

This fact sheet provides information to help you understand the provisions of the Survivor Benefit Plan (SBP), but is not a contract document. The basic statutory provisions of the SBP law are in Chapter 73, Title 10, United States Code.

### **SBP Coverage Costs**

Premiums are normally paid in the form of a reduction in retired pay, although a retiree may establish a Veteran's Affairs or Civil Service direct remittance SBP account. The amount of the reduction depends upon the amount of retired pay covered or protected by the SBP. This amount is referred to as the member's base amount. The base amount can be any dollar amount between a minimum of \$300 and full gross retired pay.

The member's SBP premiums are calculated as a percentage of the elected base amount and vary depending on the category of coverage elected. Monthly SBP premiums will remain a constant percentage of the base amount for life because premiums increase by the same percentage and usually at the same time as Cost-Of-Living Adjustments, or COLAs, are applied to retired pay, the base amount, and the annuity payable to the survivor.

Federal income tax is not applied to SBP costs. This pre-tax treatment of SBP premiums is a significant benefit because it effectively reduces the actual out-of-pocket cost of SBP by whatever marginal tax bracket a member and his or her spouse are in. This is one of the most significant advantages SBP has over alternatives and private pension survivorship plans.

If the beneficiary covered by the SBP becomes ineligible to receive the annuity, SBP deductions to retired pay are suspended. In other words, retirees pay for SBP only when they have a beneficiary who will receive the annuity in the event of the member's death. This is another significant advantage of SBP over private pension survivorship plans. Additionally, effective Oct. 1, 2008, coverage will be paid-up at 30 years and age 70. For more information on this feature, see SBP and RSFPP Paid-up Provision.

### **Spouse Costs**

One of two formulas may be used when computing spouse premiums for members who were on active duty on or before Feb. 28, 1990, and members who are retiring for disability (regardless of the date of entry on active duty).

The SBP premium for spouse coverage is the lower of either:

- (1) 6.5 percent of the designated base amount

Example of spouse coverage with base amount of \$2,000:

Enter Base Amount	\$2,000
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Multiply by 6.5 percent	X .065
Cost per month	\$130

(2) If the elected base amount is \$1,917.86 or less as of Jan. 1, 2021, take 2.5 percent of the first \$895 of the elected base amount plus 10 percent of the remaining base amount (see **Notes**, below).

Example of spouse coverage with base amount of \$1,400:

1. Enter Base Amount	\$1,400
2. Subtract first \$895	\$895
3. Remainder	\$505
4. Multiply \$895 by .025	\$22.38
5. Multiply \$505 by .10	\$50.50
6. Cost per month	\$72.88

**Notes:**

This amount (\$895) is referred to as the threshold amount. This amount increases at the same time and by the same percentage as active-duty basic pay increases. As of Jan. 1, 2021, the threshold amount is \$895. As of Jan. 1, 2021, if the base amount is \$1,917.86 or more, the cost will be less under the formula in (1) above. If the base amount is less than \$1,917.86, the cost will be less under the formula in (2) above.

A cost computation can be obtained by contacting an SBP counselor at the nearest military installation.

The computation of spouse premiums for members who initially entered active duty on or after Mar. 1, 1900, and who are not retiring for disability, involves the following:

SBP premiums for spouse coverage will be computed only as 6.5 percent of the designated base amount.

Example of spouse coverage with base amount of \$1,400

Enter Base Amount	\$1,400
Multiply by 6.5 percent	X .065
Cost per month	\$91

**Note:**

If you die shortly after retirement, your surviving spouse could receive a cost-of-living adjusted annuity for 50 or more years. Lifetime payments to your spouse from an original election to cover \$1,400 of your retired pay could total over \$750,000. As an example, with continuing COLAs, the annuity paid to your

spouse at age 90 would be roughly 2 and 1/2 times the covered retired pay at age 40. This demonstrates two unmatched features of SBP:

- Payments can never run out.
- Payments keep increasing by COLAs, thereby keeping future payments to survivors protected from inflation.

### **Child-only Costs**

The SBP premiums for child-only coverage are based on the member's age and the age of the youngest child on birthdays nearest the date the election takes effect. Costs for child coverage stop when all children lose eligibility to receive payments. Eligible children equally divide the annuity. A cost computation for child-only coverage can be obtained by contacting an SBP counselor at the nearest military installation.

#### **Note:**

A child age 18 or older who is permanently incapable of self-support is considered to be age 17 for cost purposes.

### **Spouse and Child SBP Costs**

The spouse portion of the cost is computed as shown above for Spouse-only Costs. The premium for the child's portion of the cost in a spouse and child election, is based on the ages of the member, the spouse, and the youngest child. This cost is added to the spouse cost. Eligible children equally divide the annuity only if the spouse loses eligibility through remarriage before age 55 or if the spouse dies. Because these cost factors take into consideration all possibilities of the ages of the member, the spouse, and the youngest child, they are too extensive to include in this fact sheet. A cost computation can be obtained by contacting an SBP counselor at the nearest military installation.

### **Former-Spouse Costs**

Former-spouse costs are computed in the same manner as a spouse election -- see Spouse-only Costs above -- except the age of the covered former spouse is used.

### **Former-Spouse and Child Costs**

Costs for former spouse and child coverage are computed in the same manner as a spouse and child election, except the age of the covered former spouse and the youngest covered child resulting from the marriage of the retiree and that former spouse are used.

### **Insurable Interest Costs**

SBP costs for insurable interest coverage are 10 percent of the member's gross retired pay plus an additional 5 percent for each full five years the beneficiary is younger than the retiree; however, total costs cannot exceed 40 percent of the retired pay. See [Insurable Interest SBP Coverage](#) for additional information on costs.