

NEARING MILITARY RETIREMENT?

Retired pay is paid **ONLY** for the life of the member. Prior to retiring you must decide whether you want to cover a portion of your retired pay under the Survivor Benefit Plan (SBP). We buy insurance to protect us from the financial hardships of events we can't foresee, like car wrecks and house fires. It protects our valuable assets. Your retired pay is one such valuable asset. However, your retired pay will **STOP** when you die! Since you can't foresee when that will be, it is important that you insure it. Think of SBP as a form of life insurance for part of your retired pay.

While you are on active duty, if you have a spouse and/or dependent children, they are automatically covered by SBP at the highest level at no cost to you. Your death must be classified in line of duty (LOD) in order for an annuity to be payable if you are not yet retirement eligible (have not accrued 20 years of active duty) on your date of death.

Prior to your retirement date, you must decide whether you want to continue SBP coverage into retirement. If you elect SBP coverage, you must pay premiums once you retire. SBP premiums are collected by reducing your retired pay, and they are not counted in your taxable income. This means less tax and less out-of-pocket costs for SBP. Also, the overall Plan is funded by the Government (subsidized), so the average premiums are well below cost. This subsidy increases the attractiveness of the plan.

HOW MUCH DOES SURVIVOR BENEFIT PLAN COST?

If you elect SBP coverage, you must elect a level of coverage or "base amount". The base amount is used to calculate both your cost and your survivor's annuity. Full coverage means your gross retired pay is your base amount, but the base amount can be any dollar figure between your gross monthly retired pay, down to as little as \$300. When retired pay gets a cost-

of-living adjustment (COLA), so does the base amount, and as a result, so does the premium and the annuity payable.

If you elect SBP coverage, you must also elect a category of beneficiary (i.e., spouse only, child only, spouse and child, former spouse, former spouse and child, or insurable interest person). After retirement, your election cannot arbitrarily be changed.

One of two formulas may be used to compute premiums for spouse or former spouse coverage. For all members who initially entered active duty after 28 February 1990 and who are not retiring for disability, the only formula used for computing spouse premiums is 6.5 percent of the base amount. However, a previous formula (referred to herein as the —old formula) may be used if more beneficial for members who initially entered active duty on or before 28 February 1990, and members who retire for disability (regardless of the date of entry on active duty). The old formula is 2.5 percent of the threshold amount, plus 10 percent of the base amount in excess of the threshold amount. The threshold amount for 2009 is \$701. Child only premium costs are calculated using a formula based upon the age of the retiring member and the age of the youngest child.

EXAMPLE OF SBP SPOUSE OR FORMER SPOUSE COST CALCULATIONS

OLD FORMULA

BASE AMOUNT OF \$2000

$$\$701 \text{ (Threshold Amount)} * .025 = \$17.52$$

$$\$1299 \text{ (excess of threshold)} * .10 = \$129.90$$

$$\$17.52 + \$129.90 = \mathbf{\$147.42}$$

NEW FORMULA

$$2000 * .065 = \mathbf{\$130.00}$$

DO I STILL PAY FOR SBP IF I NO LONGER HAVE A BENEFICIARY?

You can suspend your premiums when there is no longer an eligible beneficiary in a premium category, such as:

- ◆ If you elect child coverage and all your children become too old for benefits and have no incapacity; or
- ◆ If you elect spouse coverage and your spouse is lost through death or divorce.

PRE-RETIREMENT ACTIONS

Prior to your retirement date, you are required to attend a personal one-on-one SBP briefing with an Air Force SBP counselor. If you are married, your spouse should also attend the briefing. The law requires both you and your spouse to be fully informed of the options and effects of the SBP so that you can make an informed decision and so that your spouse will understand the implications of your decision. Do not depart on PCS or terminal leave until you have received your one-on-one SBP briefing and completed a DD Form 2656. If you do not complete a DD Form 2656 with a valid SBP election prior to your retirement date, DFAS will establish full automatic spouse and child SBP coverage. **Contact the Ellsworth SBP Counselor at (605) 385-2336 for more information or to arrange a personal one-on-one SBP briefing.**