

Texas Army National Guard

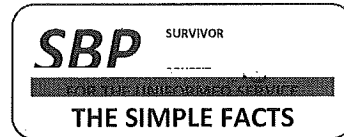


Survivor Benefit Plan Election Booklet

RCSBP FACT SHEET

RESERVE COMPONENT SURVIVOR BENEFIT PLAN

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 provision of SBP law are in chapter 73, title 10, United States Code.

The Reserve Component Survivor Benefit Plan (RCSBP) is the only Reserve program that lets you leave a percentage of your future retired pay as a monthly annuity to your beneficiaries. The maximum annuity is 55 percent of your retired pay. This fact sheet tells how participation in RCSBP affects the general provisions of SBP. You should also be familiar with those general provisions (see the main booklet and other fact sheets).

ELIGIBILITY

Once you are notified that you qualify for a Reserve Retirement and receive your Notification of Eligibility (NOE) commonly known as the 20 year letter, you are eligible to sign up for RCSBP, regardless of your military status, age, or health. You have a 90-day period beginning the day you receive your NOE to make an RCSBP election. If you are married and do not elect Option C, immediate full spouse RCSBP coverage, your spouse must sign the RCSBP Election Certificate (DD Form 2656-5) concurring with the election prior to the end of the 90 day period that began the day you received your NOE. The spouse's signature on the DD form 2656-5 must be notarized. If you do not obtain your spouse's concurrence, your RCSBP election defaults to spouse immediate full RCSBP coverage. If you fail to complete the RCSBP Election certificate within the 90 day window to make your RCSBP election, your eligible dependents receive automatic Option C full RCSBP coverage. If you die after becoming eligible for a Reserve non-regular retirement but before receiving the NOE or after receiving the NOE but within the 90 days from notification and have not made an RCSBP election, your dependents receive automatic Option C full RCSBP coverage. The dependents of Reservists who have not reached eligibility for a Reserve non-regular retirement who die in the line of duty of an injury or illness incurred or aggravated during inactive-duty training receive automatic Option C full RCSBP coverage.

COVERAGE

Your RCSBP election covers you from the time you qualify for a Reserve Retirement until you begin receiving retired pay at Reserve non-regular retirement. Once in receipt of retired pay, your RCSBP election (Option B or C) automatically becomes your SBP election. If you elected to decline RCSBP (Option A), you will have no RCSBP coverage and must make an SBP election at your Reserve non-regular retirement. Active duty retirement for length of service or medical retirement invalidates an RCSBP election and you will be required to make an SBP election without regard to a previous RCSBP election. If retired from active duty, you will not be charged any premiums for RCSBP coverage received.

ELECTION OPTIONS

Option A (DECLINE TO MAKE ELECTION UNTIL Reserve Non-Regular Retirement (AGE 60)) - You will remain eligible to elect Survivor Benefit Plan (SBP) coverage upon reaching the age you qualify for a Reserve non-regular retirement. An annuity will not be payable to your beneficiaries if you die before Reserve non-regular retirement. Since you received no RCSBP coverage, you will not pay RCSBP premiums at retirement. If you are not married, have no eligible children, and do not desire to elect RCSBP for a former spouse or insurable interest; your RCSBP election is Option A. However, once you acquire the first spouse or child after the Option A RCSBP election due to having no dependents, you have one year to notify the Human Resources Command (HRC) that you now have an eligible beneficiary and request RCSBP coverage. The election must be submitted on a DD Form 2656-5. Failure to elect RCSBP coverage within one year of acquiring an eligible dependent will result in your RCSBP election defaulting to Option A until your Reserve non-regular retirement.

Option B (DEFERRED ANNUITY) – Provides coverage for an annuity to begin on date you would have been eligible for Reserve non-regular retirement, if you die before your Reserve non-regular retirement and becomes your SBP election to begin immediately if you die after your Reserve non-regular retirement.

Option C (IMMEDIATE ANNUITY) - Provide coverage for an annuity to begin immediately, whether you die before or after your Reserve non-regular retirement.

(NOTE: Effective 1 Jan 2001, married members must provide written spouse concurrence if they elect less than full retired pay base amount for Option C (immediate coverage) for spouse only or spouse and children. If an RCSBP election is not made within 90 days of receiving the NOE for non-regular retirement, member receives automatic full Option CRCSBP for any spouse and or children dependents at the time of the NOE.

BENEFICIARIES

Spouse only - To be eligible for an annuity your spouse must be married to you on the date your RCSBP election is made and married to you on the date of your death. In the event you marry or remarry after electing RCSBP, your new spouse must be married to you for one year, or be the parent of a child by that marriage to qualify for RCSBP.

Child only - Coverage of children is limited to unmarried children under the age of 18, or under age 22 if in school pursuing a full-time course of study or training; or any age if incapable of self-support because of a mental or physical incapacity incurred while still eligible as defined above.

Spouse and Children - Same limitations as above; however, children will receive an RCSBP annuity only if your spouse becomes ineligible (through death or remarriage before age 55).

Former Spouse /Former Spouse and Child (ren) - You may elect to provide an annuity to a former spouse. You may also elect coverage for a former spouse and child if the child resulted from the marriage to your former spouse. You may elect these beneficiary options even though you are married or have a dependent child, but such an election prevents payment of an annuity to the current spouse or child. Under an election for former spouse and child, the child receives an RCSBP annuity only if the former spouse becomes ineligible.

Insurable Interest - This coverage may be elected only if you are not married or are unmarried with a sole dependent child. Any person more closely related to you than a cousin qualifies as a beneficiary with an insurable interest in you. Any other person may qualify if you provide proof that person benefits in some manner from your continued life (a business partner, for instance). Note: This is a very expensive election for both RCSBP and SBP premium costs.

Remarriage after 20 year letter RCSBP election – If you remarry after electing RCSBP Spouse Coverage, and your spouse coverage is suspended (RCSBP covered spouse lost through death or divorce), the new spouse must be married to you for one year, or be the parent of a child by that marriage to qualify as an RCSBP beneficiary. If you elected Option A (DECLINE TO MAKE ELECTION UNTIL YOUR RESERVE NONREGULAR RETIREMENT), had no eligible beneficiaries at retirement, and this is the first marriage after making your RCSBP election but before your Reserve nonregular retirement, you have one year to request the Army Human Resources Command (HRC) to change your RCSBP election to Spouse coverage.

Note: Any change in beneficiary status prior to Reserve nonregular retirement must be reported to the Army Human Resources Command immediately.

RCSBP COSTS (PREMIUMS)

There are two premiums associated with RCSBP. These premiums are not paid until you begin receiving your retired pay at age 60. The two types of premiums are: Basic (SBP) Premium and Reserve (RCSBP) Premium. There is no RCSBP premium for RCSBP Option A as you receive no RCSBP coverage.

BASIC SBP PREMIUM

SBP premium and benefits are each a percentage of your elected "base amount," which may be your full monthly retired pay or a lesser amount, but not less than \$300. If your monthly gross retired pay is less than \$300, then your full monthly retired pay must be designated as the base amount. The base amount, premiums and annuity payments all increase at the same time and by the same percentage as the increase in retired pay Cost-of-Living Adjustments (COLAs).

a. Basic SBP Premium for Spouse/Former Spouse. The basic SBP premium can be calculated by accessing the MyArmyBenefits calculator at <http://myarmybenefits.us.army.mil/>.

b. Basic SBP Premium for Children. The cost to cover children is also based on a percentage of the SBP base amount. It is dependent on your age, the age of your youngest child, and the age of your spouse if applicable. Your pay and personnel center can assist you in determining your exact cost.

c. Basic SBP Premium for Insurable Interest. The base amount for an insurable interest beneficiary must be the full monthly retired pay. The cost is 10 percent of full monthly retired pay, plus 5 percent for each full 5 years the beneficiary is younger than you. However, the total cost cannot exceed 40 percent of monthly retired pay.

RESERVIST PREMIUM (RCSBP)

If you chose to elect RCSBP under Option B (Deferred Annuity) or Option C (Immediate Annuity), there is a Reserve premium added to the basic cost to cover the additional benefit previously received for coverage received prior to age 60. The Reserve premium is based on a percentage of the SBP base amount, and is dependent on your age and the age of your beneficiary at the time the RCSBP election is made. Your pay and personnel center can assist you in determining your exact cost. Calculators to estimate your retired pay, SBP and RCSBP premiums are available on the MyArmyBenefits calculator at <http://myarmybenefits.us.army.mil/>.

SBP/RCSBP ANNUITY AMOUNT

Your RCSBP election becomes your SBP election when you reach eligibility to receive retired pay. The annuity is 55 percent of the base amount.

