



# SURVIVOR BENEFIT PLAN

## TRAINING TECHNIQUES

### MODULE DESCRIPTION

The Survivor Benefit Plan is a 45-60 minute program designed for military members approaching retirement and their spouses. The purpose of this program is to provide basic information on the key provisions of the Survivor Benefit Plan (SBP). This information will assist service members and their spouses in making informed decisions about SBP's role in their retirement plan.

Due to the complexity of this topic, the presenter should be comfortable with basic financial planning subjects such as time value of money, inflation, life insurance annuities and investments. This module provides more information than is necessary for presentation.

Although the SBP allows numerous classes of beneficiaries, the vast majority of military retirees are male and the majority of SBP beneficiaries are female spouses. This program is designed from that perspective.

### LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Define “base amount”.
- Calculate a beneficiary’s monthly annuity.
- Explain how SBP premiums are calculated.
- Name four categories of SBP beneficiaries.
- Explain the tax benefits of the SBP.
- Understand the pros and cons of alternative approaches.
- Identify sources of assistance.

### REFERENCES

- United States Code, Title 10 Chapter 73

- Fiscal Year 2005 and 2006 DoD Statistical Report on the Military Retirement System
- [www.defenselink.mil/actuary](http://www.defenselink.mil/actuary)  
(Department of Defense Office of the Actuary)
- [www.defenselink.mil/militarypay/survivor/sbp](http://www.defenselink.mil/militarypay/survivor/sbp)  
(Office of the Secretary of Defense, Military Compensation)
- [www.dod.mil/dfas](http://www.dod.mil/dfas) (Defense Finance and Accounting Service)
- [www.census.gov](http://www.census.gov) (U.S. Census Bureau)

## ■ MODULE PREPARATION

### **Handouts:**

- The Survivor Benefit Plan: Basic Questions Answered

## ■ CURRICULUM OUTLINE

1. Welcome and Introduction (5 minutes)
  - a. Overview
  - b. SBP and Financial Planning
2. Coverage and Cost (5 minutes)
  - a. Retired Members
  - b. Benefit Amount
  - c. Cost
  - d. Example
  - e. Active Duty Members
3. Election Options (10 minutes)
  - a. Spouse
  - b. Spouse and Child
  - c. Children

- d. Insurable Interest
  - e. Former Spouse
  - f. No Beneficiary at Retirement
4. Important Considerations (10 minutes)
- a. Social Security Offset
  - b. Paid-up Status
  - c. One Year Termination Option
  - d. Pre-tax Benefit
  - e. SBP and CSB/Redux
  - f. Premiums Stop if You Lose Your Spouse
  - g. Open Season
  - h. Annuities vs. Premiums
5. The Decision (10 minutes)
- a. Personal Assets
  - b. Life Insurance
  - c. Advantages and Disadvantages
6. Sources of Help (5 minutes)

## ■ INSTRUCTOR TECHNIQUES BY SLIDE NUMBER

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The Financial Planning model shows when the slide first comes up. On a click of the mouse, a comment appears for each circle explaining the impact of SBP on that particular area of financial planning.

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Distribute the tri-fold handout, “The Survivor Benefit Plan: Basic Questions Answered”. Assure participants that the information you will

review in this presentation is also included in the handout for them to take home.

## 6

This is a basic calculation of a premium and a benefit (under the “spouse only” election).

## 8

For those with no beneficiary at retirement, you may want to discuss the concept of the “threshold amount”, detailed below.

For sailors who determine that their family doesn’t need the benefit provided by covering full retired pay, the term “threshold amount” may be of interest. The “threshold” is the portion of the base amount which costs 2.5%. This only applies to Sailors who entered service prior to 1 Mar 90. The minimum participation of \$300 is set by law and never changes. However, the threshold amount increases periodically (annually or semi-annually) based on the active duty pay raise percentage. As of 1 Jan 07, the threshold amount is \$649. As of 1 Apr 07, the threshold amount is \$652. The rationale for this is that as one’s active duty pay rises over the course of a career, a relative increase of the lowest amount which costs 2.5% is considered appropriate, to keep pace. This indexing feature began in 1986. While it remains most advantageous for most Soldiers to cover full retired pay as the base amount, for those who can’t see clear to do that, covering a reduced base amount (at least the threshold amount), should be considered.

As this example shows, the increase in the cost of covering \$300 as a base amount versus \$649 is minimal, while the resulting annuity increase is fairly significant (i.e., \$8.72 & \$192 effective 1 Jan 07 and \$8.80 & \$194 effective 1 Apr 07).

## 9

**Social Security Offset:** If any participants want further information on the offset, this information can be used: Currently, before age 62 the annuity is 55% of the base amount, but after age 62 the annuity is reduced to 45% of the base amount (offset by receipt of Social Security). The reduced multiplier, or “Second Tier” of 45%, will be

incrementally phased out. Effective 1 April 08, the annuity will be 55% of the base amount regardless of the annuitants age.

10

This is a simple explanation of the pre-tax benefit of the SBP premium. The message is that when comparing the SBP premium to a life insurance premium, be sure to take the tax savings into account.

11

You may need to explain the basics of the CSB/Redux plan to participants who are not familiar with it. Alternatively, you can sum up this discussion by simply noting that choosing CSB/Redux will also result in a reduced SBP benefit.

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Additional statistics that may be of interest: In 2006, only 62% of enlisted Navy members opted for SBP protection upon retirement compared with 80% participation from their counterparts in the Army and Air Force. Possible reasons for this could be insufficient pre-retirement counseling, no desire to provide for the spouse, having other assets available, or choosing protection alternatives. On a cumulative basis, officers in all branches participated at a rate of 82% versus 75% for enlisted members.

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For each of these “disadvantages” there is a benefit. Read through the content module to be familiar with the arguments in favor and against taking SBP.

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Remind participants that these resources are listed on the back panel of the tri-fold handout.