 75. Life Expectancy = 13. Total Life Expectancy = 88
- Survivors (DoD from DOAD) Average Age at Entitlement = 37. Life Expectancy = 43. Total Life Expectancy = 80
- Survivors (Army from DOAD) Average Age at Entitlement = 36. Life Expectancy = 44. Total Life Expectancy = 80
- In FY 2023, 82% of DoD retirees were male and 18% female. Among Army retirees, 83% of retirees were male and 17% female
 - Of those who elected SBP Spouse or Spouse & Child coverage, 88% of all retirees were male and 12% female. Among Army retirees, 89% were male and 11% female
 - For all retired members who elected SBP spouse or spouse & child, 67% of SBP spouses are projected to outlive their retired member sponsor. Ignores dropping or adding coverage for divorces and remarriages
 - For male retired members who elected SBP spouse or spouse & child, 69% of SBP spouses are projected to outlive their retired member sponsor
 - For female retired members who elected SBP spouse or spouse & child, 47% of SBP spouses are projected to outlive their retired member sponsor

What is SBP?

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

- SBP is the Plan Congress created in 1972 -- a better military survivor plan than the two forerunner military survivor plans -- the Uniformed Contingency Option Act (USCOA) of the '50's, and the Retired Servicemen's Family Protection Plan (RSFPP) of the '60's. Both of those plans, although good first efforts, were not very successful in providing Retired Soldiers a means of securing adequate income for their families. In fact, only about 15% of military Retired Soldiers participated, mainly due to high cost.
- We remind you that all active duty military members are covered by SBP automatically at no cost. The government bears the total cost of that coverage while you are on active duty. Should you die on active duty in the line of duty, your retired pay entitlement is calculated as of that date, and the SBP annuity flows to your surviving spouse from that amount.
- Your decision at retirement, then, is whether you wish to afford your family the same survivor benefits that were in place for you on your last active duty day. If so, you begin to share SBP's cost with the government by electing to receive reduced retired pay during your lifetime.
- Over eight out of ten retiring Soldiers elect SBP to protect their family's financial Future.

The Annuity

- Annuity of 55% of selected base amount regardless of the annuitant's age
- Paid until annuitant becomes ineligible or dies

You are providing a portion (55%) of your retired pay to your designated eligible survivors. We will discuss the base amount, SBP cost, and the annuity in upcoming slides.

About Elections

- SBP Election must be made prior to retirement
 - If election not made prior to retirement, by law, the member receives automatic full coverage for spouse and or children at retirement
- All Soldiers retiring based on an active duty law and Reserve Soldiers who elected RCSBP Option A must complete the SBP section of the DD Form 2656, even if they have no eligible beneficiaries

- Federal law requires that SBP elections be made prior to midnight of the last active duty day. What happens if the election is NOT made before retirement? Federal law directs the Finance Center to default the election to full spouse coverage. If that happens, the election can be changed only if the Soldier proves that the government erred in the election process. Is this a bureaucracy run amok? No, it is a safeguard which protects a spouse's expected benefit.
- For non-regular retirement, only Reserve Soldiers who elected RCSBP election Option A, (Decline until non-regular retirement). For Reserve Soldiers who elected Option B or Option C, the RCSBP election becomes the SBP election and they will not make a new election.
- SBP is paid-up after making 360 payments AND reaching at least age 70.
- Changes in dependents after making SBP election but before retirement may require new election.

About Elections

- Married Soldiers electing anything less than the maximum spouse SBP coverage allowable under the law require spouse's concurrence
- Generally irrevocable but may be cancelled, with spouse concurrence, between the 25th and 36th month following retirement
- Paid-up SBP coverage is paid-up after making 360 payments AND reaching at least age 70

- In fact, Congress added more “meat” to the process in 1986, when they began to require married Soldiers to provide their spouse's written concurrence in order to make certain elections (details on the next slide).
- Elections are generally permanent and irrevocable. Later we'll talk about why “permanent” is a good thing. Plus, we'll talk about the 1998 law change which provides a one-time opportunity after retirement to terminate coverage.
- SBP is paid-up after making 360 payments and reaching at least age 70.
- Changes in dependents after making SBP election but before retirement may require new election.

About Elections

- If SBP beneficiaries change (birth, death, divorce, marriage) between election and date of retirement, a new DD Form 2656 with SBP election required

•Changes in dependents after making SBP election but before retirement may require new election.