DEPENDENCY AND INDEMNITY COMPENSATION (DIC)

The RCSBP annuity of a spouse will be reduced by the amount the spouse receives as DIC. Your spouse will be eligible for DIC payments only if you die of a service-connected cause. In the event the DIC payment is greater than the RCSBP annuity, the annuity will not be paid. In the event you are receiving retired pay at the time of death, your surviving spouse will receive a refund of all premiums you paid. When part of an annuity is offset by DIC, premiums for the offset portion are refunded. The RCSBP spouse annuity reduction for DIC payments is made because both are federal programs and the government pays part of the costs. The combined income amount will always be at least equal to the full amount otherwise payable under RCSBP. When considering your RCSBP election and possible annuity reductions, the important point to consider is that what you're leaving your spouse is permanent income based on your retired pay.

SPOUSE RCSBP ANNUITANT REMARRIAGE

Your spouse/former spouse RCSBP annuity stops if your spouse or former spouse remarries before age 55. The annuity can resume if the marriage ends due to death or divorce. If your spouse/former spouse remarries after age 55, the RCSBP annuity continues. Based on a court case, a spouse who remarries after age 57 who is authorized RCSBP and DIC will receive both without an offset.

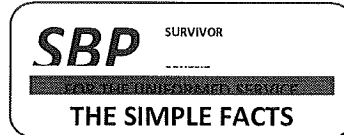
RCSBP POINT OF CONTACT

COMPONENT	ADDRESS	PHONE #
Army National Guard/Army Reserve	US ARMY HUMAN RESOURCE COMMAND ATTN: Army Personnel Records Division AHRC-PDP-RC 1600 SPREARHEAD DIVISION Fort Knox, KY 40122-5402	Toll Free: 1 (888) 276-9472 DSN: 983-9500 or 502-613-8950

SBP FACT SHEET

SPOUSE COVERAGE

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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, medical retirements, or Reservist retiring for non-regular service; the most advantages of either 6.5% of chosen base amount or 2.5% of threshold amount 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. You can calculate your SBP premium by accessing the MyArmyBenefits calculator at <http://myarmybenefits.us.army.mil/>.

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.

EXAMPLE

The Table 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
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 Dec 13)

SBP FACT SHEET

CHILD COVERAGE

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

SBP was designed to give income protection not only to your spouse, but also to your children until they become self-supporting (i.e., until they are no longer dependents). Child coverage may be elected with or without spouse (former spouse) coverage.

ELIGIBLE CHILDREN

Children are eligible for SBP payments as long as they are unmarried, under age 18, or under age 22 if still in school. A child who is disabled and incapable of self-support remains eligible if the disability occurred before age 18 (or before age 22 if a full time student).

(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.) Marriage at any age will terminate a child's eligibility. If you elect former spouse and children coverage, only those eligible children from the marriage between you and your former spouse are covered.

Your children who are under 22 years of age and pursuing a full time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institute are eligible to receive SBP benefits. While pursuing a full time course of study or training, a child whose twenty-second birthday occurs before July 1 or after August 31 of a calendar year, is considered to be 22 years of age on the first day of July after that birthday.

BENEFIT PAYMENTS

The payments for children equal 55 percent of your covered retired pay. All eligible children divide this benefit in equal shares. If the SBP election was for spouse (or former spouse) and children, the children receive payments only when your spouse (or former spouse) loses eligibility because of death or remarriage before age 55. The following are examples of benefit payments for four children and for the remaining children when one child becomes ineligible:

EXAMPLE 1

The examples are based on the following information:

Number of children: 4
Base amount of retired pay: \$2000

Base amount	\$2,000
Base amount multiplied by 55%	\$1,100 (\$2,000 x 55%)
Amount of annuity divided by the number of children	\$1,100 / 4
Amount each child will receive	\$275

EXAMPLE 2

If the oldest child becomes ineligible because of age, marriage or because he or she is no longer a full time student after the age of 18, only 3 children will receive payment and the annuity amount per child will be as follows:

Base amount	\$2,000
Base amount multiplied by 55%	\$1,100 (\$2,000 x 55%)
Amount of annuity divided by the number of children	\$1,100 / 3
Amount each child will receive	\$366.66

SBP COSTS (PREMIUMS)

Costs for child coverage are based on your age and the age of your youngest child at the time of election. Costs for child coverage stop when all children are no longer eligible to receive payments. Contact the finance center or your personnel counselor for an exact cost computation. The table below shows the monthly cost for selected cases of child only coverage per \$100 of covered retired pay.

**CHILD ONLY COVERAGE
COST PER \$100 OF COVERAGE**

<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">YOUNGEST CHILD'S AGE</td> <td style="text-align: center;">YOUR AGE</td> </tr> </table>	YOUNGEST CHILD'S AGE	YOUR AGE	6	10	14	17
	YOUNGEST CHILD'S AGE	YOUR AGE				
35	\$0.57	\$0.40	\$0.25	\$0.15		
40	\$0.35	\$0.22	\$0.13	\$0.08		
45	\$0.50	\$0.30	\$0.17	\$0.10		
50	\$0.87	\$0.53	\$0.29	\$0.16		

Example: If you are age 45 and your youngest child is 14 years of age at the time of your retirement the cost per \$100 of covered retired pay is 17 cents.

When you determine the cost for spouse (former spouse) and/or child coverage the age of the spouse is also used. The table below shows the monthly cost of the child portion of spouse and child coverage per \$100 of covered retired pay. This is in addition to the cost for your spouse (former spouse) coverage.

**SPOUSE (FORMER SPOUSE) AND/OR CHILD COVERAGE
ADDITIONAL COST FOR CHILD PORTION PER \$100 OF COVERAGE**

YOUNGEST CHILD AGE 5

<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">SPOUSE'S AGE</td> <td style="text-align: center;">YOUR AGE</td> </tr> </table>	SPOUSE'S AGE	YOUR AGE	35	40	45	50
	SPOUSE'S AGE	YOUR AGE				
40	4.9 CENTS	3.8 CENTS	2.9 CENTS	2.6 CENTS		
45	6.2 CENTS	4.9 CENTS	3.8 CENTS	3.4 CENTS		
50	10. CENTS	7.9 CENTS	6.1 CENTS	5.5 CENTS		

Example: If you are age 45, your spouse is age 35, and your youngest child is age 5 at the time of your retirement the cost per \$100 of covered retired pay is 6.2 cents.

**SPOUSE (FORMER SPOUSE) AND/OR CHILD COVERAGE
ADDITIONAL COST FOR CHILD PORTION PER \$100 OF COVERAGE**

YOUNGEST CHILD AGE 10

<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">SPOUSE'S AGE</td> <td style="text-align: center;">35</td> <td style="text-align: center;">40</td> <td style="text-align: center;">45</td> <td style="text-align: center;">50</td> </tr> <tr> <td style="text-align: center;">YOUR AGE</td> <td style="text-align: center;">35</td> <td style="text-align: center;">40</td> <td style="text-align: center;">45</td> <td style="text-align: center;">50</td> </tr> </table>	SPOUSE'S AGE	35	40	45	50	YOUR AGE	35	40	45	50	35	40	45	50
	SPOUSE'S AGE	35	40	45	50									
YOUR AGE	35	40	45	50										
40	2.4 CENTS	1.8 CENTS	1.5 CENTS	1.1 CENTS										
45	2.9 CENTS	2.2 CENTS	1.8 CENTS	1.3 CENTS										
50	4.6 CENTS	3.6 CENTS	2.9 CENTS	2.1 CENTS										

Example: If you are age 45, your spouse is age 45, and your youngest child is age 10 at the time of your retirement the cost per \$100 of covered retired pay is 1.8 cents.

**SPOUSE (FORMER SPOUSE) AND/OR CHILD COVERAGE
ADDITIONAL COST FOR CHILD PORTION PER \$100 OF COVERAGE**

YOUNGEST CHILD AGE 15

<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="text-align: center;">SPOUSE'S AGE</td> <td style="text-align: center;">35</td> <td style="text-align: center;">40</td> <td style="text-align: center;">45</td> <td style="text-align: center;">50</td> </tr> <tr> <td style="text-align: center;">YOUR AGE</td> <td style="text-align: center;">35</td> <td style="text-align: center;">40</td> <td style="text-align: center;">45</td> <td style="text-align: center;">50</td> </tr> </table>	SPOUSE'S AGE	35	40	45	50	YOUR AGE	35	40	45	50	35	40	45	50
	SPOUSE'S AGE	35	40	45	50									
YOUR AGE	35	40	45	50										
40	0.8 CENTS	0.6 CENTS	0.5 CENTS	0.4 CENTS										
45	1.0 CENTS	0.7 CENTS	0.6 CENTS	0.4 CENTS										
50	1.5 CENTS	1.1 CENTS	0.9 CENTS	0.7 CENTS										

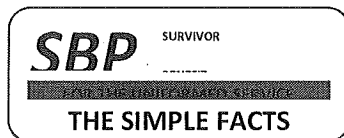
Example: If you are age 45, your spouse is age 40, and your youngest child is age 15 at the time of your retirement the cost per \$100 of covered retired pay is 0.7cents.

Current as of Dec 13

SBP FACT SHEET

INSURABLE INTEREST COVERAGE

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The insurable interest option is available only if you are unmarried with either no dependent children or one dependent child. You may elect insurable interest coverage for that child regardless of the child's age or dependency.

