

The Survivor Benefit Plan and a Disabled Child Beneficiary



The [Survivor Benefit Plan](#) (SBP) provides a monthly income annuity to named beneficiaries after a servicemember or retiree passes away. It is offered to all active duty servicemembers free of charge, but retirees must opt in to SBP before they leave active duty for coverage to continue into retirement. Retirees must pay a monthly premium to participate after they leave active duty.

SBP provides servicemembers and retirees with a way to preserve a portion of their monthly income and protect their loved ones after their death. The amount of each payment depends on how much coverage is elected at the time of enrollment. The base amount elected can be as low as \$300 and as high as a retiree's full gross retirement pay; monthly payments to beneficiaries are 55% of the chosen base amount. Active duty servicemembers' SBP benefits are calculated as if the servicemembers were 100% medically retired.

SBP is primarily designed to protect a servicemember's or retiree's spouse and/or children, though one could designate another beneficiary with an insurable interest (such as a sibling or a business partner) in the absence of closer family members. Child coverage typically lasts until the child is able to support themselves, with benefit payments stopping when a child that is no longer a dependent turns 18 years old or when a child who is a full-time student turns 22 years old.

Some children, however, may have disabilities that make them incapable of self-support. SBP allows for a servicemember or retiree to designate a disabled child as a beneficiary even if the child has aged out of the program, provided the disability occurred while the child was otherwise eligible for SBP (i.e., before the child turned 18 years old or 22 years old, if a student). Additionally, the benefit for a disabled child can be placed into a special needs trust that can protect the child's ability to qualify for other support programs such as Social Security.

What is a special needs trust?



A special needs trust (SNT) is a type of [trust](#) that is set up to allow individuals with disabilities to receive financial support without making them ineligible for governmental disability benefits based on income.

To create an SNT, one typically needs to enlist the services of a lawyer. As an active duty or retired military member, you have access to [legal personnel on base](#). However, SNTs are state-specific and often cannot be established by on-base legal personnel. The American Bar Association maintains [a directory of legal programs](#) that are available to military families in each state; these programs may provide estate and trust services at reduced or no cost.

How do I designate a special needs trust as my SBP beneficiary?

For a disabled child to receive SBP payments through an SNT after the servicemember or retiree parent passes away, two things must be true:

1. The servicemember or retiree must have elected Spouse and Child or Child Only coverage under SBP, *and*
2. An SNT must be established.

Depending on the SBP beneficiary designations, the SNT does not necessarily have to be established during the lifetime of the military member. If the military member is alive and chose Spouse and Child or a Child Only SBP coverage, the military member can submit SNT paperwork at any time. After the military member passes away, a surviving parent, grandparent, or court-appointed legal guardian can submit the appropriate paperwork. Once the benefit is designated to go to an SNT, the decision is irrevocable.

The required paperwork includes a written statement directing SBP payments to be made to an SNT, certification of the SNT, and the trust's name and tax identification number (TIN), and can be sent to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

What other benefits are available to children with disabilities?

Three main federal government-run programs are available to individuals with disabilities (listed below). There may also be additional benefits available from the Department of Veterans Affairs or at the state or local level.

[Supplemental Security Income \(SSI\)](#)

A child with disabilities may qualify for Supplemental Security Income through the Social Security Administration (SSA), provided the child is under 18 years old (or 22 years old if in school) and meet the SSA's criteria for being disabled or blind. Note that household income and resources are considered when determining eligibility for this benefit.

After a child becomes an adult, eligibility for SSI is reevaluated. To remain eligible for benefits, disabled adults must have a physical or mental impairment that inhibits their ability to perform substantial gainful activity and – on their own, independent of their parents – have limited



financial resources. If a minor child did not qualify due to the family's income, an adult child might.

[Social Security Disability Insurance \(SSDI\)](#)

The Social Security Disability Insurance program provides benefits to adults with disabilities that began or were diagnosed prior to age 22. An adult child's eligibility for benefits is based upon the work history of the child's parents. Specifically, the parent:

- Must be receiving Social Security benefits, *or*
- Must have passed away after working long enough to qualify for Social Security benefits

[Medicaid](#)

Individuals with disabilities or those who are blind may be eligible for full health care coverage under the Medicaid program. In 35 states and Washington D.C., Medicaid is automatically provided to individuals who are eligible and apply for SSI. Seven states have a separate Medicaid application, but eligibility is the same. If an individual does not qualify for SSI, there are other [eligibility pathways for Medicaid](#) available.

VA Benefits

If a veteran passes away as the result of a service-connected condition and the veteran's survivors are eligible for [Dependency and Indemnity Compensation](#) (DIC), the disabled dependent child could continue to receive this benefit once they lose age eligibility *if* they are incapable of self-support ("helpless child") and were identified as such prior to age 18. Survivors of servicemembers who pass away on active duty are also eligible for these benefits.

For more information about the Survivor Benefit Plan and other veterans and survivor benefits, contact the Navy Mutual education team at education@navymutual.org or call [888-298-4442](tel:888-298-4442).

The blog is meant to provide basic information that generally applies to most situations. It should not be construed as individual legal or tax advice. It is not meant to replace the services of a financial planner, insurance counselor, attorney, or tax advisor. Information contained in this blog may change on occasion.