SBP Election Categories

- Spouse Only
- Spouse and Child
- Child Only
- Former Spouse
- Former Spouse and Child
- Insurable Interest

Notes:

- Elections are by category and not by individual
- Special Needs Trust can be elected for an incapacitated SBP covered child
- When “Child” is listed in the category, it assumes “Children” if there is more than one eligible child

Spouse Election Category

- Effective 1 Apr 08 annuity
 - 55% of “base amount”
 - Taxed as unearned income
- Annuity paid forever
 - Unless remarriage occurs prior to age 55
 - If remarriage ends, annuity reinstated
 - Prior to 14 Nov 86 – annuity stopped if remarriage occurred prior to age 60
- SBP or RCSBP increased by annual COLA
- If there are eligible children, Spouse Only SBP excludes those children and any future children
- No SBP premium paid after retirement for periods when there is no spouse beneficiary (effective 14 Oct 76)

Spouse Election

- Provides annuity of 55% of elected base amount
 - Minimum base amount = \$300
 - Maximum base amount = full retired pay
 - Base amount elected increases with COLA
- Spouse cannot outlive the SBP annuity
 - Paid forever (unless remarriage occurs prior to age 55)
 - If remarriage prior to age 55 ends, annuity reinstated (must re-apply)
- SBP annuity increased annually by COLA

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- The SBP annuity based on amount of retired pay covered.
- The annuity is 55% of the base amount regardless of the annuitants age.
- The annuity is infinite -- meaning, it's **paid for the surviving spouse's lifetime!** It cannot be outlived!
- Also important is the fact that the annuity is inflation-protected by cost-of-living-adjustments, just like retired pay.
- A spouse annuitant loses SBP eligibility by remarrying before age 55; but even in that case, SBP can be resumed if that remarriage ends but they must re-apply.

Spouse Election

- Taxable as an annuity
- SBP premiums paid pre-tax and increase with COLA since it's a percentage of the base amount
- Cost stops when no spouse beneficiary
- Election by category not by name
- A spouse can only receive one spouse SBP annuity - If spouse is authorized more than one spouse SBP annuity, they must select one

- Former spouses are eligible for coverage under a separate category -- under the same cost and benefit rules as spouses.
- You only pay premiums while you have an eligible spouse beneficiary
- See **Sample SBP Cost** slide for cost examples

Spouse & Child(ren) Election

- Spouse is the primary beneficiary
- Children are secondary beneficiary and receive the annuity **only if** spouse loses SBP eligibility (remarriage prior to age 55 or death) **and** children are still eligible
- Child cost is based on ages of member, spouse and youngest child
- Cost of child coverage as secondary beneficiary - very low
- Child cost is added to the spouse SBP cost
- If divorced or spouse dies and there are eligible children, the SBP cost is recalculated as child only

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- Spouses are primary and children are secondary beneficiaries under this option. That means that an annuity is not paid to the children unless the spouse first loses eligibility through remarriage before age 55 or death. Even then, the children must be under 18 or 22 to be eligible.
- The child cost when Spouse and Child coverage is elected is very inexpensive. See **Sample SBP Cost** slide for examples.

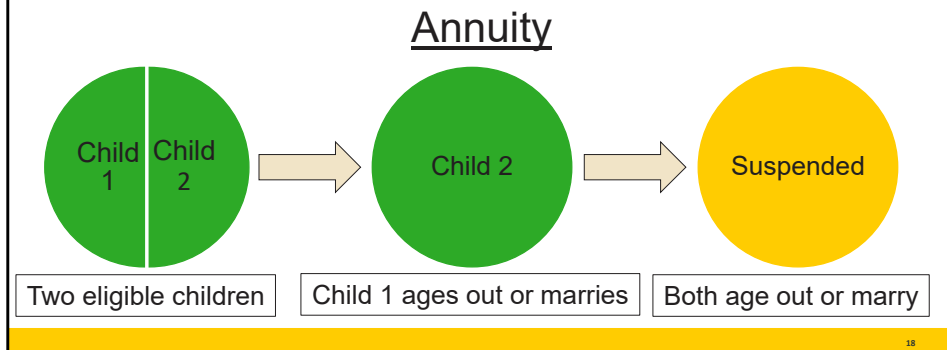
Child(ren) Only Election

- Cost based on ages of member & youngest child
- Cost stops when no eligible children remain
- Cheaper than “spouse” due to finite benefit
- Because the child is the primary SBP beneficiary, election is more costly than the Spouse and Child election where the child is the secondary beneficiary
- If you marry and new spouse is added to SBP coverage, the election becomes spouse and child
 - Child cost is recalculated as an add on cost to spouse cost
 - The rules for spouse and child coverage apply

- This slide shows the basic rules for “child only” participation.
- Child coverage should be considered when determining your family’s needs.
- And, since child costs are so low, we can think of NO reason NOT to cover eligible children
- See **Sample SBP Cost** slide for examples.

Child(ren) Only Election

- All eligible children covered at one cost
- Cost stops when no eligible children remain
- Annuity divided equally among all eligible children
- A child can receive more than one child SBP annuity



- A child can receive more than one child RCSBP/SBP annuity. This question is asked when both parents are military and retiring.

Child Eligibility

- Child must be:
 - Unmarried
 - Age: up to 18 or 22 if a full-time student
 - Unmarried Incapacitated child – eligible forever if condition was incurred while eligible for SBP
- Natural child
- Adopted Child
- Stepchild, foster child who is living in a parent child relationship with the military member when that member dies
- When no eligible children remain, child SBP cost stops

Incapacitated Child Considerations

- Research the impact that SBP for a fully disabled child may have on other benefits the child has or will receive.
- Election to pay annuity to a special needs trust for an SBP eligible unmarried incapacitated child allowed. Contact RSO for details.