ELIGIBLE PERSONS

People who can be covered are:

- a. Any relative more closely related to you than a cousin. This includes relatives such as parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half- brothers, dependent or nondependent child or stepchild; or
- b. A close business associate who would be financially affected by your death.
- c. If insurable interest is a relative related closer than a cousin no proof of insurable financial interest is required. All others require a proof of a financial insurable interest in the member.

DISABILITY RETIREMENT

Effective November 24, 2003, if retired for disability and you die within one year of retirement for a cause related to a disability for which you were retired, an Insurable Interest election is invalid with the exception of Insurable Interest elections made for a dependent authorized a Military ID Card. Any premiums paid for an invalidated Insurable Interest election will be refunded to the designated beneficiary.

BENEFIT PAYMENTS

The monthly SBP payment to an insurable interest person is equal to 55 percent of the gross retired pay (the base amount is always the gross retired pay) less SBP cost of coverage. Payments are increased by cost-of-living adjustments (COLAs) at the same time and by the same percentage as retired pay is increased.

SBP COSTS (PREMIUMS)

The monthly cost is 10 percent of retired pay plus 5 percent more for each full five years the person covered is younger than the retiree. The maximum cost is 40 percent of retired pay.

Example:

A retiree is 45 and the person covered is 32. The age difference is 13 years, or two full five year periods. Therefore the cost percentage of retired pay would be 20 percent:

$$10 + (2 \times 5) = 20 \text{ percent}$$

If retired pay is \$1,000 per month, then the monthly cost will be 20 percent of \$1,000, or \$200. The monthly benefit will be 55 percent of the remaining \$800 (\$1,000 - \$200 = \$800) of retired pay. Thus, the benefit amount will be \$440 (.55 x \$800 = \$440) per month.

$$\begin{aligned} \text{Base Amount: } & \$1000.00 \\ \text{Cost: } & \$1000.00 \times 20\% = \$200.00 \\ \text{Benefit: } & (\$1000.00 - \$200.00) \times 55\% = \$440.00 \end{aligned}$$

CHANGE COVERAGE IN FAVOR A NEW SPOUSE AND/OR CHILD

After retirement, coverage under this option may be changed to cover a newly acquired spouse and/or child within one year of the marriage, birth, or adoption.

TERMINATION OF INSURABLE INTEREST COVERAGE

Since Oct. 5, 1994, insurable interest coverage for a beneficiary who is not a former spouse (prior to November 8, 1985, former spouses could only be covered as insurable interests) may be voluntarily terminated at any time by making a signed written request to do so that identifies you by name and social security number. If you are interested in terminating your insurable interest coverage, contact your finance center or Retirement Services Officer.

ELECTION OF NEW INSURABLE INTEREST BENEFICIARY

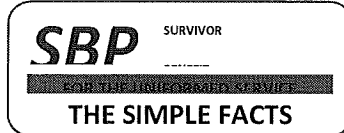
Since Oct. 17, 2006, a member may within 180 days of the death of their insurable interest beneficiary elect in writing a new natural person insurable interest beneficiary. The member must live two years from the effective date of the election for the election to be valid. If the member dies before the end of the two year period from the date of the election, the election is invalid and any premiums paid since the effective date of this election will be paid in a lump sum to the person who would have been the deceased member's beneficiary. The member's premium for the new insurable interest election will be based on the age of the new beneficiary and will include the total additional amount by which the retired pay of the member would have been reduced before the effective date of the election if the original beneficiary had not died and had been covered under the plan through the date of the election, and had been the same number of years younger than the new beneficiary plus interest.

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FORMER SPOUSE COVERAGE

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SBP allows selection of coverage for former spouses. Costs and benefits under this option are identical to those for spouse coverage. This fact sheet highlights key aspects of former spouse coverage.

Election of coverage for a former spouse **PRECLUDES** coverage of the current spouse and/or children of the current spouse.

When former spouse coverage is elected, the current spouse must be informed. Only one SBP election may be made. If there is more than one former spouse, the member must specify which one will be covered.

PROCEDURES -- When electing the former spouse option, a member must provide the finance center a DD Form 2656-1, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, or a written statement signed by both the member and the former spouse. The written statement must state:

- a. Whether the election is made in order to comply with a court order; or,
- b. Whether the election is made to comply with a voluntary written agreement related to a divorce action, and if so, whether that voluntary agreement is part of a court order for divorce, dissolution, or annulment.

BENEFITS -- The benefit level is the same as for a spouse. For a retiree in receipt of retired pay or Reservist with an RCSBP election, the court may not dictate a level of coverage greater than that elected before the divorce. Benefits will be suspended if the surviving former spouse remarries before the age of 55. They will resume if that marriage ends as a result of death, divorce or annulment.

CHILDREN -- Former spouse and children coverage may also be elected. The children covered are the eligible children from the marriage of the member to the covered former spouse. The children will only receive SBP payments if the former spouse dies or remarries before age 55. Eligible children will divide 55 percent of the covered retired pay in equal shares.

CHANGES DUE TO DIVORCE AFTER RETIREMENT – You must change your spouse coverage to former spouse coverage within one year of the divorce decree. To convert your SBP election to former spouse coverage you must notify the finance center in writing within one year of the divorce either with a DD Form 2656-1 or a written statement requesting the conversion of spouse SBP coverage to former spouse SBP coverage. To convert spouse RCSBP to former spouse RCSBP coverage, Reservists not in receipt of retired pay must notify the Human Resources Command (HRC) Reserve Retirement Section within one year of the divorce either with a DD Form 2656-1 or a written statement requesting the conversion of spouse RCSBP coverage to former spouse RCSBP coverage. Attach a copy of your divorce decree and settlement agreement. SBP Premiums will be retroactive to the month following the date of the divorce decree, regardless of when the election is actually made. Many members erroneously assume coverage will continue for the former spouse if they simply continue paying the spouse SBP premiums.

The former spouse should 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 court order first awarding SBP or RCSBP. The election will be deemed if the member fails to make the required election.

Former spouse coverage may be changed after retirement to cover a new spouse, or a new spouse and/or children if:

- a. The former spouse election was required by a court order and the retiree provides an acceptable certified court order permitting the change, or
- b. The former spouse election was made to comply with an agreement that is not part of a court order and the former spouse agrees in writing to the requested change, or
- c. The former spouse election was made voluntarily (not part of a court order or written agreement).

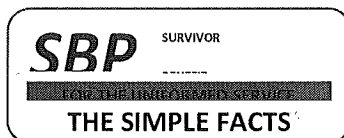
This change may be made at any time, provided the above requirements are met. The former spouse must be informed of the change in beneficiary.

Current as of Dec 13

SBP FACT SHEET

MEMBER REMARRIAGE

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 provision of SBP law are in chapter 73, title 10, United States Code.

SUSPENDED SPOUSE COVERAGE

If spouse coverage is elected and the spouse is lost through death or divorce, the cost of SBP coverage is suspended. If the member remarries and has not converted to former spouse coverage, three options are available. The member must notify the finance center of the desired option within one year of the new marriage. If the member fails to notify the finance center, option one below will automatically take effect on the first anniversary of the remarriage and the member will be responsible for premium costs beginning the first day of the 13th month. The three options are:

1. Resume the original level of spouse coverage.
2. Elect not to resume spouse SBP coverage, in which case the spouse will be notified and the election cannot be changed.
3. Elect to cover an increased portion of retired pay.

The associated impacts on monthly spouse premium amounts are:

1. Resume original coverage: Costs will be the same as they would have been under the original election, as increased by COLAs, had that election remained in effect since it was first made. In other words, premiums will be increased by the adjustments that occurred while SBP was suspended.
2. Terminate SBP spouse coverage: No deduction will be taken from retired pay for SBP coverage.

3. Increase level of covered retired pay: Retroactive payments must be made **WITHIN ONE YEAR** of the new marriage. These payments will be computed as if the increased coverage had been in effect from the date of the original election until the costs were suspended, minus all costs actually paid to that date. Interest charges will apply. No costs will be attributed to the period during which SBP was suspended. The new monthly costs will be those that would apply if the increased coverage had been in effect since retirement.

NO SPOUSE AT RETIREMENT AND FIRST REMARRIAGE AFTER RETIREMENT

A member who did not have a spouse at retirement and remarries for the first time following retirement, has **one year** from the remarriage to notify the finance center changing their SBP election to add spouse coverage. If the member elects SBP for their spouse within one year of marriage, on the first anniversary of the marriage the spouse becomes an eligible beneficiary and the member will be responsible for SBP premium costs. If the member takes no action, the SBP category spouse is closed on the first anniversary of the marriage for that spouse and all future spouses.

FORMER SPOUSE TO SPOUSE COVERAGE

In some instances former spouse coverage may be changed to spouse coverage. See the Former Spouse coverage fact sheet for more information.

EFFECT OF CHILD COVERAGE

If the original SBP election was for spouse and child coverage, the spouse cost will be as described above. The cost of the child's coverage will be based on the new spouse's age, the member's age and the age of the youngest child at the time the election becomes effective (1st anniversary of the new marriage). Contact the finance center or your personnel counselor for further explanations.

