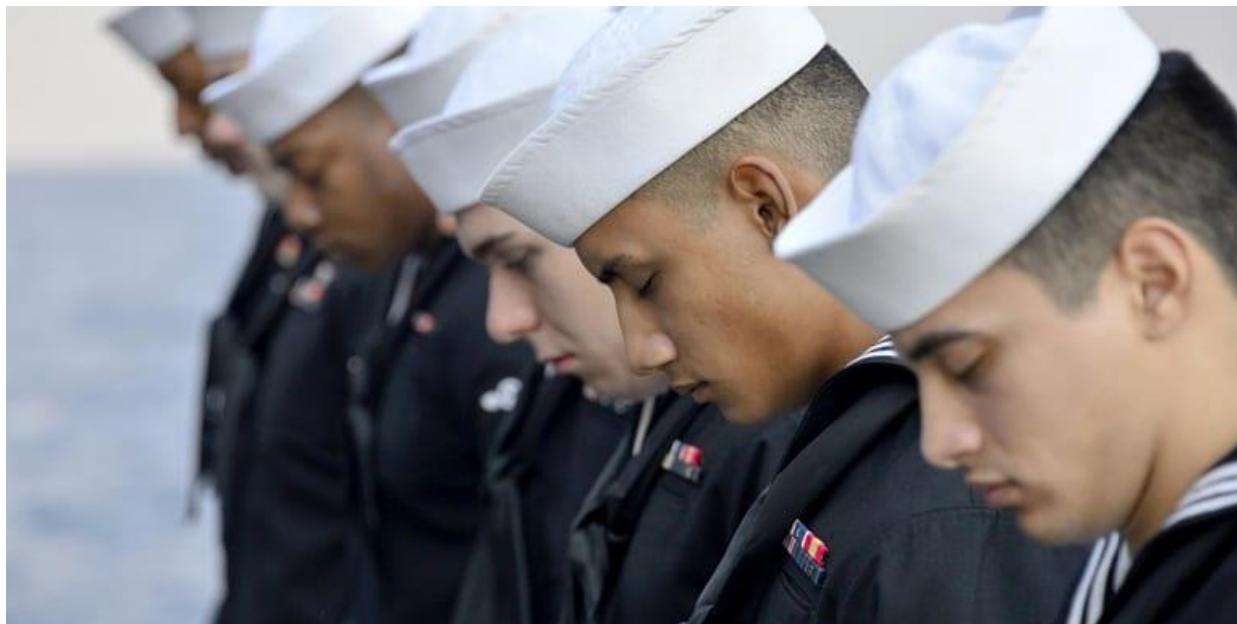


## Survivor Benefit Plan Basics



The Survivor Benefit Plan (SBP) is a government-subsidized, monthly income annuity provided to eligible beneficiaries when a servicemember or retiree passes away. Since military retirees receive a monthly pension for life – which stops upon their death – the Survivor Benefit Plan offers a way to preserve part of that monthly income for a beneficiary.

Participation is free and automatic while servicemembers are on active duty, but to continue the coverage into their retirement, servicemembers must elect to continue participating in the Survivor Benefit Plan by midnight on their last day of active duty. After the servicemember's death, monthly benefits to their designated beneficiary begin. These benefits are protected against inflation with an annual cost-of-living adjustment.

### **How do you enroll in SBP?**

Upon retirement, each servicemember is asked to fill out DD Form 2656. This form requires servicemembers to make SBP elections, sign and date the form, and have a witness sign and date the form. Depending on the beneficiary election and the amount of SBP chosen, the servicemember's spouse may be required to sign off as well. Everything must be signed, notarized (if a spousal signature is necessary), and returned before the servicemember's retirement date.

**Note:** Members of the U.S. Coast Guard, National Oceanic and Atmospheric Administration, and the U.S. Public Health Service must complete Form CG4700 to enroll.

### **Who can be a beneficiary of SBP?**

When a servicemember elects SBP at the time of retirement, they must designate their beneficiary.

There are only a few beneficiary options to choose from:



- **Spouse only.** The SBP annuity will be paid *only* to the spouse of the servicemember. 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). Premium payments stop when children are no longer eligible to receive benefits.
  - **Note:** If you have a disabled child, they may be eligible to receive SBP benefits for the duration of their life provided that the disability occurred during the time they were an eligible beneficiary. You can elect for your SBP beneficiary to be a Special Needs Trust.
- **Spouse and child(ren).** Annuity benefits are paid first to the spouse and, in their absence, to children (via a guardian). When children are no longer eligible, the child premium payments stop.
- **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 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 and child(ren), the 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).

### **How much money could a beneficiary receive?**

The amount of the monthly income annuity 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.

