The Survivor Benefit Plan (SBP)
This briefing will break SBP down into manageable understandable blocks, to help you to make an informed decision on your individual SBP election.
THE BOTTOM LINE
RETIRED PAY STOPS

WITH THE DEATH
OF THE RETIREE!
Spouse Outliving You?

What is the risk of your spouse outliving you?

• Life Expectancy (Note 1)
  • Male 75.1 years
  • Female 80.2 years

SBP Annuitants Who Exceed Life Expectancy: 45% or 117,755 (Note 2)

• Note 1: US Census Bureau, The 2010 Statistical Abstract
• Note 2: Source: DOD Actuary Statistical Report on Military Retirement System
What is SBP?

• **Enacted by Congress in 1972**
• **Sole means for retiree to continue a portion of retired pay to survivors**
• **Coverage is free while on active duty**
• **Decision at retirement -- begin to share cost**
The Annuity & Elections

Amount:
- Annuity of 55% of selected base amount regardless of the annuitants age.

Elections:
- Must be made *before* retirement
- Certain elections need spouse concurrence
- Generally irrevocable—
  with spouse concurrence, may be cancelled between months 25-36 following retirement
Joint Decision

A “JOINT” Decision For Married Marines Who . . .

- decline coverage
- cover less than full retired pay
- elect “child only”
- are under Redux retirement plan and do not elect full base amount based on retired pay they would have received under High-3

It is the Marine’s election

- The spouse can only concur or non concur
Termination Features

- termination during one-time, one-year window between 25th and 36th mo. after start of retired pay
- spouse concurrence required
- barred from future open enrollments
- no refund of past premiums
- why the law change?
  --acknowledges need for flexibility
Six Election Categories

- Spouse Only
- Spouse & Child
- Child Only
- Former Spouse Only
- Former Spouse & Child
- Insurable Interest

Note- Of the six elections we will only address two.
Spouse Election

- provides annuity of 55% regardless of the surviving spouse’s age
- annuity paid forever (unless remarriage occurs pre-55)
- if remarriage ends, annuity reinstated
- increased by annual COLA
- taxable as an annuity
- cost is suspended with no beneficiary
• FS coverage can be:
  • - purely voluntary
  • - incorporated into a written agreement
  • - court-ordered

• If divorce prior to retirement:
  • If court ordered, Marine should elect former spouse at retirement or could be held in **contempt of court**
  • FS must provide DFAS-CL divorce decree plus written request for a deemed election within one year of the court order

• FS coverage can be changed if court order is amended or vacated by FS’s death
Base Amount

• amount of retired pay (in dollars) participation is based on
• minimum, by law = $300
• maximum, by law = full retired pay
• may choose any $$ amount between
• Marines retiring under CSB/REDUX may choose full base amount based on retired pay they would have received under High-3.
SBP Cost Formula (Spouse Only)

• **Formula:**
  - 6.5% of base amount selected
  - cost lowered in Mar ‘90

• **Examples:**
  - Base Amount: $2000 $3000 $4000
  - Cost (6.5%) $130 $195 $260
  - Annuity provided: $1100 $1650 $2200
Sample SBP Costs

- (Ages: Member=44; Spouse=41; Youngest Child=12)

**Monthly Cost**

<table>
<thead>
<tr>
<th>Base Amount</th>
<th>Spouse Only</th>
<th>Spouse &amp; Child</th>
<th>Child Only</th>
<th>Annuity Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4000</td>
<td>$260</td>
<td>$260.52</td>
<td>$8.00</td>
<td>$2200</td>
</tr>
<tr>
<td>$3000</td>
<td>$195</td>
<td>$195.39</td>
<td>$6.00</td>
<td>$1650</td>
</tr>
<tr>
<td>$2000</td>
<td>$130</td>
<td>$130.26</td>
<td>$4.00</td>
<td>$1100</td>
</tr>
</tbody>
</table>
**SBP’s Real Cost**

<table>
<thead>
<tr>
<th></th>
<th>NO SBP *</th>
<th>SBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Pay</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>SBP Cost</td>
<td>$  0</td>
<td>$ 130</td>
</tr>
<tr>
<td>Taxable Pay</td>
<td>$2,000</td>
<td>$1,870</td>
</tr>
<tr>
<td>Tax Paid (28%)</td>
<td>$  560</td>
<td>$  524</td>
</tr>
<tr>
<td>Tax Savings</td>
<td>$  0</td>
<td>$  36</td>
</tr>
<tr>
<td>Actual SBP Cost</td>
<td>$  0</td>
<td>$  94</td>
</tr>
</tbody>
</table>

*The SBP participant receives a $36/month tax savings – and a future survivor benefit of $1,100. Tax rates will vary base on each individual’s financial situation.*
Threshold Amount