EFFECTIVE DATES

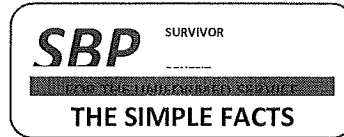
Coverage and costs for an election for a new spouse are effective after one year of marriage or upon the birth of a child of that marriage, whichever occurs first. If remarried to the spouse for whom you elected coverage at the time of retirement (or during the 21 Sep 72 - 20 Mar 74 open enrollment period), coverage and costs are effective immediately.

Current as of Dec 13

SBP FACT SHEET

WITHDRAWAL FROM SBP

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



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

You may **withdraw** from SBP for one of three reasons as follows:

1. ONE-YEAR WINDOW BETWEEN 2ND AND 3RD ANNIVERSARY FOLLOWING FIRST RECEIPT OF RETIRED PAY

As an SBP participant you have a one-year window to terminate SBP coverage between the 2nd and 3rd anniversary following the date you begin to receive retired pay. None of the premiums you paid will be refunded and no annuity will be payable upon your death. Your covered spouse or former spouse must consent to the withdrawal. Termination is permanent and participation may not be resumed under any circumstance; i.e., future enrollment is barred. This termination option does include Reservists who begin receipt of retired pay on their 60th birthday but only allows termination of SBP premiums. Reserve Component SBP (RCSBP) continues because the premiums are paid for coverage previously received prior to receipt of retired pay.

Members retired before May 16, 1996, had a one-time, one-year opportunity to terminate their SBP participation during the period May 17, 1998 through May 16, 1999.

2. VA TOTAL DISABILITY RATING

You may withdraw if:

a. You have a service-connected disability that has been rated by the VA as totally disabling for ten or more continuous years, or

b. The total disability rating has been held for not less than five continuous years from the last date of active duty.

Withdrawal is allowed because your surviving spouse will qualify for DIC benefits because your death will be presumed to be from service-connected reasons.

A request for withdrawal requires the written consent of your beneficiary. When you die, your surviving spouse will be entitled to a refund of all the SBP costs that were paid.

When you request withdrawal under these rules, the finance center must furnish you a written statement outlining the advantages and disadvantages of withdrawing. The change will not take effect until you confirm receipt of the information and acknowledge that you still wish to withdraw.

If, for some reason, the VA disability rating is withdrawn or reduced, SBP coverage may be resumed if you so desire. You must make the resumption request within one year after the VA rating has been withdrawn or reduced.

3. FEDERAL CIVIL SERVICE RETIREMENT

If you qualify for Federal civilian retirement you may:

a. Waive military retirement pay and elect a combined retirement annuity and:

1. Drop SBP in favor of the Civil Service Survivor Annuity program, or
2. Keep SBP, decline the Civil Service Survivor Annuity program, and pay SBP costs directly to the finance center; or

b. Keep military retired pay and the civilian retirement annuity separate, retain the SBP as elected, and make any choice desired for the Civil Service Survivor Annuity program.

A member with Insurable interest coverage may terminate coverage at any time without the beneficiary's concurrence. See the SBP Fact Sheet, Insurable Interest Coverage, for information on terminating Insurable Interest election.

Current as of Dec 13

SBP FACT SHEET

TAXES AND SBP

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SBP COSTS AND TAXES

An important fact to consider in the decision for or against SBP is the tax advantage provided by law. SBP costs are deducted from total retired pay and are excluded from Federal gross income. Thus, the costs are not reported as income to the Internal Revenue Service or taxed. Most, but not all, states follow the same practice as the Federal Government.

SBP COSTS AND FEDERAL CIVIL SERVICE RETIREMENT AND/OR DISABILITY COMPENSATION FROM THE DEPARTMENT OF VETERANS AFFAIRS (VA)

Some retirees who work as Federal civilian employees later retire from Civil Service and waive their uniformed service retired pay in order to count their active duty time for their Civil Service retirement annuity. These retirees may keep their SBP coverage, but they must send Defense Finance and Accounting Center – Cleveland (DFAS-CL) a monthly check to cover their SBP costs. In this case, the cost of SBP is not excluded from Federal or state income tax. The same is true of those members who have waived their retired pay in order to receive disability compensation from the Department of Veterans Affairs (VA) and pay the SBP premiums from VA disability compensation by allotment. In these situations, the taxability of future annuity payments will be less (see below).

SBP BENEFIT PAYMENTS AND TAXES

Although SBP premiums paid by a reduction in retired pay are not taxed, SBP benefit payments generally are taxed. In cases where a member paid SBP premiums by personal check to the Finance Center, the annuity payments are not taxed as income until the total of all benefits paid exceeds the total of all costs paid by the retiree (as contrasted with costs paid through retired pay reduction).

DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RELATED REFUNDS

When DIC is awarded and SBP costs are refunded to the spouse, the refund of any retired pay reduction is taxable income since it represents money that was not taxed as income when it was deducted from the member's retired pay. The refund of any premiums paid by personal check or by the VA would not be taxable.

NON-RESIDENT ALIEN TAX ON SBP

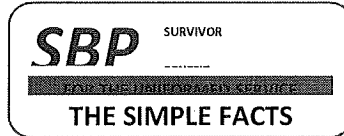
The IRS requires a 30 percent withholding tax from SBP payments to non-resident aliens living in many foreign countries. Some tax treaties allow payments without withholding. Also, IRS will exempt from withholding a percentage of the benefit equal to the percentage of the member's career served in foreign countries if that member is not a U.S. citizen. Some countries allow tax deductions or credits for these withholdings. Contact your Finance Center and the IRS for further specific details.

Current as of 12/2013

FINANCIAL ANALYSIS

***** UPDATED FOR 55% BENEFIT *****
***** FOR ALL SURVIVORS *****

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

SBP - A STRONG FOUNDATION

This fact sheet gives interested members some basic insights on the financial implications of SBP. It shows how SBP can provide a strong foundation for life-long income security for a reasonable cost.

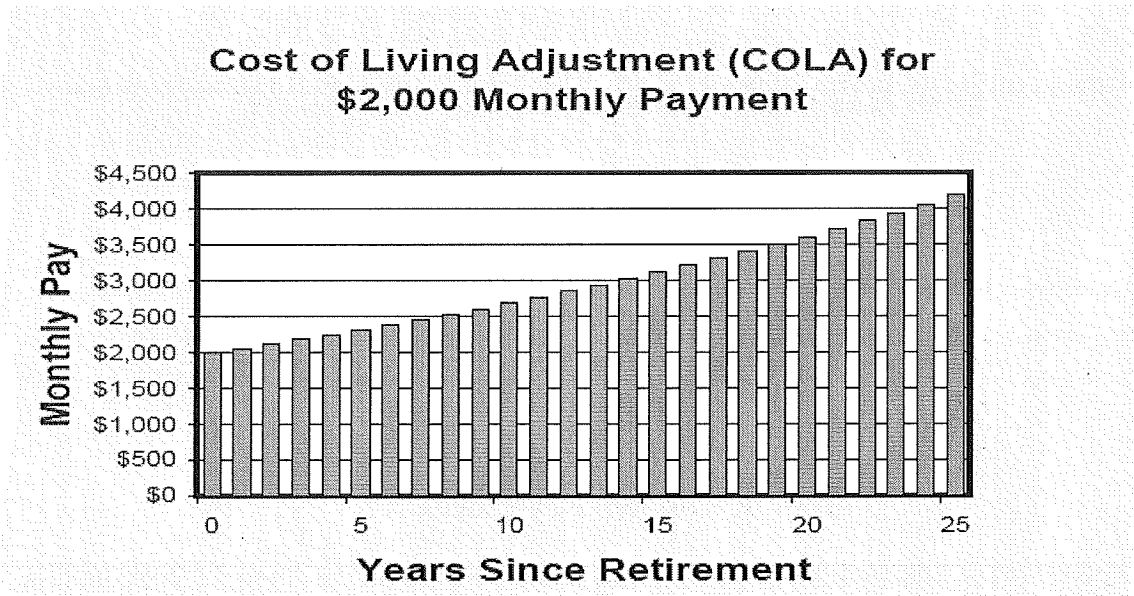
In making your decision on SBP, keep your needs and goals in mind. That is the key to the purchase of any life insurance plan. Eager sales agents may want you to buy their plan instead of SBP. You may want both! Before you decide to give up any part of SBP in favor of another program, consider what you want to achieve in your total estate planning.

What are the financial needs of the survivors? What expenses will they face? Will there be costs for a final illness, a funeral and taxes that must be paid immediately? What about other debts? How will your family handle mortgage or rent payments, educational expenses and ordinary living expenses? What's available right now to meet those needs if you die?

The answers to these questions will tell you how much immediate cash your family requires after you die and what they need in the form of continuing, long-term income. When you know that, you can determine the mix of protection you need for your estate plan. SBP can help you meet that need at a reasonable cost. With SBP, your family is guaranteed a steady source of future income.

