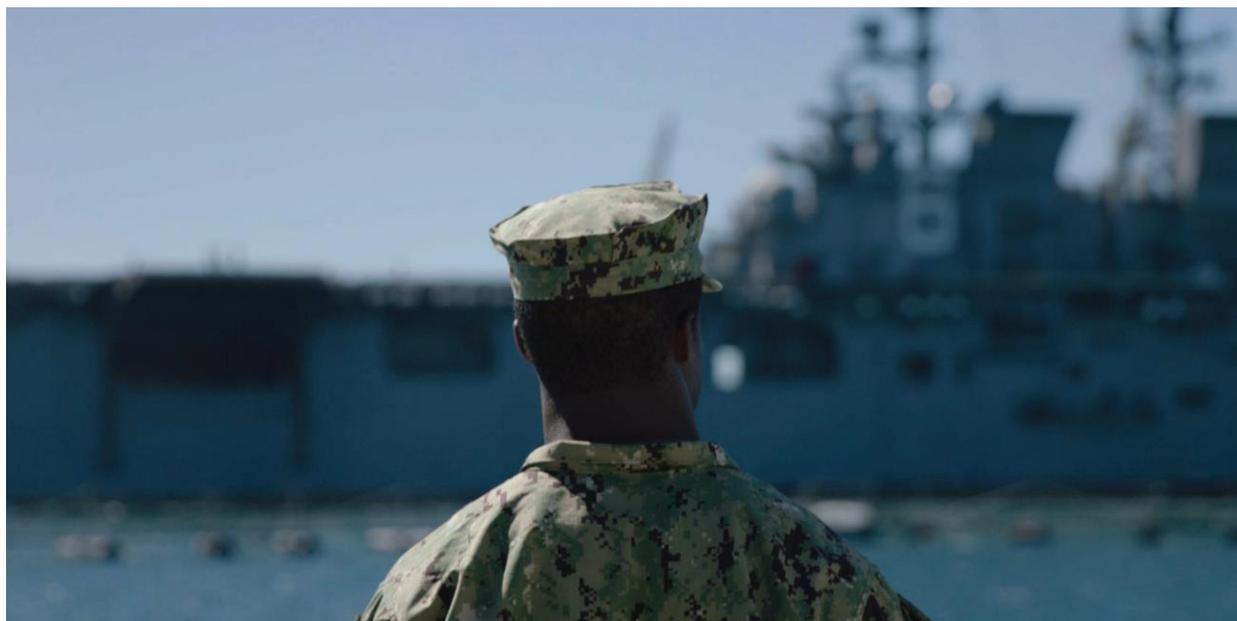


The Reserve Component Survivor Benefit Plan



The Reserve Component Survivor Benefit Plan (RC-SBP) is a wonderful benefit for reservists who become eligible to receive a retirement pension. It is similar to the active duty [Survivor Benefit Plan](#) (SBP) program, but because a reserve pension is typically not paid until age 60, there are also other differences in reservists' SBP options.

One of the major differences is the time at which you make your SBP election. As a reservist, you will receive a notice of eligibility (NOE) when you become eligible for retirement, even if you are still actively serving in the reserves. This is also called the "20-year letter." You have 90 days from the issuance of your NOE to make your RC-SBP decision and to select one of the three options detailed below.

How do I decide if I should participate in RC-SBP?

Your first course of action is to determine your current death benefits. If you were to pass away today, what would your loved ones receive?

- **Social Security:** If you have an [online account](#) with the Social Security Administration, check your statement to see an estimate of your monthly benefit amount and how long benefits will be paid out. If you do not have a Social Security account, you can set one up provided you have a valid email address, U.S. mailing address, and Social Security number. Alternatively, you can use [this calculator](#) to estimate your benefits in retirement.
- **Employer Benefits:** If you have another career, look at what your employer provides in benefits. For many, this is a death benefit from Group Term Life Insurance, though the amount varies by company. If you are eligible for a defined benefit plan, your loved ones may be eligible for some type of survivor benefit payout. If you are unsure of your benefits, contact your company's HR department.
- **Personal Savings:** Consider the equity in your home (if your survivor(s) will not be living there), individual life insurance coverage, and investments (e.g., your TSP account, a 401(k), IRA, or other investment account).