Note: It is recommended that you research the impact SBP for a fully disabled child may have on other benefits the child is or will receive. Election to pay SBP annuity to a special needs trust for an incapacitated child allowed. RSO can provide details.

Advice: Seriously Consider Child Coverage!

Q: Why bother covering 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
- Spouse and Child or Child Only SBP is inexpensive

- What is the risk that you end up adopting a child, raising a grandchild, or a stepchild and closed SBP child coverage for good.
- Also the child who is almost aged out of SBP as you retire may become fully incapacitated and eligible for SBP for life.
- Based on the low cost of child coverage (see slide 33), it may be to your advantage to provide child coverage for a short period just in case you need it in the future.

Former Spouse (FS)

- Former spouse coverage can be:
 - purely voluntary
 - incorporated into a written agreement
 - court-ordered (since 1986)
- Divorce prior to retirement:
 - If court ordered, Soldier should elect former spouse using the DD Form 2656 and DD Form 2656-1 at retirement or could be held in contempt of court
 - Former spouse can ensure Former Spouse SBP is established by providing DFAS-CL the 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 first court order awarding Former Spouse SBP

- Former spouse SBP issues remain among the most emotional and most misunderstood within both the active and retired military communities.
- The main point we want to stress is that passage of the Uniformed Services Former Spouses' Protection Act in 1982 did not change the basic premise that retired pay entitlement rests with the Retired Soldier.
- What it DID do was give state courts legal authority to order retiring members to elect "former spouse" SBP coverage; or a retired member to convert existing spouse coverage to former spouse. Do not confuse this with the issue of a court dividing one's retired pay - a separate matter.
- If divorce occurs **during active duty** and the court orders the Soldier to elect former spouse SBP coverage at retirement, the following applies --
 - (1) The Soldier has no action to take until retirement, at which time he/she should comply with the court order to avoid being in contempt of court - regardless of the Soldier's marital status at retirement.
 - (2) The former spouse has one year from date of the first court order awarding former spouse SBP to submit a request for a deemed former spouse election on a DD Form 2656-10, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election. Attach a copy of the divorce decree, any subsequent decrees, and settlement agreement. This must be done within one year of the date of the first court order awarding former spouse SBP. The election will be deemed if the member fails to make the required election.

Former Spouse (FS)

- Former Spouse SBP coverage can be changed if court order is amended or vacated by former spouse's death
- If Former Spouse SBP is voluntary, can cancel Former Spouse SBP and elect for new spouse within one year of marriage
- Former Spouse and Child(ren) coverage only covers children of the marriage to the former spouse
- When a Former Spouse SBP beneficiary dies, the Retired Soldier can change Former Spouse to Spouse SBP (contact RSO for details/timeframe)

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- If divorce occurs **after retirement**, the court can order a Retired Soldier to cover a former spouse only if that former spouse was the Retired Soldier's covered "spouse" beneficiary previously. They cannot order a member to enroll the former spouse in a plan in which he/she do not participate.
 - When former spouse coverage IS ordered, the Retired Soldier has one year from the divorce to submit a written request (DD Form 2656-6, DD Form 2656-1) to change spouse to former spouse SBP, the former spouse has one year from the first court order awarding former spouse SBP (DD Form 2656-10) to deem the former spouse SBP.
 - If action is not initiated within one year of court order awarding former spouse SBP, the former spouse SBP option is lost.
- When a former spouse SBP beneficiary dies, the Retired Soldier can change the election to a current spouse. Need to contact the RSO for details and required time frame to make the election.

Insurable Interest Election Category

- **Who Can Elect:** unmarried Soldiers with no eligible children
- **Eligible Beneficiaries:** relative more closely related than cousin; or business associate with financial interest in Soldier (proof needed)
- **Base Amount:** Must be full retired pay
- **Cost:** 10% + 5% for each full 5 years younger beneficiary is than Soldier
- **Benefit:** 55% of retired pay **less** SBP/RCSBP cost

Insurable Interest Election Category

- **Loss of Beneficiary**: May elect new beneficiary within 180 days of current beneficiary's death
 - Must pay premium to date of previous beneficiary's death
 - If new beneficiary is more than 5 years younger than deceased beneficiary, must pay the difference in premium cost between the two beneficiaries to date of initial election with interest

Insurable Interest Election Category

- **Can cancel at any time:**
 - Effective 5 Oct 94
 - Exception: If insurable interest was elected for former spouse

- **Disability Retirement:**
 - Effective 24 Nov 03
 - Insurable interest is invalid if death occurs within one year of medical retirement for a cause related to a disability for which retired
 - Exception: Insurable interest for dependent authorized a Military ID Card
 - Premiums will be refunded to designated beneficiary
 - Does not apply to length of service Retired Soldiers

Spouse Concurrence

SBP is a “JOINT” decision for married Soldiers who...

- Decline coverage
- Cover less than full retired pay for spouse
- Elect “child only”
- Are under REDUX retirement plan and do not elect full base amount based on High-3 retired pay they would have received
- Elect Lump Sum under BRS and do not elect spouse coverage based on retired pay they would have received without Lump Sum

- These are the five elections that require written spouse concurrence.