If you are an expert investor, you might be able to put together a package of life insurance, savings and other investments to adequately protect your survivors without SBP. It is possible, but hard to do. You (and your survivors) must decide all the investments to make and when to make them. That takes a skill few of us possess and because there are always risks involved in the financial market, experts still fail.

SBP is a very strong "income protection" plan because it provides a guaranteed income to eligible survivors that is regularly adjusted for inflation. The graph below is an example of how a \$2,000 monthly annuity can increase over a 25 year period with a 3 percent cost-of-living adjustment per year. It more than doubles!



Notes: \$2,000 initial amount
 3.0% Inflation each year over 25 years
 Percent increase over 25 years is 109%.
 Dollar increase: \$2,188

SBP itself should not be expected to do everything. SBP has no cash value features to borrow against in times of emergency. You can't cancel SBP to get a cash refund; and it won't provide large sums of immediate cash to pay bills that may exist upon your death. SBP can certainly help in the long term, but for emergencies or immediate expenses after death, you will need savings and/or life insurance. That is why many retirees supplement SBP with other programs.

SBP provides a solid foundation on which to build a strong estate package. When combined with other programs, it will care for your survivors with very low risk for as long as they are eligible.

SBP - A LIFETIME VALUE

Before you buy a financial product like SBP, you should attempt to determine its value. This requires a look at the premiums you can expect to pay and the benefits your spouse can expect to receive. The period of time involved can extend over 50 years from today, if you're about to retire. The likelihood, magnitude, timing, and value of SBP benefits and costs depend on future events, including inflation, interest rates and mortality. Therefore, determining the value of SBP requires you to make some assumptions about what the future holds.

Inflation: No one really knows how high inflation will be in the future. In the 1970s, the annual inflation rate hit double digits. Since 1990, it has been less than 3 percent each year. Despite these swings, most experts accept 3.0 to 4.0 percent as a reasonable long-term planning figure for inflation.

Interest Rates: Interest rates are also constantly changing. With safe, minimum-risk investments like government bonds, the long-term interest rate may average about 2.0 to 2.5 percent above the rate of inflation. Private sector investments expected to yield annual returns of 3.5 percent or more above inflation are riskier. Thus, an assumption that we can get 2.5 to 3.5 percent more than inflation is a reasonably balanced assumption for interest. Compounded with 3.0 percent inflation, the actual interest rate assumption would be in the range of 5.5 to 6.5 percent. In the examples below, we assume 6.0 percent interest.

Mortality: Mortality assumptions directly affect how much you can expect to pay for any type of life insurance. These rates reflect the probability of your death in each future year, and in that event, how long your spouse can expect to survive thereafter.

Lifetime Valuation: SBP premiums are paid up after 30 years. Until then, you pay premiums as long as you and your spouse are both alive. SBP benefits will be payable in any future year if you have died and your spouse is still alive. If we use our inflation and interest assumptions and reasonable mortality rates, we can estimate the probabilities that tell us if you get what you pay for with SBP.

The Problem of Life Expectancies: Some people try to value SBP based on simple life expectancy: how long they will live and pay premiums versus how much longer their spouse will live and draw benefits. Let's see why this comparison is inadequate.

Consider an enlisted member retiring at age 40 with a spouse age 38. Assume each will die at some age between now and age 100. There are 60 ages for the retiree and 62 for the spouse, or 3,720 different combinations (60 x 62). Each possible outcome would result in a different set of premiums paid versus benefits received. Only one will be correct, but there is no way of knowing which one it will be, but a life expectancy comparison looks at just *one* of these cases, albeit one more probable than others. What about the others? In hundreds of cases, the spouse will die first and receive *no* SBP benefits even though premiums may have been paid for many years. For other possibilities, SBP benefits *will* be paid for many, many years even though very few premiums were paid. Thus, some couples will find that SBP was very helpful while others will find it of little added benefit. To know the real value of SBP, we must consider the full range of possible outcomes.

First look at the question, "What's the chance I'll die before my spouse?" Based on military statistical experience, *a typical nondisabled male retiree is likely to die before his wife -- unless she's a few years older.* Here, "likely" means there's better than a 50-50 chance of it happening. Below are tables, for officers and enlisted members, showing the percent chance, for selected ages, that a male retiree will die before his spouse.

Female retirees should use the tables with themselves as “spouses” and their husbands as “retirees.” Consider a male enlisted retiree age 48 with a wife age 46. Enter the first table with a retiree age 48 with a spouse age 46. There is a 68 percent chance the retiree will die first. If the female is the retiree, then the chances of her dying first is 32 percent (100-68).

**Percent Chance That A Male Retiree
Will Die Before His Spouse**

Enlisted Members

Current Current Spouse Age

		Retiree						
<u>Age</u>	<u>36</u>	<u>38</u>	<u>40</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>48</u>	<u>50</u>
38	68%	63%	57%	52%	46%	40%	35%	30%
40	72	68	63	57	52	46	40	35
42	77	72	68	63	57	52	46	40
44	81	77	72	68	63	57	52	46
46	84	81	77	72	68	63	57	52
48	87	84	81	77	72	68	62	57
50	89	87	84	81	77	72	68	62

Officers

Current Current Spouse Age

		Retiree						
<u>Age</u>	<u>36</u>	<u>38</u>	<u>40</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>48</u>	<u>50</u>
38	69%	63%	57%	51%	44%	38%	32%	27%
40	74	69	63	57	51	44	38	32
42	79	74	69	63	57	51	44	38
44	83	79	74	69	63	57	51	44
46	86	83	79	74	69	63	57	51
48	89	86	83	79	74	69	63	57
50	91	89	86	83	79	74	69	63

Most military retirees have spouses 0 to 3 years younger. If that’s true for you as well, then there’s about a two-thirds chance you’ll die before your spouse and SBP benefits will be paid. If your spouse is more than 3 years *younger* than you, the chance is greater that you will die first.

If your spouse is as much as 3 years *older*, there's still at least a 50-percent chance you'll die first. But even if the chance is less than 50 percent, you may want to take SBP to protect against the risks of your early death. Remember that probabilities are only numbers, but you and your spouse are real people with real needs. Even when the probability is low, it still happens in some cases. Your spouse may still outlive you for many years. Look at the risk, i.e., what is the loss if you die without SBP.

The following table gives you an idea of the number of years your spouse might live after your death. It is based on military experience and can be applied to 100 couples, each consisting of a retired male enlisted member¹ age 45 and a wife 42. Statistically speaking, 70 of these retirees will die before their wives, who as widows will live, on average, another 13 years. The 50 longest-living widows will survive at least 10 years, and the 25 longest-living will survive at least another 18 years. That means that you can interpret these results as follows: there is a 25 percent chance that if your spouse outlives you, she will live at least 18 more years. A major strength of SBP is that it continues paying² for your surviving eligible spouse's *entire remaining life*, even though you can't know beforehand exactly how long that may be.

**Minimum Years Spouses Age 42
Survive Retired Enlisted Members Age 45**

Longest-Surviving Spouses (In Percent)	Surviving Life Span After Member's Death (In Years)
1	42
5	32
10	27
25	18
50	10
75	5

SBP Compared to Insurance: Another way of looking at the value of SBP is to compare it to a lump-sum insurance settlement which *the surviving spouse could invest, but withdraw monthly amounts equal to SBP*. In this case, how long would the insurance money last? The examples below use 3 percent cost-of-living adjustments (COLAs) and assume the spouse can earn 6.0 percent interest. Remember that these examples *assume* this specific interest rate and COLA. Higher interest or lower COLAs would make the insurance money last longer. Lower interest or higher COLAs would consume it more quickly.

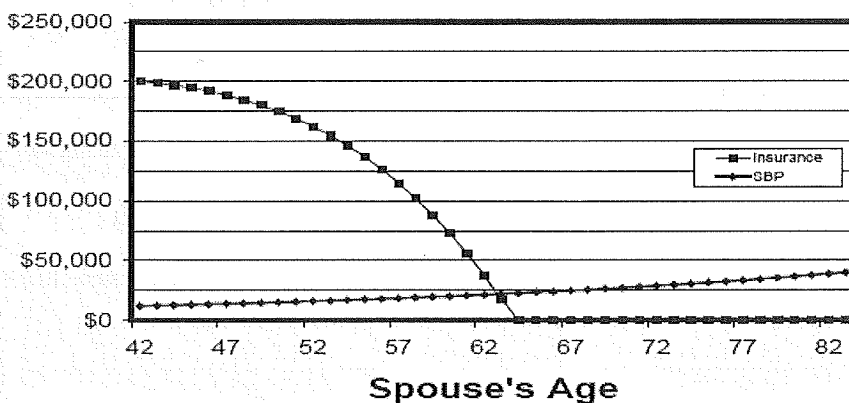
¹ Results for officers are similar.