As a reservist, there are certain circumstances in which your survivors would receive a [death gratuity](#) from the Department of Defense. **If death should occur while you are performing authorized travel to or from active duty, active duty for training, or inactive duty training or while on inactive-duty training, your survivors may be eligible for a tax-free payment of \$100,000.** This benefit is not available to reservists who pass away outside of these reserve statuses.

With the information you have collected, you can determine how much money would be available to your beneficiaries after your passing. If you wish to provide another source of income after your death, it may be wise to consider participating in RC-SBP.

What makes the RC-SBP unique, and worth considering as part of your overall plan for your survivors, is that the annuity is a guaranteed, inflation-adjusted, monthly income stream that, for a spouse, can be paid for the rest of their life. It is also important to note that if you do not opt in to RC-SBP, your military pension stops the day of your death. As a reservist, that could mean that if you pass away prior to retirement age, the pension benefits you earned from your military service would never be paid out.

RC-SBP Options

You have three options for enrollment within RC-SBP. Note that if you have a spouse or a dependent child and you do not make an election within the 90-day time frame, you will *automatically* be enrolled in RC-SBP under Option C, the immediate annuity option.

Under **Option A**, you decline making a decision about RC-SBP enrollment until you begin to receive your retirement pension. Unlike active duty SBP, you will be given another opportunity to elect RC-SBP when you turn 60 and begin receiving your pension.

It is important to understand that if you do elect this option and then pass away before becoming eligible to start receiving your retirement check, your loved ones cannot opt in to the program in your absence. In this case, no portion of your retirement pension will ever be paid out. If you have a spouse and make this election, your spouse must sign off and it must be notarized.

Option B provides a deferred annuity. Your beneficiary will begin receiving monthly annuity payments on the anniversary of your 60th birthday or the day after your death, whichever occurs later. In other words, if you pass away before turning 60 years old, your beneficiary will have to wait until you would have turned 60 to begin receiving annuity payments. If you pass away after turning 60, your beneficiary will begin receiving payments immediately. Unlike Option A, this option allows your beneficiary to have a guarantee of future benefits as long as they remain eligible. Again, if you make this election, your spouse must sign off and it must be notarized.

Option C provides an immediate annuity – meaning that annuity payments begin the day after your death, regardless of your age upon passing. This option provides coverage for your beneficiary during the “gray area” as a reservist, when you are retirement eligible but not yet receiving your pension. *This option is the default option in which you will be enrolled if you fail make your RC-SBP election within the 90-day time frame.* Furthermore, if you do not obtain your spouse’s signature for Option A or B, your RC-SBP election will default to spouse-only coverage under Option C.

Who can be a beneficiary of RC-SBP?

Along with choosing Option A, B, or C, you will have to choose a designated beneficiary category. Keep in mind, once chosen, beneficiary decisions are difficult to change. If you have a beneficiary category



when making your RC-SBP decision (e.g., a dependent child), you must either take it or decline it forever. In most cases, elections are irrevocable. Listed below are the beneficiary categories:

- **Spouse only.** The RC-SBP annuity will be paid *only* to the spouse of the retiree. Benefits will stop at the spouse's death or if the spouse remarries before age 55.
- **Child(ren) only.** Annuity benefits are provided to children until age 18 (or 22 if they are a full-time student).
 - **Note:** If you have a child with a qualifying disability, they may be eligible to receive RC-SBP benefits for the duration of their life provided that the disability occurred during the time they were an eligible beneficiary. In that case, you can also elect for your RC-SBP beneficiary to be a Special Needs Trust.
- **Spouse and child(ren).** Annuity benefits are paid first to the current spouse and, in their absence, to eligible children from any relationship (via a guardian).
- **Former spouse.** A servicemember may be required to cover a former spouse by a divorce decree or written agreement between the two parties or may voluntarily provide this coverage. In this case, a current spouse cannot also be covered because RC-SBP cannot be split between two adult parties. Costs and benefits are the same as for a current spouse.
- **Former spouse and child(ren).** A servicemember may cover a former spouse *and* child(ren), but in this case, only children from this relationship are eligible beneficiaries. Costs and benefits are the same as for spouse and child(ren).
- **Insurable interest.** In the absence of a spouse or children, the RC-SBP beneficiary can be a family member closer than a cousin (parent, grandparent, grandchild, sibling, aunt, uncle, or stepchild) or someone reliant on the servicemember's income (someone for whom the servicemember is a caregiver or a business partner).

What does RC-SBP cost?

The cost of coverage depends on both the option you choose and the beneficiary you select. You will start paying premiums when you start receiving your retirement pension, and the cost of coverage is made up of the SBP premium, the RC-SBP add-on cost, and, in some cases, the survivor's cost. Premium payments must be made for 30 years or until you pass away.

For example, the SBP premiums for spousal coverage under Option A are:

- 6.5% of your chosen base amount (from a minimum of \$300 to a maximum of full gross retirement pay), or if less,
- 2.5% of the first \$895 of the elected base amount – referred to as the “threshold amount” – plus 10% of the remaining base amount. The threshold amount can increase from year to year.

The RC-SBP add-on cost is based on whether you chose an immediate or deferred annuity, your beneficiary election, and the difference between your age and the age of your spouse or former spouse.

Again, for spousal coverage,

- If you elect **Option A** and then choose to opt in at retirement pension eligibility, there is no RC-SBP add-on cost added to premium payments.
- If you elect **Option B**, in addition to the SBP premium, an RC-SBP add-on cost will be charged to pay for the coverage that the spouse was guaranteed in the future when the retiree was not yet making premium payments. If the retiree passes before reaching age 60, no



premium payments will be required, but the spouse's annuity payments will be reduced by the survivor's cost, currently equal to 0.01% of the base amount.

- If you elect **Option C**, both the SBP premium and an RC-SBP add-on cost that is slightly higher than the Option B add-on cost will be deducted from the retirement pension. The additional cost pays for the coverage the spouse had during the time the reservist was in the gray area. Like Option B, if the retiree passes before receipt of a retirement pension, no premium payments will be required, but the spouse's annuity payments will be reduced by the survivor's cost, currently equal to 0.01% of the base amount.

Note: A reservist's SBP election is generally irrevocable starting 90 days after receiving their NOE. However, a retiree can choose to discontinue coverage between year two and three of retirement pension eligibility (typically between ages 62 and 63). If coverage is discontinued, the decision is irrevocable, no RC-SBP premiums will be refunded, and the retiree will continue to pay the RC-SBP add-on cost for the full 30 years of required payments unless coverage is discontinued due to a rating of total disability.

To learn about more about RC-SBP costs for other beneficiary selections, refer to the [Office of the Department of Defense Actuary](#) tools to estimate your premiums.

As you begin to think about RC-SBP coverage, take time to review your estate plan. Ensure your beneficiaries and documents are up to date. Does the executor of your estate know where to find your will? Do you have the necessary DoD and VA paperwork available for your loved ones to take advantage of services for which they might be eligible? Use our [Personal Log](#) to stay organized and provide your loved ones the information they will need.

Navy Mutual is an approved educator on military financial matters. If you need help understanding RC-SBP, contact the Navy Mutual education team at **888-298-4442** or email education@navymutual.org. For assistance with applying for benefits from the VA, please contact our Veterans Services department at vso@navymutual.org. Our representatives can help survivors understand and apply for any benefits for which they may be eligible.