Spouse Concurrence

Remember it is the Soldier's election

- The spouse can only concur or non-concur with the Soldier's election
- Spouse refusal to sign the DD Form 2656 constitutes spouse non-concurrence
- Spouse concurrence is in the law to protect the spouse

Note: Spouse concurrence not required for a former spouse election.

- It is the Soldier's election and the spouse can only concur or non-concur.
- Spouse concurrence is in the law to protect the spouse.

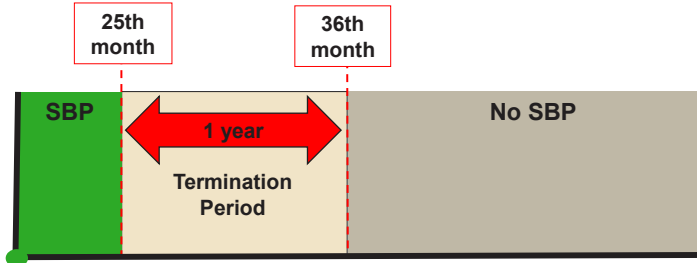
No Beneficiary at Retirement?

- Keep SBP literature
- Keep “Army Echoes” - RSO contact info 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 or you will close that SBP category
- Submit DD Form 2656-6 to DFAS within one year of gaining new beneficiary
- New spouse becomes eligible at 1-year anniversary or birth of a child of that marriage - SBP costs do not begin until then

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- It is important to note that Soldiers without a spouse or children on date of retirement may have future options. Since they have no eligible beneficiaries now, they have not closed the door on future enrollment.
- If that is you - “What action should you take if you gain eligible family members after retirement?”
- The answer - “Contact a Retirement Services Officer for a refresher briefing to help you decide if SBP has a role to play in your new family circumstances.”
- Most importantly, remember the ONE YEAR time limit on making all SBP changes.
- In you gain a child, the coverage is effective upon your request. If you gain a spouse, while you **MUST** take the action **BEFORE** your one-year anniversary (i.e., make a written request and provide a marriage certificate) -- a spouse gained after retirement is **NOT** eligible until completing one year of marriage, or earlier, if a child is borne of the marriage.

SBP Termination Feature



Retired Pay Starts

- Spouse concurrence required
- Barred from future enrollment
- No refund of past premiums
- Law change acknowledges need for flexibility
- One-time only termination for those already retired two years (17 May 98 - 16 May 99)

***Note:** Does **NOT** stop RCSBP premiums which are for coverage already received

Termination Feature

- To terminate you must complete a DD Form 2656-2, obtain your spouse or former spouse concurrence
- Must submit to DFAS during the period between your 25th and 36th month following retirement
- DD Form 2656-2 cannot be signed prior to start of 25th month following commencement of retired pay

Base Amount

- Dollar amount of retired pay 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
- Soldiers retiring under the Blended Retirement System (BRS) who elect a lump sum at retirement may choose full base amount based on retired pay they would have received without the lump sum election
- The base amount like retired pay and the SBP annuity, increase with COLA

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- Now, let's turn our focus to SBP's cost.
- The **base amount** is the dollar amount of retired pay selected by the Soldier, upon which both the cost and benefit are **based**.
- During this briefing, SBP costs & benefits are referred to in "monthly" terms. The SBP "benefit" is called an annuity, which is defined as any regular, continuing payment.
- The base amount can be any dollar amount between the minimum allowed by law of \$300/month, and the maximum - your full retired pay.
- Soldiers with a Date Initially Entered Military Service (DIEMS) of on or after 1 Aug 1986 who elected the \$30,000 Career Status Bonus (CSB) will receive a reduced retirement if they retire with less than 30 years of service. However, the law allows these Soldiers to elect SBP coverage based on the unreduced retired pay. The Soldier can elect a full base amount for SBP based on either the CSB/REDUX they will receive or the High-3 method they would have received if they had not elected the CSB.
- Soldiers who enter the military service on or after 1 Jan 18 or opted into BRS may elect a portion of the retired pay as a lump sum at retirement. The law allows these Soldiers to elect a SBP base amount of the retired pay they would have received without the lump sum election.
- The DoD Actuary's SBP valuation disk demonstrates what base amount gives you the "most bang for your retirement buck," so-to-speak -- meaning, which base amount maximizes the value of your retired pay.