² SBP stops if a surviving spouse remarries before age 55, but resumes if that marriage later ends by death or divorce.

a. Example 1 is based on an E-7 with 22 years of service who is age 45 with a spouse age 42. The E-7 dies immediately and the spouse is expected to live until age 83. In this example, the spouse is left with \$200,000 in insurance money to live on and invest. The spouse is assumed to be in a 10-percent tax bracket. Initially, the \$200,000 holds steady and the earned interest is almost equal to the SBP payments. However, the "SBP" withdrawals rise with expected COLAs, and eventually begin to deplete the investment. When the spouse is 64, the money runs out. The "SBP" withdrawals start at an annual rate of \$11,856 (after taxes) and grow to \$22,718 at age 64. No income would be available after this through the spouse's remaining expected lifetime, which is another 19 years and could be much longer.

EXAMPLE 1

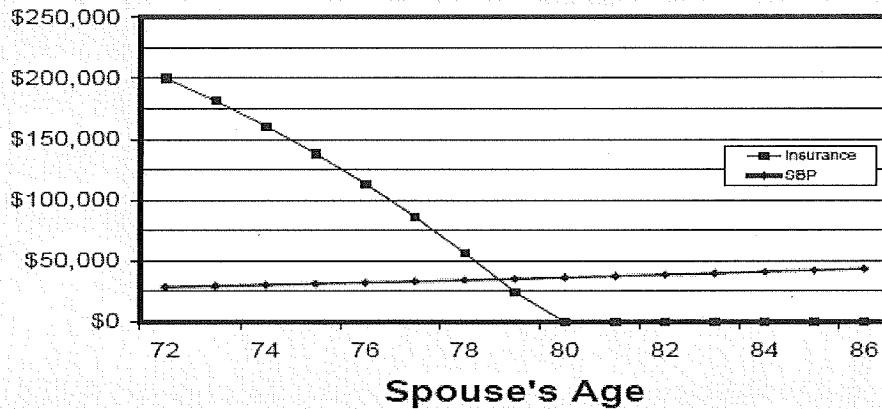
**SBP vs Life Insurance
E-7 With 22 Years of Service**



Example 1a assumes the E-7 dies 30 years from now leaving the same \$200,000 in insurance. At this point, the spouse can expect to live to age 86. Because of inflation, the \$200,000 will be worth less than it is today, while the "SBP" withdrawals will be *much* larger. As a result, the \$200,000 drops fairly rapidly and, at age 80, the spouse has used up the insurance investment. No income would be available after this through the spouse's remaining lifetime, which is another 6 years and could be much longer.

EXAMPLE 1a

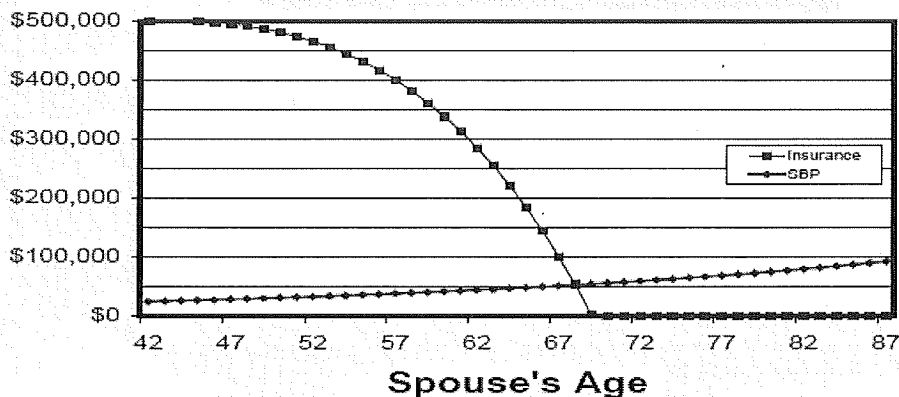
**SBP vs Life Insurance
E-7 With 22 Years of Service**



b. Example 2 is based on a 45-year-old O-5 with 24 years of service with a spouse age 42 who can expect to live to age 87. The COLAs and interest rate are the same as before, but the officer's spouse is assumed to be in a 15 percent tax bracket. In addition, the spouse is left with \$500,000 in insurance. The \$500,000 holds fairly steady at first, then declines rapidly until it's gone by age 70. The "SBP" withdrawals start at \$24,385 (after taxes) a year and rise to \$55,791 at age 70. No income would be available after this through the spouse's remaining lifetime, which is expected to be another 17 years and could be much longer.

EXAMPLE 2

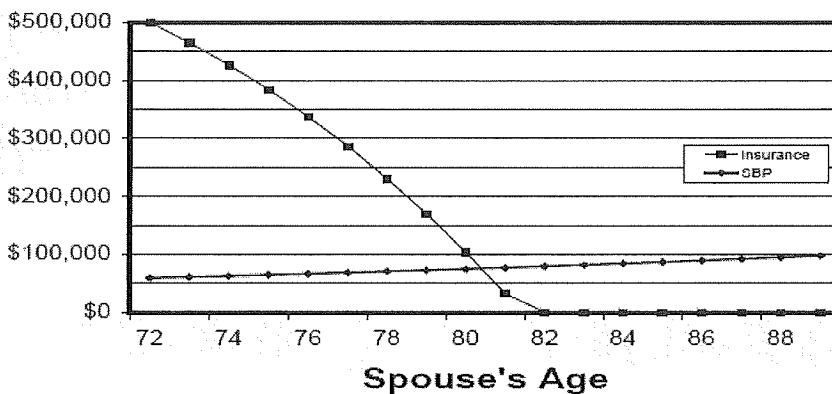
SBP vs Life Insurance O-5 With 24 Years of Service



Example 2a assumes the O-5 dies 30 years from now leaving the same \$500,000 in insurance. At this point the spouse can expect to live to age 89. Because of inflation, the \$500,000 will be worth less than it is today, the “SBP” withdrawals will be *much* larger. As a result, the \$500,000 drops fairly rapidly and, by age 82, the spouse has used up the insurance investment. No income would be available after this through the spouse’s remaining lifetime, which is expected to be another 7 years and may well be much longer.

EXAMPLE 2a

SBP vs Life Insurance O-5 With 24 Years of Service



There are three major points to remember when comparing insurance to SBP. First, it takes a surprising amount of insurance to do for your spouse what SBP will if you’re the average retiree—and a lot *more* insurance if your spouse is among the large percentage of those who outlive their mates by the longest periods of time. Second, the amount of insurance you’ll need to match SBP *rises over time because of inflation*. Third, although insurance

may seem to be an inexpensive alternative when you retire, it's harder to obtain and increasingly expensive as you get older.

SBP - A GOOD VALUE

Costs versus Benefits: Let's see if the premiums you might pay for SBP are worth the benefits your spouse might receive. To do this, we create what we call lump sum present values. The present value of a future payment is the amount of money you'd need to invest today to make that payment in the future. The *actuarial* present value of a future payment is its present value multiplied by the probability it will be made.

As an example, let's take a 45-year-old male enlisted member with a spouse 42 who has chosen a monthly SBP base amount of \$2,000. Assume future COLAs are 3 percent, interest is 6.0 percent, the retiree while married is in the 15% tax bracket, and the survivor will be in the 10% tax bracket when she is a widow. After 25 years of COLAs, his base amount will grow to \$4,188.

However, after taxes, it would be \$3,559 ($\$4,188 \times 85\%$). The premium payment will be \$231.36, and his spouse's (potential) benefit payment will be \$2,073 (55 percent of \$4,188 * 90% after taxes).

How much money is needed today to make those premiums and benefit payments? It turns out that, if interest is compounded annually at 6.0 percent, then \$1 today will grow to \$4.29 in 25 years. Knowing this, we can divide the future payments by 4.29 to get their present values. Thus, the present value of the premium is $\$231.36 \div 4.29 = \53.91 , and the present value of the monthly benefit is $\$2,073 \div 4.29 = \482.97 .

We need to find out the probabilities that these two payments will be made. The premium payment will be made if both the retiree and spouse are still living 25 years from today. This probability is 74 percent. The benefit payment will be made if the enlisted member has died and his spouse is living. This probability is 18 percent. The probabilities come from actuarial tables based on thousands of military retirees and allow us to determine the following actuarial present values: for the future premium payment, $\$53.91 \times .74 = \39.75 , and for the benefit payment, $\$482.97 \times .18 = \88.15 .

We can do the same type of calculation for *every possible future premium and benefit payment*. Summing the actuarial present values yields \$26,199 for the premiums and \$57,183 for the benefits. By taking SBP, the enlisted member has an immediate financial gain of the difference—\$30,984—in today's dollars. This is an actuarial figure that may seem small to the casual reader but, more importantly, the costs are expected to cover only 46 percent of the benefits. This means 54 percent of the benefits will be funded by the Government. Remember also that the actual SBP amounts paid can be *much* higher. For example, if this 45-year-old enlisted member (covering \$2,000 of retired pay) were to die right after retiring, the SBP benefits his spouse could expect to receive over her lifetime would total \$936,000 after taxes and have an actuarial present value of \$228,000.