- Portion of base amount which costs 2.5%
- Only applies to Marines whose Date Initially Entered Military Service (DIEMS) date was prior to 1 Mar 90, medical retirements, or reserve non-regular age 60 retirement.
- Indexed annually to AD pay raise(s)
- Instead of a $300 base, cover base amount at 2.5%
- Effective 1 Jan 10

<table>
<thead>
<tr>
<th>Base</th>
<th>Cost</th>
<th>Annuity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>$725</td>
<td>$18.13</td>
</tr>
<tr>
<td>Minimum</td>
<td>$300</td>
<td>$ 7.50</td>
</tr>
<tr>
<td>Difference</td>
<td>$425</td>
<td>$10.63</td>
</tr>
</tbody>
</table>
Can I Tailor SBP to Meet My Need?

Yes ... Think “Base Amount”

- **Challenge:** What base amount should I cover to meet our needs?

- **Solution:** Divide the goal amount by 55%

- **Examples:**
  - $2000 annuity -- choose $3636 as base
  - $1000 annuity -- choose $1818 as base
30-Year Paid-Up Provision

- effective 1 Oct 2008
- no further cost (but annuity payable)

AFTER...

- 30 years of paying SBP Premiums (360 payments)...

AND

- reaching age 70
Unbeatable Features

- Government-subsidized plan
- Tax-free premiums
- Inflation-adjusted annuity
- Level-term plan annuity of 55 percent
- Flexible: can terminate between ret years 2-3
- “Paid-up” after 30 years paying premiums + age 70
- Survivors cannot outlive annuity
- Age, health, smoking, sex, lifestyle -- not considered
- Cost in today’s dollars; benefit in tomorrow’s dollars
- Can only be changed by Congress
- Income safety net; peace of mind
- Every active duty Marines enrolled at no cost from Day One
Four Main Points When Comparing SBP to Life Insurance

• It takes a surprising amount of insurance to do for the spouse what SBP will (based on averages).
• It will take a lot more insurance if the spouse outlives the retiree by the longest period of time.
• The amount of insurance needed over time rises due to inflation.
• Even though insurance may appear to be an inexpensive “alternative” at retirement, it’s harder to obtain and increasingly expensive as you age.
Replacement Value Of Annuity

- **Ret Pay:** $5000
- **Member’s Age:** 43          **Spouse’s Age:** 42

<table>
<thead>
<tr>
<th>Spouse’s Age</th>
<th>Annual After-Tax SBP Annuity</th>
<th>Replacement Value of SBP*</th>
</tr>
</thead>
<tbody>
<tr>
<td>At Marine’s Death</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>$29,700</td>
<td>$830,444</td>
</tr>
<tr>
<td>53</td>
<td>$38,752</td>
<td>$944,099</td>
</tr>
<tr>
<td>63</td>
<td>$52,079</td>
<td>$998,434</td>
</tr>
<tr>
<td>73</td>
<td>$69,990</td>
<td>$939,095</td>
</tr>
<tr>
<td>83</td>
<td>$94,061</td>
<td>$738,339</td>
</tr>
</tbody>
</table>

*Face value of insurance needed to equal SBP benefit.
- Assumes an inflation amount of 3% and return on invested insurance of 5.75%.
- Based on DOD Actuary SBP Program, Spouse will live to age 86.
- Note: To access this program go to DOD Actuary homepage, [ww.dod.mil/actuary/](http://ww.dod.mil/actuary/), click on “SBP Programs.”
Replacement Value Of Annuity

- Ret. Pay: $3000
- Member’s Age: 43  Spouse’s Age: 42

<table>
<thead>
<tr>
<th>Spouse’s Age at Death</th>
<th>Annual After-Tax SBP Benefit</th>
<th>Replacement Value of SBP*</th>
</tr>
</thead>
<tbody>
<tr>
<td>43</td>
<td>$17,820</td>
<td>$433,516</td>
</tr>
<tr>
<td>54</td>
<td>$23,344</td>
<td>$487,644</td>
</tr>
<tr>
<td>64</td>
<td>$31,372</td>
<td>$506,232</td>
</tr>
<tr>
<td>74</td>
<td>$42,162</td>
<td>$473,925</td>
</tr>
</tbody>
</table>

*Face value of insurance needed to equal SBP benefit.