Estimating Your Retired Pay and Premiums

- MyArmyBenefits Retirement calculator
 - CAC or DS Logon
 - Pulls pertinent information from your record so you don't have to
 - Estimates retired pay
 - Comparison of SBP premium estimates for election categories

<https://myarmybenefits.us.army.mil/Benefit-Calculators/Retirement>



SBP Cost Formula (Spouse Only)

- Formula:
 - 6.5% of base amount selected (example below)
 - alternate formula option for active duty retirements prior to March 1990, medical retirements and non-regular retirement (will be discussed in future slide)

Example

Base Amount	Cost (6.5%)	Annuity Amount
\$2,000	\$130	\$1,100
\$3,000	\$195	\$1,650
\$4,000	\$260	\$2,200

- The decision that's been made by someone who participates in SBP is fairly straight-forward: they ***choose to receive reduced retired pay*** during THEIR lifetime in order to continue a portion of their pay after their death.
- Conversely, one can say that Retired Soldiers who do not participate have elected to receive full retired pay during their lifetime, knowing that their full retired pay will die with them.
- Since SBP was designed primarily with military spouses in mind, let's examine first costs and benefits associated with spouse coverage. (Former spouse costs and benefits follow the same rules.)
- Simply put, spouse coverage costs 6.5% of the base amount selected. We've said that the base amount is any amount between a minimum of \$300 and a maximum of your full retired pay.
- Back when the cost was reduced in 1990, the so-called *competition* began to fall away. Truthful insurance & investment *competitors* began to advise Soldiers that their product couldn't beat SBP, but should be used as a supplement to it.

Sample SBP Costs

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

Monthly Cost

Base Amount	Spouse Only	Spouse and Child	Child Only	Monthly Annuity
\$4000	\$260	\$260.36	\$7.20	\$2,200
\$3000	\$195	\$195.27	\$5.40	\$1,650
\$2000	\$130	\$130.18	\$3.60	\$1,100

- Chart shows the relationship of the costs for Spouse, Spouse and Child, and Child only SBP
- Child only child cost is higher than in Spouse and Child SBP since the child is the primary beneficiary

- This slide shows examples of the correlation of SBP costs between spouse, SBP, spouse and child, and child only SBP.
- Child costs are relatively inexpensive compared to spouse costs because child SBP is for a finite period while spouse SBP is for life.

Tax Free Premiums – Real cost of SBP

	No SBP	SBP
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
Actual SBP Cost	\$0	\$94

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

Threshold Spouse SBP Calculation

2024 SBP Cost Examples Effective for 1 Jan 24
Based on 5.2% Active Duty Pay Raise Effective 1 Jan 24

Base Amount	Annuity	Premium	Premium
Monthly Amount of Retired Pay Covered	Monthly Annuity Either Method	Old Method Threshold Monthly Cost (Note 1)	6.5% of Base Amount Monthly Cost (Note 2)
\$300	\$165	\$7.50	\$19.50
\$1,000	\$550	\$25.00	\$65.00
\$1,011 (Note 3)	\$556	\$25.28	\$65.72
\$1,200	\$660	\$44.18	\$78.00
\$1,400	\$770	\$64.18	\$91.00
\$1,600	\$880	\$84.18	\$104.00
\$1,800	\$990	\$104.18	\$117
\$2,166.43 (Note 4)	\$1,192	\$140.82	\$140.82
\$2,200	\$1,210	\$144.18	\$143.00
\$2,400	\$1,320	\$164.18	\$156.00
\$2,600	\$1,430	\$184.18	\$169.00
\$2,800	\$1,540	\$204.18	\$182.00
\$3,000	\$1,650	\$224.18	\$195.00
\$3,500	\$1,925	\$274.18	\$227.50
\$4,000	\$2,200	\$324.18	\$260.00

Note 1. SBP Cost Threshold Method: 2.5% of threshold amount + 10% of the remainder of base amount.

Note 2. SBP Cost 6.5% Base Amount Method: 6.5% of the base amount.

Note 3. Threshold Amount (that which costs 2.5%) is \$1,011; cost is \$25.28.

Note 4. Base amounts on or above \$2,166.43 receive best premium under SBP cost 6.5% method cited above (0.065 times base amount).

Note 5. The SBP Program Manager will send out the updated amounts annually.

- The SBP threshold method Only applies to a Soldier who meets one of the following criteria: entered service prior to 1 Mar 90 if retiring for active duty length of service, medically retiring, or retiring from the Reserve Component with a non-regular retirement. For these Soldiers, two SBP spouse cost methods are available. The most advantageous one is used by DFAS.
- This chart shows the relationship between the SBP spouse threshold cost calculation, 2.5% of the threshold and 10% for any base amount that exceeds the threshold, and the new spouse cost calculation 6.5% of the base amount.
- The chart also shows that amounts that exceed a base amount of \$2,166.43 for retirements in calendar year 2024, the 6.5% spouse cost calculation is the most advantages.

How can I tailor SBP to meet my needs? Think “Base Amount”

- Challenge: What base amount should I cover to meet our needs?
- Solution: Divide the goal amount by 55%

$$\$2,000 / 0.55 = \$3,636$$
- Base amount increases with COLA like retired pay and as a result, so will the premium cost

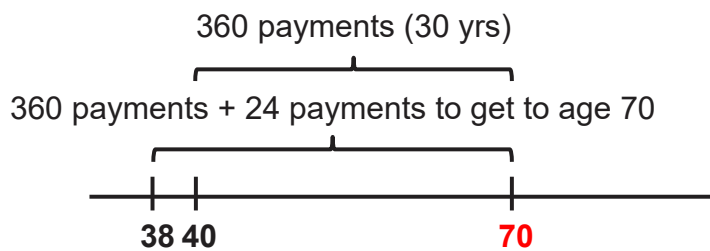
Annuity	Base Amount Required
\$2,000	\$3,636
\$1,000	\$1,818

- If you conclude after studying SBP that your family’s needs can be met by covering less than your full retired pay, this slide shows you how to personalize your participation.
- First, determine your goal - what annuity you wish to produce for your family (considering all other guaranteed sources of survivor income).
- Then, divide that goal amount by .55 (or 55%) to determine how many of your retirement dollars you should cover as your base amount to achieve that result.