SBP Subsidy: For the enlisted member in the preceding example, the present value of SBP benefits is greater than the present value of SBP premiums. Since premiums cover only a portion of the expected cost of benefits, the remaining portion—called the SBP subsidy—is paid by the government. The subsidy, which is expressed as a percent, varies with several factors. Among these are retiree age, the relative age of the spouse, the couple's health, the interest and COLA assumptions, and taxes.

The SBP program is targeted to provide a 40 percent group subsidy, ignoring taxes³, to nondisabled active duty retirees who participate. Certain subgroups of retirees have even higher subsidies. For example, enlisted members have a higher subsidy than officers. Within these two subgroups, older retirees, retirees with younger wives, and retirees in poorer health have higher subsidies. The smaller the spread between the interest and COLA assumption, the higher the subsidy is.

³ Including the effects of taxes on SBP premiums and benefits raises the subsidy substantially. If you expect your surviving spouse to be in a lower marginal tax bracket, the subsidy rises even more.

Here are a couple of points about the SBP subsidy. First, it's a statistical "expectation" for a *group* of retirees, a kind of group average. Some will do better and others worse. But it's a good estimate today of the financial fairness of SBP. If the group you're in is 40-percent subsidized, the expected value of what your survivor will get out of SBP exceeds the value of what you will put in.

Second, the subsidy lets you see how actuaries look at products like term, whole life, and universal insurance. Group premiums have to cover claims, expenses and profit. A private insurer cannot afford to have an *expected subsidy*. How then does private insurance fit in with SBP? For most retirees, it serves as a supplement. For the few whose spouses are much older or in poor health and for most female retirees, insurance may be a good alternative.

Buying Insurance and Investing the Difference: Healthy, non-smoking retirees can often buy insurance equal to the present value of SBP benefits for less than their SBP cost. They may plan to invest the difference in cost, sometimes through tax-deferred insurance buildups, to accumulate assets that by a later age will provide SBP-like income to their spouse in the event of their death. Carefully consider the following before you decline SBP in favor of this approach to estate planning.

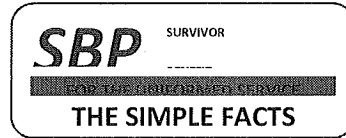
- Most plans only focus on average mortality and make no provision for the top 25, 10, or 5 percent of the longest living spouses.
- The true cost of your SBP premiums should be computed *after taxes* since you pay tax only on your net retired pay. In other words, if your monthly pay is \$2,000 and you decline to take SBP, you won't have an extra \$130 ($= 6.5\% \times \$2,000$) to spend on insurance. If you're in a 25 percent marginal bracket, you'll have only \$97.50 ($= \$130 \times [1 - .25]$). If you're in a 15 percent marginal bracket, you'll have only \$110.50 ($= \$130 \times [1 - .15]$).
- The amount of term insurance you need to replace SBP rises after retirement because of inflation. For the 45-year-old enlisted member in our example, it would rise about 16 percent by age 60 at 3 percent inflation. For a 40-year-old retiree with a 38-year-old spouse, it would rise about 24 percent by age 60. At 5 percent inflation, these increases are 29 and 36 percent, respectively. Beware of buying level insurance.
- Insurance illustrations often assume high interest rates that aren't guaranteed. Guaranteed interest rates of 3 or 4 percent will not generate enough income at older ages to match SBP and can lead to higher premiums just to keep up the insurance coverage.

SBP Subsidy and Insurance programs: The DoD Office of the Actuary provides a set of computer programs to Service retirement counselors that will perform the computations shown in this fact sheet including *compute your SBP subsidy*. You and a counselor can access the programs with a personal computer from the actuary's website, www.defenselink.mil/actuary, and enter your own age, spouse age, and retired pay. You can input different SBP base amounts, COLAs, interest assumptions, and tax rates. You can even adjust the computations to reflect the impact your health (and your spouse's) might have on mortality. The output from these programs can be extensive and you will likely need a knowledgeable person helping you. But for retirees who want it, this flexible and expert financial analysis of SBP is available.

SBP FACT SHEET

VA PAYMENTS AND SBP

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 provision of SBP law are in chapter 73, title 10, United States Code.

The Department of Veterans Affairs (VA) pays a benefit called Dependency and Indemnity Compensation (DIC) to your surviving spouse and dependent children if you die of service-connected causes. This includes deaths after retirement if the cause of death is due to an injury or disease contracted while the member was on active duty.

DIC will also be paid if you had a total VA disability rating for ten continuous years, or if less than ten years, then at least five continuous years from the date of release from active duty. The VA determines who may receive DIC.

SBP REDUCTION

Any spouse DIC paid to your spouse is subtracted from spouse SBP payments. Spouses will receive any amount of SBP that exceeds the spouse DIC. SBP for children is not affected by DIC payments. Current DIC amounts, are available on the VA homepage at <http://www.va.gov/>

REFUND OF SBP COSTS

A refund is paid to your surviving spouse for the costs deducted for that part of the SBP benefit not received due to DIC being paid. If the DIC payment offsets the entire SBP payment, all costs will be refunded. These refunds are taxed as income to the survivor since they were not taxed when deducted from retired pay. (Note: Refunds are not made for: 1. added costs associated with 1992-93 Open Season enrollments/changes, 2. enrollment costs associated with 1999-2000 Open Season elections, or 3. enrollment costs associated with 2005-2006 Open Season elections.)

DIC AND TAXES

DIC payments are exempt from Federal and state income tax, which gives the surviving spouse more "take home" income.

REMARRIAGE AND DIC

Effective January 1, 2004, when a surviving spouse remarries after age 57, DIC will continue. When a surviving spouse remarries before age 57, DIC payments stop. (Note: beginning Oct. 1, 1998, DIC may be resumed if that marriage ends in death or divorce) If that spouse's SBP was reduced or eliminated because of DIC, the full SBP payment may resume. The SBP remarriage rules will apply. The spouse must first repay all the SBP costs that were refunded when DIC first began. Installment type repayments are allowed; contact the finance center for details. A court case allows surviving spouses eligible for

Special Survivor Indemnity Allowance

A monthly special survivor indemnity allowance (SSIA) will be paid to the surviving spouse entitled to DIC whose SBP entitlement is offset by DIC in an amount at least equal to the SSIA amount payable. The surviving spouse of a Soldier who died on active duty who elects Child Only SBP is not authorized SSIA.

The SSIA allowance is payable in the monthly amount for the periods listed below:

- For months during FY 2014, \$150
- For months during FY 2015, \$200
- For months during FY 2016, \$275
- For months during FY 2017, \$310

Current as of 12/2013

**COMPLETION INSTRUCTIONS
FOR
DD FORM 2656-5
PAGE 1 OF 3**

Under Instructions, you will mail the completed documents to:

**TEXAS MILITARY FORCES
ATTN: NGTX-SR
RETIREMENT SERVICES
P.O. BOX 5218
AUSTIN, TEXAS 78763-5218**

SECTION I (MEMBER INFORMATION)

Item 1 thru 6 is self-explanatory

SECTION II (MARITAL/DEPENDENCY STATUS)

Item 7: Check yes or no.

Item 8: The definition of "dependent children" is a child under the age of 18, a single full time student under the age of 22, or a child disabled and incapable of self-support. Refer to the section of the Survivor Benefit Booklet title "Child Coverage" for a more detailed explanation.

SECTION III (SPOUSE/DEPENDENT CHILDREN INFORMATION)

Item 9a thru 10 are self-explanatory

Item 11a thru 11e: If you have dependent children they must be listed and all required information must be completed. If additional space is needed you may use the remarks space in section VII, page 2.

**COMPLETION INSTRUCTIONS
DD FORM 2656-5
PAGE 2**

SECTION IV (COVERAGE)

You are about to make a decision that could provide your family an "annuity" from your retirement pay should you die.

Item 12: OPTIONS

Look at the section of the Survivor Benefit Booklet titled "Reserve Component Survivor Benefit Plan" for explanation of these options.

Item 13: TYPE OF COVERAGE

SPOUSE ONLY or SPOUSE AND CHILDREN. A simple explanation of the cost for this coverage is that the **AVERAGE** cost for either one is 6.5% of your monthly retirement pay. This is average cost; yours could be a little higher or lower than the average.

CHILDREN ONLY coverage: Refer to the section of the Survivor Benefit Booklet titled "CHILD COVERAGE" for explanation of cost and coverage. Note: If you are not married and elect this coverage your children will have coverage under this annuity until they are no longer eligible as dependent children. If your child is disabled please read page 12 of the booklet. If you are married and make this election your spouse is required to sign item 20 on page 3 of the DD Form 2656-5 and signature must be signed in front of a Notary Public. If your spouse does not agree with your election he/she does not sign in item 20.

FORMER SPOUSE OR FORMER SPOUSE AND CHILDREN Coverage: Is roughly the same cost as Spouse Only or Spouse and Children. If you want to make this election, either by choice or by court order, please contact the Retirement Services Section at 512-782-5807 and request that DD Fm 2656-1 be sent to you.