- Note: This program can be accessed on the DOD Actuary homepage, [www.dod.mil/actuary/](http://www.dod.mil/actuary/),
**Replacement Value Of Annuity**

- **Ret Pay: $2000**
- **Member’s Age: 43**  **Spouse’s Age: 42**

<table>
<thead>
<tr>
<th>Spouse’s Age</th>
<th>Annual After-Tax SBP Annuity</th>
<th>Replacement Value of SBP*</th>
</tr>
</thead>
<tbody>
<tr>
<td>At Marine’s Death</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>$11,880</td>
<td>$323,556</td>
</tr>
<tr>
<td>52</td>
<td>$15,501</td>
<td>$357,841</td>
</tr>
<tr>
<td>62</td>
<td>$36,610</td>
<td>$373,331</td>
</tr>
<tr>
<td>72</td>
<td>$64,820</td>
<td>$355,949</td>
</tr>
</tbody>
</table>

*Face value of insurance needed to equal SBP benefit.
- Assumes an inflation amount of 3% and return on invested insurance of 5.75%.
- Based on DOD Actuary SBP Program, Spouse will live to age 86.
- Note: To access this program go to DOD Actuary homepage, [www.dod.mil/actuary/](http://www.dod.mil/actuary/), click on “SBP Programs.”
The average cost for a $250,000 “Whole Life” insurance policy for a 42-year-old man is $138.98 per month.

The average cost for a $500,000 “Whole Life” insurance policy for a 42-year-old man is $300.42 per month.

The average cost for a $1,000,000 “Whole Life” insurance policy for a 42-year-old man is $593.50 per month.
Life Insurance Proceeds—How Long Do They Last?

(Ret Pay = $5000; Life Insurance = $500K)

<table>
<thead>
<tr>
<th>Year</th>
<th>Age</th>
<th>Proceeds</th>
<th>SBP Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>42</td>
<td>$500,000</td>
<td>$29,700</td>
</tr>
<tr>
<td>2016</td>
<td>47</td>
<td>$464,972</td>
<td>$34,430</td>
</tr>
<tr>
<td>2021</td>
<td>52</td>
<td>$391,462</td>
<td>$39,914</td>
</tr>
<tr>
<td>2026</td>
<td>57</td>
<td>$263,899</td>
<td>$46,272</td>
</tr>
<tr>
<td>2032</td>
<td>63</td>
<td>$659</td>
<td>$55,251</td>
</tr>
<tr>
<td>2033</td>
<td>64</td>
<td>$0</td>
<td>$56,908</td>
</tr>
</tbody>
</table>

- Assumes an inflation amount of 3%, return on invested insurance of 5.75%, and spouse lives to 86.
- Insurance runs out in 2032, years without insurance proceeds 23
- Note: To access this program go to DOD Actuary homepage, www.dod.mil/actuary/, click on “SBP Programs.”
Life Insurance Proceeds—How Long Do They Last?

(Ret Pay = $3000; Life Insurance = $250K)

<table>
<thead>
<tr>
<th>Year</th>
<th>Age</th>
<th>Proceeds</th>
<th>SBP Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>42</td>
<td>$250,000</td>
<td>$17,820</td>
</tr>
<tr>
<td>2016</td>
<td>47</td>
<td>$214,636</td>
<td>$20,658</td>
</tr>
<tr>
<td>2021</td>
<td>52</td>
<td>$152,065</td>
<td>$23,949</td>
</tr>
<tr>
<td>2026</td>
<td>57</td>
<td>$51,764</td>
<td>$27,763</td>
</tr>
<tr>
<td>2027</td>
<td>58</td>
<td>$533</td>
<td>$28,596</td>
</tr>
<tr>
<td>2028</td>
<td>59</td>
<td>$0</td>
<td>$29,454</td>
</tr>
</tbody>
</table>

- Spouse’s expected age at death 82
- Years without insurance proceeds 23

Note: To access this program go to DOD Actuary homepage, www.dod.mil/actuary/, click on “SBP Programs,” and select the program, “Insurance.”
**Life Insurance Proceeds—How Long Do They Last?**

(Ret Pay = $2000; Life Insurance = $200K)

<table>
<thead>
<tr>
<th>Year</th>
<th>Age</th>
<th>Proceeds</th>
<th>SBP Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>38</td>
<td>$200,000</td>
<td>$11,918</td>
</tr>
<tr>
<td>2016</td>
<td>43</td>
<td>$185,760</td>
<td>$13,816</td>
</tr>
<tr>
<td>2021</td>
<td>48</td>
<td>$156,024</td>
<td>$16,017</td>
</tr>
<tr>
<td>2026</td>
<td>53</td>
<td>$104,530</td>
<td>$18,568</td>
</tr>
<tr>
<td>2031</td>
<td>58</td>
<td>$22,926</td>
<td>$21,525</td>
</tr>
<tr>
<td>2032</td>
<td>59</td>
<td>$239</td>
<td>$22,171</td>
</tr>
<tr>
<td>2033</td>
<td>60</td>
<td>0</td>
<td>$22,836</td>
</tr>
</tbody>
</table>

- Spouse’s expected age at death 82
- Years without insurance proceeds 23

Note: To access this program go to DOD Actuary homepage, [www.dod.mil/actuary/](http://www.dod.mil/actuary/), click on “SBP Programs,” and select the program,
SBP Cost of Living Adjustments (COLA)

Yearly SBP Annuity

This Chart shows the positive effect of COLA on SBP over 40 years for a GySgt with a $2,400 SBP base amount.