“30-Year Paid-Up Provision”

Since 1 Oct 08 no premiums after:

- 30 years of paying SBP Premiums (360 payments)
- AND
- reaching age 70



- Our last item on “cost” is this.
- Legislation passed in 1998 provides that SBP will reach “paid-up” status for members when they make 30 years of payments (360 monthly payments) and reach age 70.
- “Paid-up” = no further cost obligation; but the annuity remains payable to your designated beneficiary.
- Remember that adding this paid-up feature results in stopping premium from a significant number of participants; yet continuing the governments obligation to pay annuities.

Replacement Value of Annuity

Ret. Pay: \$5,000

Member's Age: 43

Spouse's Age: 41

Spouse's Age at Death of Soldier	Annual After Tax SBP Benefit	*Replacement Value of SBP
41	\$29,040 (\$68,973 at 87)	\$960,000
51	\$20,221 (\$68,973 at 87)	\$990,000
61	\$28,377 (\$68,973 at 87)	\$971,500
71	\$32,933 (\$68,973 at 87)	\$778,000
81	\$38,220 (\$68,973 at 87)	\$408,500

This slide shows that it takes a surprising amount of life insurance to replace SBP even as the spouse beneficiary ages because SBP is inflation protected and life insurance is not. Assumes inflation at 2.5% and insurance was invested with a rate of return of 4%. Assumes spouse life expectancy of age 87.

*Face value of insurance needed to equal SBP benefit.

Note: This program can be accessed on the DOD Actuary homepage, <https://actuary.defense.gov/>

- This is the scenario for a 42-year old, male with a 41-year old spouse. This example uses a pay entitlement and SBP base amount of \$3000. Assumes 2.5% inflation.
- The figure \$579,000 represents the amount of an insurance product this Retired Soldier needs to have in place to equal the SBP benefit If death is immediately at retirement and the spouse lives until 87.
- For this member, at age 72, SBP is no-cost. Remember, starting on 1 Oct 08 there are no premiums paid for SBP after age 70 and 30 years of SBP premium payments.
- This spouse may live longer than the actuarial average.

Inflation Adjusted Annuity

Ret. Pay: \$3,000

Member's Age: 42

Spouse's Age: 41

Spouse's Age at Death of Soldier	Annual After Tax SBP Benefit	*Replacement Value of SBP
41	\$17,424	\$579,000
51	\$20,221	\$599,000
61	\$28,377	\$589,000
71	\$32,933	\$470,000
81	\$38,220	\$247,000

This slide shows that it takes a surprising amount of life insurance to replace SBP even as the spouse beneficiary ages because SBP is inflation protected and life insurance is not. Assumes inflation at 2.5% and insurance was invested with a rate of return of 4%.

*Face value of insurance needed to equal SBP benefit.

Note: This program can be accessed on the DOD Actuary homepage, <https://actuary.defense.gov/>

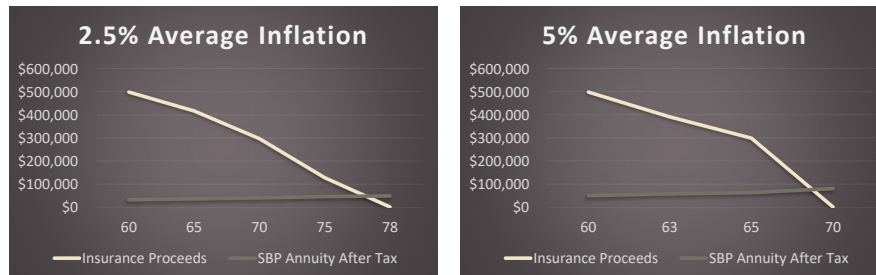
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- This spouse may live longer than the actuarial average.

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

Retired 2023 and dies in 2043 when spouse would be age 60
 Monthly Retired Pay = \$3,300; Life Insurance = \$500K;
 Monthly SBP Annuity = \$1,815

Assume \$500K with rate of return = 4%

Assume spouse withdraws from the life insurance the annual SBP annuity amount



Because of inflation - insurance will run out sooner than you think!
 SBP will continue to increase with COLA

Note: Program available at <https://actuary.defense.gov/> and click on "SBP Programs".