NATURAL PERSON WITH AN INSURABLE INTEREST coverage: Refer to the section of the Survivor Benefit Booklet titled "Insurable Interest Coverage" on who qualifies as an insurable interest. To elect this coverage complete Section VI of DD Form 2656-5 pages 2 Item 16.

SECTION V (LEVEL OF COVERAGE)

In short the annuity payment is based upon this coverage. As an example, if you elect "Full Retired Pay" which means the full amount of your retirement the annuity of 55% is applied to this amount. If you elect a lesser amount (but it cannot be less than \$300), then the percentages are applied to that amount. Note: if you elect anything other than "Full Retired Pay" your spouse must sign item 21 in front of a Notary Public or if he/she disagrees with this election they will not sign in item 21.

SECTION VI (INSURABLE INTEREST COVERAGE)

Items 15a thru 15e only need to be filled in if you have made the election of Natural Person with an Insurable Interest. Please refer to the section of the Survivor Benefit Booklet title "Insurable Interest Coverage" on who qualifies as an insurable interest.

SECTION VII (REMARKS)

Self-explanatory

**DD FORM 2656-5
PAGE 3**

SECTION VIII (MEMBER SIGNATURE)

This is where you will sign and date. You will have to have a witness also complete item 19a thru 19 d. You **DO NOT** have to have a Notary Public for your signature. The witness can be anyone other than a family member or a beneficiary.

SECTION IX (SPOUSE CONCURRENCE)

Please read the information paragraph. Your spouse does not have to sign if you have made the following elections: Spouse or Spouse and children with Option C (Immediate coverage) and Full Retired Pay. If you did not make all of these elections and your spouse is in agreement with the elections you did make then he/she **MUST** go before a Notary Public to sign his/her concurrence. If he/she does not concur with your elections then they simply do not sign in this section. Note: The DD Form 2656-5 will be returned asking for either spouse concurrence or changing the form to provide maximum coverage for spouse.

Once completed send back 1 copy and keep 1 copy for your personal records.

RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP) ELECTION CERTIFICATE

PRIVACY ACT STATEMENT

AUTHORITY: 10 U.S.C. Chapter 73, subchapters II and III; DoD Instruction 1332.42, Survivor Annuity Program Administration; DoD Financial Management Regulation, Volume 7B, Chapter 54; and E.O. 9397 (SSN).

PRINCIPAL PURPOSE(S): Used by Reserve Component members, during the 90 day period after receiving notification of eligibility to receive Reserve retired pay, to make an election for the Reserve Component Survivor Benefit Plan (RCSBP).

ROUTINE USE(S): None.

DISCLOSURE: Voluntary; however, failure to provide requested information may result in an incorrect election and/or delayed payment of survivor benefits in the event of the member's death.

INSTRUCTIONS

The decision you make regarding participation in the Reserve Component Survivor Benefit Plan (RCSBP) is very important. A decision to participate, that is to select either Option B or C, is permanent and cannot be changed unless authorized by law, such as the opportunity to terminate your participation during the period that is between your 62nd birthday and the day before you reach age 63 at which time you may elect to discontinue participation. A decision to decline RCSBP coverage means you will not have another opportunity to select SBP coverage until age 60. In the event you decline RCSBP coverage and die prior to your 60th birthday, no survivor benefits will be paid. Please review the program details carefully and consider the effects of your decision before making an election. You must submit this form within the 90-day period after being notified of eligibility for retired pay at age 60. If you do not submit this form as required, your election, if any, will be determined by law.

Complete this form and submit it to your service using the address listed below. A telephone number is provided if you have questions about the program or need assistance completing this form.

IF YOUR SERVICE IS:	MAIL THIS FORM TO:	FOR QUESTIONS CALL:
ARMY RESERVE/ ARMY NATIONAL GUARD	HRC-Ft. Knox ATTN: AHRC-PDR-RC 1600 Spearhead Division Ave. Ft. Knox, KY 40122	1-888-276-9472 or (502) 613-8950
NAVY RESERVE	Navy Personnel Command (PERS-912) 5720 Integrity Drive Millington, TN 38056-9120	1-877-807-8199 or (901) 874-4304
AIR FORCE RESERVE/ AIR NATIONAL GUARD	HQ ARPC/DPPE 6760 E. Irvington Place Denver, CO 80280-4000	1-800-525-0102 Ask for Entitlements Division
MARINE CORPS RESERVE	Headquarters U.S. Marine Corps Manpower and Reserve Affairs (MMSR-5) 3280 Russell Road Quantico, VA 22134-5103	1-800-336-4649 or (703) 784-9306/9307

SECTION I - MEMBER INFORMATION

1. NAME (Last, First, Middle Initial)	2. SOCIAL SECURITY NUMBER	3. RANK
4. DATE OF BIRTH (YYYYMMDD)	5. MAILING ADDRESS (Street, Apartment Number, City, State, and ZIP Code)	
6. TELEPHONE NUMBER (Include area code)	5.a. EMAIL ADDRESS	

SECTION II - MARITAL/DEPENDENCY STATUS

7. ARE YOU MARRIED?	<input type="checkbox"/>	YES	<input type="checkbox"/>	NO	8. DO YOU HAVE ANY DEPENDENT CHILDREN?	<input type="checkbox"/>	YES	<input type="checkbox"/>	NO
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SECTION III - SPOUSE/DEPENDENT CHILD(REN) INFORMATION (If applicable)

9.a. SPOUSE'S NAME (Last, First, Middle Initial)	b. SOCIAL SECURITY NUMBER	c. DATE OF BIRTH (YYYYMMDD)	10. DATE OF MARRIAGE (YYYYMMDD)
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11. DEPENDENT CHILDREN. Complete this section for your unmarried, dependent children who are under age 18, or under age 22 if full time students, or any age if disabled and incapable of self-support before age 18 (or 22 if a full time student).

a. CHILD'S NAME (Last, First, Middle Initial)	b. SOCIAL SECURITY NUMBER	c. DATE OF BIRTH (YYYYMMDD)	d. RELATIONSHIP (Son, daughter, stepson, etc.) (Indicate "FS" if from previous marriage)	e. DISABLED? (Yes/No)

IF YOU HAVE ADDITIONAL DEPENDENT CHILDREN, CONTINUE IN SECTION VII, REMARKS, AND X HERE →

MEMBER NAME (Last, First, Middle Initial)		SSN
SECTION IV - COVERAGE		
12. OPTIONS (Select one) NOTE: Selecting Option A or Option B requires spouse concurrence in Section IX.		
	OPTION A. I decline to make an election until age 60. (NOTE: Do not select type of coverage below.)	
	OPTION B (DEFERRED ANNUITY). I elect to provide an annuity beginning on the 60th anniversary of my birth should I die before that date, or on the day after date of death should I die on or after my 60th birthday. (Select type of coverage below.)	
	OPTION C (IMMEDIATE ANNUITY). I elect to provide an immediate annuity beginning on the day after date of my death, whether before or after age 60. (Select type of coverage below.)	
13. TYPE OF COVERAGE (Select one)		
	SPOUSE ONLY.	
	SPOUSE AND CHILD(REN).	
	CHILD(REN) ONLY.	
	FORMER SPOUSE (Complete DD 2656-1, "Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage").	
	FORMER SPOUSE AND CHILD(REN) (Complete DD 2656-1, "Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage").	
	NATURAL PERSON WITH AN INSURABLE INTEREST (Complete Section VI).	
SECTION V - LEVEL OF COVERAGE		
14. Select the monthly amount of retired pay you wish to have the survivor annuity based on. NOTE: You cannot decrease the level of existing coverage. Your covered spouse beneficiary will receive an annuity that will pay 55 percent of the level of coverage until age 62 and will pay between 45 to 50 percent during the phase-out of the two-tier method (October 2005 - March 2008). Effective April 1, 2008, the annuity regardless of age will be 55 percent of the level of coverage selected. The annuity paid to a child or children totals 55 percent (divided in equal shares). Children annuities are payable to children who are: under age 18; or under age 22 if full time, unmarried students; or any age if disabled and incapable of self-support before 18 (or 22, if while a full-time student). An insurable interest annuity is 55 percent of the difference between retired pay and the premium for coverage. Insurable interest annuities remain at 55 percent regardless of age. Place an X in the appropriate box to indicate your election.		
	FULL RETIRED PAY.	
	REDUCED AMOUNT OF RETIRED PAY (Cannot be less than \$300.00) \$ _____ (NOTE: Spouse concurrence required in Section IX.)	
SECTION VI - INSURABLE INTEREST COVERAGE		
15. INSURABLE INTEREST BENEFICIARY		
a. NAME (Last, First, Middle Initial)		b. SOCIAL SECURITY NUMBER
c. DATE OF BIRTH (YYYYMMDD)	d. MAILING ADDRESS (Street, Apartment Number, City, State, and ZIP Code)	
e. RELATIONSHIP TO MEMBER		
SECTION VII - REMARKS		
16. USE THIS SECTION TO CONTINUE AN ITEM OR MAKE ADDITIONAL COMMENTS.		