After the retiree's death, monthly benefit payments are 55% of the elected base amount. These payments are protected against inflation with an annual cost-of-living adjustment.

For example, a retiree with spousal SBP coverage at \$1,000 would set their spouse up to receive \$550 per month after the retiree's passing, continuing for the duration of their life.

**Note:** Spousal SBP participants who also receive Dependency and Indemnity Compensation (DIC) will notice that SBP payments are reduced by the amount of DIC received. With a recent change in legislation, this offset amount is being phased out. Currently, one-third of the DIC offset has been restored. In January 2022, this amount will increase to two-thirds, and the full amount of the DIC offset will be restored in January 2023.

Read more: [Elimination of the Dependency and Indemnity Compensation \(DIC\) Offset](#).

### **How much does SBP cost?**

For spouse or former spouse coverage, premiums cost 6.5% of the elected amount *or* 2.5% of the first \$725 of the elected base amount plus 10% of the remaining base amount, whichever is less. As an



example, a retiree with spousal coverage at \$2,000 would pay \$130 in monthly premiums (and set their spouse up to receive \$1,100 each month after the retiree's passing). A retiree with spousal coverage at \$1,000 would pay \$45.63 in monthly premiums – and their spouse would receive \$550 each month.

The cost of child coverage depends on whether the child is the primary beneficiary (child only coverage) or the secondary beneficiary (spouse and child coverage), and is based on the ages of the retiree, spouse, and youngest child, but is generally less than \$20 per month.

For insurable interest coverage, premiums cost between 10 and 40% of the elected amount depending on the age of the retiree and the age of the chosen beneficiary.

Premiums are paid until the retiree has completed 30 years of payments *and* turned 70 years old. Note that SBP premiums are paid in pre-tax dollars, decreasing the retiree's annual taxable income and, therefore, the net cost of SBP.

There are a few situations that might cause premium payments to end early:

- If the beneficiary is a child, payments would stop when the child is no longer eligible – this occurs when a child turns 18 (or 22 years old if they are a student) or when the child gets married, whichever comes first.
- If the beneficiary is a spouse or former spouse, payments would stop if the beneficiary were to pass away.
- If the beneficiary is a former spouse, payments would stop if the former spouse remarries before turning 55 years old.

Finally, premium payments cease when the retiree passes away even if their participation is not yet fully paid up, at which point benefits immediately begin being paid out to the beneficiary.

**Note:** For insurable interest coverage, premium payments continue even after the retiree passes away. The premium at that point will be calculated from the benefit amount and the original percent premium. For example, if a retiree was originally paying a 10% premium for an elected base amount of \$1,000, the beneficiary's premium payment would be calculated as 10% of \$550 (55% of the base amount), or \$55 per month.

### **Are there any cases in which you can get coverage as a retiree even if you elected against it when leaving active duty?**

Yes. An unmarried, divorced, or widowed servicemember can opt out of SBP coverage at the time of retirement (if they are not required to provide coverage to a former spouse), and then can elect SBP coverage if they get married at any point in the future. The retiree needs to provide DFAS with their marriage certificate within one year, and SBP coverage becomes effective one year after the marriage takes place.

Servicemembers without children at the time of retirement may elect coverage for any future children within one year of their child being born or adopted. If a servicemember has eligible beneficiaries (e.g., a spouse or children) at the time of retirement and opts not to provide them with coverage, they cannot get coverage for those beneficiaries, or any future beneficiaries in those categories, in the future.

### **Can you un-enroll in the Survivor Benefit Plan?**



Yes, however it is an irrevocable decision. There is a one-year window to terminate coverage between the second and third anniversary following the date the veteran began to receive retired pay. None of the premiums paid will be refunded and no annuity will be payable upon death. A covered spouse or former spouse must consent to withdrawal from the Survivor Benefit Plan. Termination is permanent and participation may not be resumed under any circumstance.

When making the initial decision to enroll in SBP (at the time of retirement), review your family's assets, life insurance coverage, savings, and investments to ensure that your loved ones will have the financial resources they need to take care of themselves when you pass away. Survivor Benefit Plan benefits can be a valuable addition when it comes to providing for your loved ones after your passing in a way that is unique to the uniformed services. And, unlike with life insurance coverage, for example, you don't have to worry about illness or medical history – simply retiring guarantees your eligibility. For many, the cost is worth the peace of mind that comes with knowing your spouse or young child(ren) will be protected if you pass away unexpectedly.

For more information about the Survivor Benefit Plan – or other veterans benefits – contact the Navy Mutual education team at [education@navymutual.org](mailto:education@navymutual.org) or by calling **888-298-4442**.