What is the Survival Benefits Program?

Military retired pay stops when a retiree dies. The Survivor Benefit Plan (SBP) is a U.S. Department of Defense (DoD) sponsored and subsidized program. The program provides no-cost automatic coverage to members serving on active duty and reserve component members who die of a service-connected cause while performing inactive duty training.

It allows a military retiree to ensure lifetime payments to their dependents through an annuity. Reserve component members can also elect coverage when they have 20 years of qualifying service for reserve retired pay.

Who can the Program Cover?

✔ Spouse and Child (coverage pays to a spouse while they are alive; if the spouse dies before the retiree, the coverage will go to the children).

✔ Children only (coverage pays only to the children whether the retiree is married or not. They can receive SBP until they turn age 18 or age 22 if a full-time unmarried student) See section below on Coverage of Dependents with Disabilities.

✔ Former spouse (if more than one, a retiree can only choose one. If a former spouse is added, the current spouse cannot receive the benefit)

✔ Other “insurable interests” like a parent or business partner

If the military retiree declines SBP at retirement, they cannot decide to cover their spouse or a future spouse at a later time.

Does SBP Cover Dependents with Disabilities?

It does. Children who are mentally or physically incapable of self-support remain eligible for the SBP, if unmarried, for as long as they are incapacitated. Here is the Form DD 137-5 that must be completed to declare an incapacitated child over age 21: DD Form 137-5, Dependency Statement - Incapacitated Child Over Age 21

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There is a risk to having SBP payments go directly to a child with a disability receiving Social Security Supplemental Security Income (SSI) because the child will receive as much as 55% of the parent’s income. This may far exceed the resource limit for SSI and Medicaid, including Medicaid Waivers which can fund essential supports in the community for individuals with disabilities. These include things like respite, personal care, assistive technology, workplace assistance, residential and in-home supports, and more. Before 2014, the only option was to risk this loss of benefits, select a small annuity, or choose not to cover the disabled dependent child.

In 2014, the Disabled Military Child Act (DMCA) passed allowing retirees to contribute SBP payments directly to a Special Needs Trusts (SNT). This helps ensure that the dependent with a disability is not excluded from eligibility for federal benefits like Medicaid, Medicaid Waivers, or Supplemental Security Income (SSI).

To accomplish this, the retiree must make a written election to send the payments to the trust. This election cannot be changed. When SBP payments are made to more than one dependent child, the SNT is considered a dependent child to determine the shares payable to each eligible child. Before 2014, payments could not be made to an SNT because the law said that payments must go to a “person.”

The member or retiree must also submit a separate statement using a form available on the Defense Finance Accounting Services (DFAS) website or a legal statement from a lawyer certifying that the trust is a SNT created for the benefit of the disabled dependent child and is in compliance with all applicable Federal and State laws. Or the member can submit a certification from the Social Security Administration that the trust qualifies as an SNT under title 42 of the United States Code (U.S.C.)

If the retiree dies and has not elected to have SBP payments go into the SNT, the disabled dependent child’s surviving parent, grandparent or court-appointed legal guardian can irrevocably (meaning they can’t change their mind) have SBP payments made to the SNT. The same is true if the member dies on active duty in the line of duty and SBP coverage for the dependent child is granted by the military or if a member dies during inactive duty with no surviving spouse but has a disabled dependent.

Beyond SBP payments, the proper establishment of an SNT can be complicated and the laws surrounding them change frequently. Members should talk with an attorney and a financial advisor.
How Much is the Benefit and How is it Paid?

The annuity is based on a percentage of retired pay called SBP and is paid to eligibility beneficiaries. The benefit amount is an inflation-adjusted monthly income.

The military retiree pays a monthly premium for SBP coverage upon retiring. Premiums are paid from gross retired pay and don’t count as income so they are not taxed. Because the programs are partially funded by the government, the cost of SBP premiums is much lower than a marketplace insurance policy.

The maximum SBP annuity for a spouse is based on 55% of the member’s retired pay. However, the retiree can select a smaller annuity amount. Retirees who elect higher SBP payments upon their death have higher monthly premiums.

Here is a worksheet that DoD provides to estimate the monthly premium for SBP coverage: Survivor Benefits Program SBP Worksheet (defense.gov)

For members who chose the military’s CSB/REDUX retirement plan, SBP operates slightly differently about costs and benefits See Survivor Benefits Program CSB/Redux Cost and Benefits (defense.gov)

How does Payment Work?

Once the Defense Finance Accounting Services is notified of the retiree’s death, an SBP application is mailed to the surviving spouse.

If the process goes smoothly, the monthly annuity begins 45-60 days after the death of the retired military member.

If the retiree does not have a spouse and has elected child-only coverage, the children will be paid the annuity in equal shares until they reach the age of 18 (22 if a full-time student).

Once a child reaches 18 or 22, their annuity will stop and will be divided among any remaining eligible children until they reach 18 or 22. An incapacitated child will receive the SBP annuity for life as long as they never marry.
Is SBP the Same as Life Insurance?

SBP benefits are different than life insurance benefits. While they protect against the loss of financial security when the member dies, they also protect the surviving spouse or incapacitated child from outliving the benefit as it is a lifetime benefit.

SBP also protects against inflation through cost-of-living adjustments (COLAs). Private insurance plans generally do not do this. However, unlike private insurance, SBP does not offer a lump sum option which may be needed for immediate expenses. Therefore, members may want to combine SBP, private insurance, and other benefits depending on their family’s financial needs. Discussion with a financial advisor is recommended.

Resources

- Disabled Military Child Protection Act - Special Needs Alliance
- SBP Coverage and Benefits | Military.com
- Special Needs Trusts - Special Needs Alliance
- The Survivor Benefit Plan Explained | Military.com
- Survivor Benefit Plan FAQs | Military.com
- Survivor Benefit Plan Payments for Disabled Dependents | Military.com
- Survivor Benefits Program Overview (defense.gov)