- This example, based on \$3,300 retired pay and SBP base amount, illustrates how long \$500,000 of life insurance lasts when withdrawn in the amount equal to the annual SBP annuity based on different COLA averages.
- Assumes death occurs in 2043 and spouse is 60.
- With an average COLA increase of 2.5%, a \$500,000 life insurance policy is depleted in 18 years when the surviving spouse is 78.
- With an average COLA increase of 5%, a \$500,000 life insurance policy is depleted in 10 years when the surviving spouse is 70.
- That doesn't take into account purchase of any big-ticket items, paying off a mortgage, financing education, etc.
- Since a spouse life expectancy is 87, with 2.5% average COLA the spouse lives 9 years without insurance proceeds to replace SBP. With a 5% average COLA, the spouse lives 17 years without life insurance proceeds to replace SBP.
- Most importantly -- SBP continues for a lifetime, increasing by COLA. In this example, the spouse can live well past the expected life expectancy.
- The Rate of Return of 4% is the DOD Board of Actuaries latest projection as to what rate the Military Retirement Fund will earn.

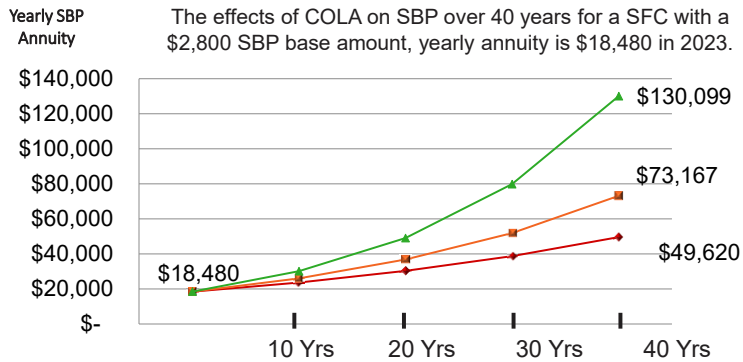
Comparing SBP to Life Insurance

- It takes a surprising amount of life insurance to replace SBP
- Unlike life insurance, SBP does not consider age or health when determining premium cost
 - As you age it may become more difficult to find a low cost option
 - If retired for disability, insurance may be very expensive or even impossible to obtain due to existing medical conditions
- Unlike SBP, life insurance does not have COLA increases so it is not protected from inflation

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- As you have seen from the previous slides, using the DOD Actuary programs, how much insurance is needed to replace SBP.
- Since you don't know how many years your spouse might outlive you, determining what is adequate regarding insurance is impossible. A crystal ball is not needed with SBP - it simply cannot be outlived.
- SBP's inflation-fighter is its guaranteed cost-of-living adjustments (COLAs). Increasing life insurance is needed as one ages, due to inflation's eroding effect on the dollar's purchasing power.
- Try to adjust your thinking from short-sighted to long-term. When you limit your view, life insurance may appear more attractive (i.e., cheaper) than SBP. But, if you compare SBP costs and benefits with life insurance costs and benefits for each year in the future, you'll see that insurance costs must increase dramatically based on the insurer's increased risk of paying a policy. Since SBP simply protects your ever-increasing retired pay, its value rises at the same rate -- even after it begins to be paid as an annuity.

SBP Cost of Living Adjustments (COLA)



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

- 2.5% COLA represents the DOD actuary assumption
- 3.5% COLA
- 5% COLA

All calculations made using DOD Office of the Actuary tables

This slide shows what happens to SBP based on COLA raises to SBP due to inflation. While the increases in SBP are dramatic over time, in actuality the buying power of the annuity remains the constant. Insurance does not increase over time based on inflation without buying additional insurance.

Cost in Today's Dollars; Benefit in Tomorrow's Dollars

How long does your survivor need to receive an annuity before that annuity exceeds how much you paid into it?

Length of time Premiums Paid	Years of Annuity Received to Exceed Premiums Paid
5 years	7 months
10 years	1 year, 1 month
15 years	1 year, 6 months
20 years	1 years, 10 months
25 years	2 years, 2 months
30 years	2 years, 5 months

Note 1: Based on a 2.75% long term COLA

Note 2: No further cost after 360 (30 years) premium payments and age 70

Note 3: Based on DOD Actuary

- This slide shows how long your spouse would have to live to receive back all the premiums you paid for SBP.

- Also this slide shows the fact that you are paying in today's dollars for a benefit that will be paid with COLA increases added that the pay back after 30 years of paying SBP is much sooner than expected.

SBP Positives

The previous slides discussed and showed examples of the following positive aspects of SBP. You need to take these into account when you make your SBP decision.

- Government-subsidized plan
- Tax-free premiums
- Inflation-adjusted annuity
- Flexible: can terminate between the 25th and 36th month of retirement

- As you went through this briefing, you should have seen the positives listed in this slide.
- The government is paying on the average close to 50% of the SBP cost and the cost of administering the program and paying SBP annuities are paid by the government.

SBP Positives (continued)

- “Paid-up” after 30 years paying premiums and 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
- Subsidized by the government

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- As you went through this briefing, you should have seen the positives listed in this slide.
- The government is paying on the average close to 50% of the SBP cost and the cost of administering the program and paying SBP annuities are paid by the government.