Remember, you pay in today's dollars for an SBP annuity paid in future dollars.

- 3% COLA represents current average inflation
- 4.43% COLA represents inflation average over previous 40 years
- 6% COLA represents moderate inflation

$15,840
$20,000
$25,000
$30,000
$35,000
$40,000
$45,000
$50,000
$55,000
$60,000
$65,000
$70,000
$75,000
$80,000
$85,000
$90,000
$95,000
$100,000
$105,000
$110,000
$115,000
$120,000
$125,000
$130,000
$135,000
$140,000
$145,000
$150,000
$155,000
$160,000
$165,000
$170,000
$175,000
$180,000
$185,000

2011  2020  2030  2040  2051

$162,926 6% COLA
$89,523 4.43% COLA
$51,761 3% COLA
<table>
<thead>
<tr>
<th>Length of time</th>
<th>Years for Annuity to Exceed Premiums Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums Paid</td>
<td></td>
</tr>
<tr>
<td>5 Years</td>
<td>8 Months</td>
</tr>
<tr>
<td>10 Years</td>
<td>1 Year, 1 Months</td>
</tr>
<tr>
<td>15 Years</td>
<td>1 Year, 6 Months</td>
</tr>
<tr>
<td>20 Years</td>
<td>1 Year, 10 Months</td>
</tr>
<tr>
<td>25 Years</td>
<td>2 Years, 2 Months</td>
</tr>
<tr>
<td>*30 Years</td>
<td>2 Years, 5 Months</td>
</tr>
</tbody>
</table>

*No further cost after 360 (30 years) premium payments and age 70*
Death in Retirement with SBP

E-8, Age 43, Spouse Age 41 Children Ages 12 and 15

Spouse's Age

- $9,000
- $7,500
- $6,000
- $4,500
- $3,000
- $1,500
- $0

40 44 48 52 56 60 64 68

Active Duty Ret Pay Social Security SBP
Death in Retirement without SBP

E-8, Age 43, Spouse Age 41 Children Ages 12 and 15

$9,000
$7,500
$6,000
$4,500
$3,000
$1,500
$0

Spouse's Age

40 44 48 52 56 60 64 68

Active Duty  Ret Pay  Social Security  SBP
When comparing costs, risks, and benefits, it’s helpful to compare costs with the **Net Premium** for SBP

- How risky is the alternative?
- Could your spouse outlive the benefits?
- Are the benefits protected against inflation?
- How long are you committed to pay for the alternative?
- Can the alternative provide living benefits such as tax-deferred savings or long-term care benefits if you should outlive the need for protection?
For More Information

For more information on the Survivor Benefit Plan

Log on to:  www.manpower.usmc.mil
Click on:  Veteran Marine, MMSR, Retired Activities, SBP

POC:
Mrs. Katharina Constance  
katharina.constance@usmc.mil
Comm:  (703) 784-9310/11/12
Toll Free:  (800) 336-4649
Fax:  (703) 784-9834
References

• Title 10, U.S. Code, Sections 1447-1455
• Executive Order 11687
• DoD Directive 1332.27
• NDAA 2002, Section 642, Public Law 107-107
• Memorandum dtd 01 May 2002; SBP Annuities When Member Dies on Active Duty
• MarAdmin 242/08
Useful Websites

For information on the Survivor Benefit Plan go to the Manpower and Reserve Affairs - Retired Activities website: http://www.manpower.usmc.mil - Click on Veteran Marine - MMSR - Retired Activities - SBP

To estimate retired pay and SBP costs go to one of the following websites:
http://actuary.defense.gov/
http://navymutual.org

For Information on Dependency and Indemnity Compensation (DIC) go to the Veteran’s Administration website: http://www.va.gov - Scroll to the bottom of the page and click on Survivor Benefits.

For Information on Social Security Benefits go to the Social Security Administration website: http://www.ssa.gov

For Information on Retirement Pay go to the Defense Finance and Accounting (DFAS) website: http://www.dfas.mil - Click on Retired Pay

For Information about Tricare go to the Tricare website: http://www.tricare.mil

For Useful Information go to: http://www.defenselink.mil - Click on Employee Resources