

# ***Air Force Personnel Center***

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## ***Survivor Benefit Plan (SBP)***



# Overview

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- **What is SBP?**
- **Who can be a beneficiary and receive the payments?**
- **What is a base amount?**
- **How much does SBP cost?**
- **Cost examples**
- **How much would my spouse and/or child receive?**
- **Different than insurance**
- **Mandatory retiree appointment/paperwork**



# What is SBP?

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- **Retired pay stops when you die**
  - Surviving spouses were being left destitute
  - 21 Sep 72 Congress implemented the SBP
  - Government subsidized annuity program
  - Patterned after the Civil Service annuity plan
- **SBP is only way your survivors may continue to receive a portion of retired pay**



# Who can be a beneficiary and receive the payments?

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- **Spouse only**
  - Receives payments for life
    - Remarriage after 55 does not suspend payments
- **Child(ren) only**
  - under 18 or until 22 if unmarried, full time student
  - Permanently disabled child receives for life
  - All eligible children receive the annuity in equal shares



# Who can be a beneficiary and receive the payments?

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- **Spouse and Child**
  - Spouse is primary beneficiary
  - All eligible children receive the annuity in equal shares only if spouse becomes ineligible due to death or remarriage before age 55



# Who can be a beneficiary and receive the payments?

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- **Former Spouse only**
- **Former Spouse and Child**
  - Only the member's and that former spouse's children can be covered under this option



# Who can be a beneficiary and receive the payments?

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- **Insurable Interest**
- Only when no spouse or children at retirement
  - Can be a relative
    - If related closer than a cousin, no financial justification required
  - Can be non-related person with financial interest in retiree
    - Proof must be provided: life insurance beneficiary, joint property owners



# What is a Base Amount?

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- **Base amount is the amount that determines:**
  - The monthly cost to the member
  - The annuity paid to the eligible survivor
- **Retiree selects the base amount:**
  - Highest -- full gross retired pay
  - Lowest -- \$300





# How much does SBP cost?

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- **Monthly spouse costs are usually 6.5 percent of base amount**
- **Child only cost is based on age of member and youngest child**
  - Less expensive than spouse coverage
- **Spouse and child coverage:**
  - Spouse cost plus additional amount for the children
  - Additional child cost is based on age of member, spouse and youngest child (less than the cost of child only coverage)



# Cost Examples

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- **Assume base amount is \$3549 and ages are:**
  - Retiring member: 44; Spouse: 43; Youngest child: 9
  
- **Assume full coverage is elected**
  - Spouse only coverage costs \$230.69 per month
  - Child only coverage costs \$7.45 per month
  - Spouse and child coverage costs \$230.72 per month
    - Additional cost for child's portion is only 3 cents



# How much would my spouse receive?

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- **Example of annuity payable upon member's death:**

- If base amount selected is: \$3549
- 55% of base amount: X .55
- Monthly annuity: \$1951.95



# How much would my child receive?

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- **Example of annuity payable upon member's death:**
  - If base amount selected is: \$3549
  - 55% of base amount: X .55
  - Monthly annuity: \$1951.95
- **Benefit split equally among all eligible children**
  - 3 eligible children receive \$650.65 each



# Paid Up Provision

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- **If member makes 30 years of payments and is 70 years or older, continued coverage but no more payments.**
  - In 30 years, member will be 74 years and spouse will be 73 years
  - Will have made \$83,048.40 in SBP premiums
    - (\$230.69/ mo x 12 mos x 30 yrs)
  - When the member passes, spouse will receive a \$1951.95 monthly annuity
  - Spouse will recoup all the SBP costs in 3.5 years
    - (\$83,048.40 / \$1,951.55)



# SBP vs Investments

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- **Putting \$230.69/mo into a money market account (2% APY)\* for 30 years**
  - \$112,303.80 total contributions + earnings
  - Withdrawal \$1951.95/mo
  - Funds last approx. 4.8 years
  
- **Putting \$230.69/mo into an investment account (5% APY)\* for 30 years**
  - \$183,921.33 total contributions + earnings
  - Withdrawal \$1951.95/mo
  - Funds last approx. 7.9 years

\* [www.bankrate.com](http://www.bankrate.com)



# SBP vs VGLI

## ■ VGLI \$400,000 policy

### ■ Premium rates by age

- 44 - \$68/mo
- 45-49 - \$88/mo
- 50-54 - \$144/mo
- 55-59 - \$268/mo
- 60-64 - \$432/mo
- 65-69 - \$600/mo
- 70-74 - \$920/mo

- In our example, SBP paid up provision kicks in at age 74. Retiree would have paid \$147,936 in VGLI premiums during that 30 years.

- 75 > \$1840/mo





# Different than Insurance

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- **SBP premiums are non-taxable**
- **SBP coverage can't be canceled due to ill health or advanced age**
- **Government pays portion of SBP premiums**
- **Insurance provides lump sum payments, however-**
  - Pay-out usually decreases with age or premiums rise
  - When lump sum is gone, that's it!
- **SBP provides life-time payments to spouse**
- **SBP annuity increases with COLA**





# Mandatory Retirement Processing Actions

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- **Attend one-on-one SBP briefing for you and spouse**
  - Spouse must be informed of the options and effects of the SBP
    - Packet mailed to spouse
  - **Spouse must concur in any election of less than full spouse coverage**
- **Election may be changed up to last day of active duty**
- **Decline coverage with eligible dependents**
  - No opt-in options after retirement
- **Elect coverage**
  - Opt-out option between 2<sup>nd</sup> and 3<sup>rd</sup> retirement anniversary



# Mandatory Retirement Processing Actions

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- **DD Form 2656, Data for Payment of Retired Personnel**
  - EVERY retiring member **MUST** complete this form **PRIOR** to their date of retirement
  - **Properly establishes their retired pay account**
    - **SBP election / Tax status / Correspondence address / Arrears of pay beneficiary information**
  - **Spouse must concur in any election of less than full spouse coverage**
  - **Failure to complete DD 2656 prior to retirement establishes automatic full SBP coverage**



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