

THE SURVIVOR BENEFIT PLAN (SBP) ANNUITY

The Survivor Benefit Plan (SBP) helps make up for the loss of your income in the event of your death. It pays your eligible survivors an inflation-adjusted monthly income.

Background

The SBP provides annuities to the surviving spouse, children, former spouse, or spouse/former spouse and children. If a spouse or former spouse remarries before age 55, SBP annuities cease. Children remain eligible until age 18, or 22 if a full-time student. An eligible child who marries loses SBP benefits. If a spouse is eligible to receive benefits under the Veterans Affairs Dependency and Indemnity Compensation (DIC), the SBP is offset or reduced on a dollar-for-dollar basis. A surviving spouse of a servicemember killed in the line of duty is eligible to receive both SBP and DIC. To avoid the offset, Congress allowed survivors in this example to designate their children as SBP beneficiaries, allowing the surviving spouse to receive VA's DIC. Reservists whose service will make them eligible for retired pay at age 60 are eligible for the Reserve Component Survivor Benefit Plan, or RC-SBP.

If you are on active duty, retirement-eligible and have a spouse and/or children, they are automatically protected under SBP at no cost to you while still on active duty. If divorced, your former spouse may be protected instead of a current one. Furthermore, section 645 of the NDAA for FY 2004 expanded Section 1448(d), 10 USC, to provide a SBP annuity for the surviving dependent children of a servicemember who dies while on active duty but is not yet eligible for retirement. Under the 2004 NDAA, the Service Secretary, in consultation with the surviving spouse, determines whether a "child only" election is appropriate. Prior to this change, a dependent child could only receive the SBP annuity when there was no surviving spouse or when a surviving spouse subsequently died.

Additionally, the NDAA expanded Section 1448(d)(2), 10 USC, to provide a SBP annuity to dependent children if there is no eligible surviving spouse. Prior to this change, the children would receive the annuity only if the surviving spouse died but not when the surviving spouse remarried.

How Much Does SBP Pay?

Basic SBP for a spouse pays a benefit equal to 55 percent of your retired pay. If children are added to spouse coverage, the children get benefits only if the spouse dies or remarries before age 55. Eligible children equally divide a benefit equal to 55 percent of your retired pay. Child coverage is relatively inexpensive because children get benefits only while they are still your dependents.

SBP is a form of life insurance for part of your retired pay. But SBP premiums and benefits differ from those of most other insurance plans because it also protects your survivor against the possibility of outliving the benefit – it is life long. SBP also protects against inflation through Cost of Living Adjustments (COLA).

SBP alone is not a complete estate plan. Other insurance and investments are important in meeting needs outside the scope of SBP. For example, SBP does not have a lump sum benefit that some survivors may need to meet immediate expenses upon a member's death. To be best prepared for a death of a family servicemember you should consider a diverse portfolio of coverage including the SBP, other insurance, investments, and savings.

What is my “Base Amount?”

SBP Premiums and benefits depend on your "base amount" that you elect as the basis of your coverage. It can be your full monthly retired pay or a portion as little as \$300. When this website says "retired pay" you can substitute "base amount" unless it says otherwise. Full coverage means your full retired pay is your base amount. Your base amount is subject to a COLA and as a result, your premiums and benefits grow to meet inflation.

Can I Combine my VA DIC Benefits With my SBP?

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. Any DIC paid to your spouse is subtracted from SBP payments; although, DIC payments to or for children do not affect SBP payments. A refund is paid to your surviving spouse for the costs deducted for that part of the SBP benefit not received but these refunds are taxed as income to the survivor since they were not taxed when deducted as premiums.

“Child Only” Election Consideration

Certain factors affect whether a child only election under the SBP may be advantageous for the surviving spouse and family. You should consider the following:

- a. Spousal SBP ceases on remarriage before age 55.
- b. Spousal SBP is offset by DIC and this offset in some cases results in no SBP annuity.
- c. Child only SBP is not offset by DIC and lasts until the child reaches 18 or 22 years of age depending on the child's student status.

While each situation must be analyzed individually, generally in cases where the DIC will offset the spousal SBP annuity and there are eligible children, or where there is a young surviving spouse who is likely to remarry before age 55 and there are young children, making the “child only” election will result in more money for the family during the initial years following the servicemember's death. The Secretary of the Army has delegated the authority to make the “child only” election to the Retirement Services Office. Personnel in the Retirement Services Office will also counsel the surviving spouse on the benefits available under SBP and whether a “child only” election may be appropriate.

No Changes After Retirement

SBP elections cannot be canceled or changed after retirement except in specific instances such as a change in your marital status or after the loss of a beneficiary. At retirement, full basic SBP for spouse and children will take effect *automatically* if you make no other valid election.

Furthermore, you may not reduce or decline spouse coverage without your spouse's written consent.

Stopping and Re-Starting SBP

Just as changing your coverage is generally prohibited, so too is stopping or restarting it. The general rule is that you may not stop or restart your coverage unless a life changing event has occurred such as the death of a beneficiary or a remarriage. See the website for further details.

Imminent Death Processing

NDAA, Section 645(b) invalidated the election of a supplemental survivor benefit plan for those members retired under the imminent death procedures or for medical disability, if the member died within one year of retirement from the disability for which the member was retired. Since imminent death processing was only appropriate when “competent medical authority determine[d] that a servicemember’s death is expected within 72 hours,”¹ the principal reason for processing a servicemember under the imminent death procedures no longer exists. As a result of several provisions in the NDAA, the Department of Defense has issued a memorandum directing that imminent death processing shall no longer be undertaken.²

How Much Does SBP Cost?

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. For example, if 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: $10 + (2 \times 5) = 20$ percent.

If retired pay is \$1,000 per month, then the monthly cost will be 20 percent of \$1,000, or \$200.

Further Help is Available

For appointments concerning consumer and other personal legal matters, call the Legal Assistance Branch of the Office of the Staff Judge Advocate located at Building 275, Plummer Street, Defense Language Institute, Presidio of Monterey (831-242-5084 or DSN 768-5084).

¹ DoD Instruction 1332.38, Physical Disability Evaluation, sub-paragraph E3.P1.6.4.

² Mr. Charles S. Abell, Principal Deputy, Office of the Under Secretary of Defense signed a memorandum on 23 December 2003 that expresses this policy change. Sub-paragraph E3.P1.6.4 of DoDI 1332.38 is hereby rescinded. Revisions to the new DODI will reflect this change.