SBP costs are excessive when compared to benefits received

You get what you pay for. Lower costs do not necessarily mean greater benefits. Some commercial plans have a "termination date"— a maximum period for which benefits will be paid. Others have a "fixed starting date"— a date before which no benefits will be paid. SBP has neither of these restrictions.

One of the most important features of SBP is that **an annuitant cannot outlive it.** SBP does not stop like life insurance does; SBP provides a continuous stream of income to the surviving spouse throughout his/her life.

SBP is guaranteed for a surviving spouse's lifetime, however long, although it is suspended if the surviving spouse remarries before age 55. If that marriage ends, the surviving spouse may request that the Defense Finance and Accounting Service resume SBP annuity payments.

SBP can't be tailored to my individual needs

Tailoring to individual needs was already accomplished when the Soldier's retired pay was calculated. Since SBP is an extension of retired pay, the tailoring is built in, and is enhanced by the tie to COLA. Flexible, tailored plans for individuals often cause confusion and make comparisons of two or more plans difficult. Whereas commercial plans require continual adjustment as the economy changes, SBP requires no review due to COLA.

NOTE: A Retired Soldier may disenroll from SBP during the one-year period between the 25th and 36th month after start of retired pay. Spouse concurrence is required, no costs are refunded, and future enrollment is barred. Otherwise, the permanence of SBP guarantees protection for beneficiaries, which is the intent of the Plan.

The benefit is reduced at age 62

Not anymore. The two-tier benefit system has been phased out and replaced with a benefit of 55% of the base amount elected regardless of the age of the surviving spouse/former spouse.

> YOUR PAYMENTS MAY STOP: Retired Soldiers are considered "paid-up" after reaching age 70 and paying SBP premiums for 360 months. This law change went into effect Oct. 1, 2008.

Now that you're armed with the SBP facts, making the right choice to ensure your family's future financial health will be easier.

Because your SBP decision has such tremendous impact on your total estate planning, you should build on this beginning by requesting individual counseling from your Army Retirement Services Officer.

For more information on SBP also read the pamphlet entitled, "SBP — Basic Questions Answered." This pamphlet was prepared by Army Retirement Services, 251 18th Street South Suite 210, Arlington, VA 22202-3531.

See also: https://soldierforlife.army.mil/retirement/sbp

(08/15)

SURVIVOR BENEFIT PLAN

FACTS vs. MYTHS

What you and your family NEED to know for your future!

RETIRED PAY STOPS WHEN YOU DIE!

The Survivor Benefit Plan (SBP) is the **only way** for you to continue a portion of military retired pay to your survivors after you die.

This is fact, but as you get ready to retire, you may hear some fiction about the Survivor Benefit Plan (SBP) — misinformation spread by well-meaning, uninformed people.

You must make an SBP election when you retire. This decision is critical; it will have a life-time impact on your family's financial well-being. Here are the facts you need to know to make that decision.

You (and your spouse) should gather ALL the facts needed to make an informed SBP decision that meets your family's financial needs and goals. Use the following "most-often-discussed" features of SBP as a starting point.

Read more about SBP at https://soldierforlife.army.mil/retirement/sbp and request individual counseling from your Army Retirement Services Officer (RSO) listed at https://soldierforlife.army.mil/retirement/rso.

The cost of SBP increases

True, but relatively speaking, your cost remains constant. How? Retired pay, SBP premiums and SBP annuities all increase at the same rate with the annual Cost-Of-Living Adjustment (COLA).

Also, you don't pay for SBP by yourself — the government subsidizes your premiums.

I can buy more insurance the first year for less than SBP

The key phrase here is "the first year." What happens in the first year really doesn't mean much. The SBP decision is for a lifetime. The indexing of retired pay gives SBP a lot of value "down the road" which term insurance can't offer. To get a true picture of the long-term, extended costs and benefits, visit the DoD Actuary website (http://actuary.defense.gov/) where you can enter your data for an actuarial valuation and comparison of SBP versus term insurance.

SBP doesn't have cash value. I can't borrow against it

True. When a product offers you a cash value buildup, **you** pay plenty for it. SBP is an income protection program that is often compared to term life insurance, which has no cash value. Term insurance is temporary protection purchased to protect a known risk for a known period of time. Its costs rise or the benefits decrease with age. SBP should, in fact, be likened to permanent, increasing term protection at a constant relative cost which cannot be outlived by the recipient.

The SBP annuity is taxed

True, but remember this important feature — SBP premiums are tax-free. That allows you to realize tax relief as you pay, since the premiums are deducted from your retired pay before your taxable income is calculated. This lowers your income tax obligation at the time when family income (and tax bracket) is normally highest — as a couple. The annuitant's tax bracket is usually significantly lower than when the Retired Soldier was alive.

No money is returned to me if my spouse dies first

True. However, you have gotten what you paid for — **protection** — in the form of a degree of financial security for your spouse had you died first. Money is not returned by your car insurer if no accident occurs or by your home insurer if no fire occurs. Why? Because you paid for protection and you got protection. SBP is similar, but also is tax-advantaged, government-subsidized, and inflation-adjusted.

If the possibility of getting no money back upon your spouse's death bothers you, there is a simple way to minimize or eliminate that — insure your spouse's life. In fact, use the tax savings offered by SBP to purchase the policy.

Also important is the fact that since SBP elections are made by "category," if you lose your spouse, the premiums are suspended. If you remarry, you have one year to either resume coverage (at the same 6.5% cost); increase coverage; or decline resumption. With a commercial product, the new spouse's risk factors (e.g., age, health, pre-existing conditions) would determine the cost of protection.

There is no residual estate for my children when my spouse dies

True again. SBP was never intended to be a legacy, but instead a continuation of a portion of retired pay to a beneficiary, primarily a spouse. However, eligible children can be designated as primary or alternate beneficiaries. If you wish, you can provide assets for a residual estate using products designed for that purpose: insurance, savings and investments.

SBP offers the best gift you can give your children — a financially independent parent.