Medical Retirement SBP Considerations

- Soldiers being retired with a service-connected VA disability need to consider the following in their SBP decision
 - SBP and DIC
 - SBP coverage for survivors, if VA determines death is not service-connected and DIC is not payable
 - Withdrawal from SBP based on a VA Total Disability Rating
 - SBP premiums start from effective date of the retirement, even if retroactive retirement date
 - What happens to family if SBP is not elected and the VA does not consider the death to be service-connected

This slide and the following five slides provide important information concerning SBP to Soldiers being retired with a VA service connected disability rating.

SBP and Dependency and Indemnity Compensation (DIC)

SBP	DIC
Annuity for survivors if Retired Soldier dies	Annuity for survivors if Retired Soldier's death is determined service connected by VA
Taxed as unearned income	Tax Free
Retired Soldier pays premiums	No premiums
Survivor receives full SBP	Survivor will receive full DIC

Note: Public Law 116-92 phased out the spouse RCSBP/SBP offset by spouse DIC. Offset eliminated effective 1 January 2023.

If not rated totally disabled for required period of time, there is no guarantee that death will be considered service connected by the VA and the spouse will receive DIC.

Electing SBP provides coverage for survivors in cases where death is not service connected and if service connected, the premiums paid for spouse SBP offset by DIC are refunded to the surviving spouse. Note: The spouse SBP offset by DIC was eliminated effective 1 January 2023.

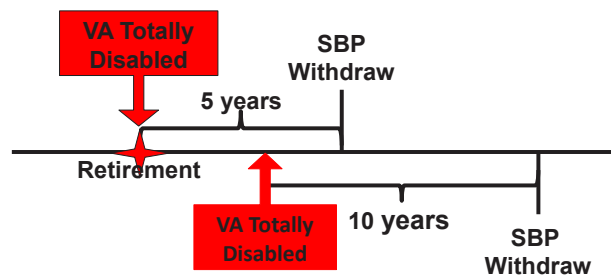
Withdrawal from SBP Based on VA Total Disability Rating

- Withdrawal is allowed because surviving spouse will qualify for DIC benefits and prior to 1 January 2023 there was an offset of the SBP by DIC
- **Consider carefully before withdrawing since your spouse would be eligible to receive both the SBP and DIC in full**
- Withdrawal requires written consent of beneficiary
- If Retired Soldier withdraws from SBP, the surviving spouse will receive a refund of all SBP costs paid (after the VA verifies DIC will be paid)
- **SBP provides coverage for survivors when death is not service connected**

Withdrawal from SBP Based on VA Total Disability Rating

VA Total Disability Rating Withdrawal Timeframes:

- May withdraw from SBP, if rated by the VA as totally disabled, if rating has been held not less than **5** continuous years from last date of active duty
- May withdraw from SBP, if rated by VA as totally disabled for **10** or more continuous years effective at a date after last time on active duty



The law recognizes that if your death will be considered service connected and your spouse will receive DIC, that you should be allowed to withdraw from SBP.

When this law was enacted, the big consideration was that SBP was offset by DIC and therefore in some cases meant that the DIC will exceed or almost exceed SBP. At the time it may have been in your interest to withdraw from SBP and not have to pay the SBP premiums. At your death your spouse will only receive the premiums you paid for spouse SBP. However, effective January 1, 2023 there will no longer be an offset of SBP and DIC and your spouse will receive SBP in full if participating in SBP.

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

- If your VA disability compensation completely offsets your retired pay and you do not receive Combat-Related Special Compensation (CRSC), there is no automatic deduction of monthly SBP premiums available
 - Unpaid SBP premiums carried over into a new billing month will accrue a 6% interest fee

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

Options to Pay SBP Premiums	Process
Authorize VA to deduct SBP premiums from VA disability compensation	Reach out to your servicing VA office to help you complete the DD Form 2891 and submit the completed DD Form 2891 to DFAS – VA will pay directly to DFAS
Direct payment to DFAS	Submit payment to: Defense Finance and Accounting Service DFAS-CL, SBP and RSFPP Remittance P.O. Box 979013 St. Louis, MO 63197-9000

Note: Do not submit an SBP premium direct payment or submit a DD Form 2891 to VA until you verify on your Retired Account Statement (RAS) that your retired pay is offset by VA disability and you are unable to pay your SBP premiums.

Servicing VA office will complete their portion of the DD Form 2891 and Retired Soldier can submit the completed a DD Form 2891 (Authorization For RSFPP and or SBP Costs Deductions) to DFAS to 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 63197-9000

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....”

For More SBP Information....

Log on to:

<https://soldierforlife.army.mil/Retirement/survivor-benefit-plan>

<https://myarmybenefits.us.army.mil/>

Contact your nearest RSO:

<https://soldierforlife.army.mil/Retirement/rso>

- For more information on RCSBP you can visit the following listed sites or contact the listed contacts. These sites and contacts can also provide information on other retirement related issues.

Remember:

Retired pay **STOPS** with the death of the Retired Soldier!



**SBP ALLOWS YOU TO PROVIDE A
PORTION OF YOUR RETIRED PAY
TO YOUR ELIGIBLE SURVIVORS**

If your retired pay ending at your death will be a hardship to your family, you need to consider continuing a part of your retired pay for your survivors through SBP.

