Department of the Army Reserve Component Survivor Benefit Plan (RC-SBP) Soldier and Spouse Brief
Our Goal

CHANGE.... MISINFORMATION you may have heard on RC-SBP from MISINFORMED People

INTO..... INFORMATION from INFORMED Experts
Purpose

• Break RC-SBP down into manageable understandable blocks.

• Allows RC Soldiers to make informed decisions on their individual RC-SBP elections.
What Happens When I Die?

ALL PAYMENTS STOP!!!

Retired Pay
All allotments
Former Spouse Payments

Payment in the form of an annuity begins only if you have elected SBP.
What is RC-SBP?

- Enacted by Congress in 1978.
- Sole means for a RC Soldier with 20 years of qualifying reserve service for retirement to provide a portion of their retired pay to survivors if they die before Non-regular Reserve Retirement.
- Provides a monthly income in the form of an annuity to eligible survivors after your death.
- RC-SBP decision affects SBP coverage at retirement.
- Certain elections constitute an early SBP decision.
- If retired from active duty, RC-SBP elections are voided and there is no RC-SBP cost for coverage received.
What Are The Risks?

No RC-SBP
Higher risk of leaving your loved ones with insufficient income

RC-SBP
Cost versus Returns
What if I don’t die before my non-regular retirement?
Things to Consider in Making a Decision

- SBP is government subsidized.
- Monthly SBP costs increase with annual COLA.
- SBP cost reduces taxable retired pay.
- SBP cost is suspended when no eligible beneficiary.
  - Divorce, Death, Child reaches age 18/22.
- Monthly annuity increases with annual COLA.
20 Year Letter

- Issued when RC Soldier attains 20 qualifying years of service.
- Qualifying year is a complete year in which the RC Soldier earns 50 or more points.
- Prior to 26 Apr 05, last 6 qualifying years of service for retirement must have been in the Reserves.
- 15 year letter issued by NG only after Medical Board, NG Soldier asks for transfer to Retired Reserves, CG authorizes and publishes order. USAR requires HRC final approval.
ABOUT ELECTIONS

- Must be made within 90 days of receipt of Notice of Eligibility for Retired Pay (20 Year Letter) packet from the Human Resource Command St. Louis (HRC St. Louis) or State Headquarters.
- Certain elections need spouse concurrence.
- Certain elections effect your SBP election.
- Failure to make an RC-SBP election on or after 1 Jan 01 results in automatic full immediate, (Option C) coverage for dependents at time of NOE, spouse and or children.
RC-SBP Election Options

- All elections made upon receipt of Notice of Eligibility (NOE) to receive Retire Pay (20 Yr Letter).

- Option A: No RC-SBP Coverage with option to elect coverage when eligible to receive retired pay.
- Option B: RC-SBP coverage with deferred annuity when the RC Soldier would turn age 60.
- Option C: RC-SBP coverage with immediate annuity.
• If Option A (Decline election until Age 60)
  • No RC-SBP coverage.
  • Pay no annuity if death occurs pre-reserve retirement.
  • If no eligible beneficiary at election, may elect RC-SBP within one year of first obtaining an eligible beneficiary.
• Effect on Non-regular retirement SBP
  • Must make SBP election on DD Form 2656, Data for Payment of Retired Personnel.
  • Pay SBP premium for coverage elected.
• RC-SBP cost
  • No RC-SBP coverage no cost.
• If non-regular retirement is prior to age 60 due to reduced age retirement, there is no SBP or RC-SBP coverage until age 60.
RC-SBP Option B

• **If Option B (Deferred Annuity)**
  • RC-SBP coverage.
  • Annuity paid when RC Soldier would have qualified for non-regular retirement to elected beneficiary categories who are still eligible.
  • Must maintain election prior to Non-Regular retirement.

• **Effect on SBP at Non-Regular retirement**
  • RC-SBP becomes SBP election.

• **RC-SBP cost when in receipt of retired pay**
  • Pay RC-SBP premium for RC-SBP coverage received.
  • Pay SBP premium for current coverage after receipt of retired pay.
If Option C (Immediate Annuity)

- RC-SBP coverage.
- Annuity paid immediately at RC Soldiers’ death.
- Must maintain election prior to Non-Regular retirement.

Effect on Non-Regular retirement SBP

- RC-SBP becomes SBP election.

RC-SBP cost

- RC-SBP premium for RC-SBP coverage received.
- SBP cost for coverage after receipt of retired pay.
- RC-SBP is more expensive than for Option B due to immediate payment of annuity.
### RC-SBP Options Summarized

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<tr>
<th></th>
<th>OPTION A</th>
<th>OPTION B</th>
<th>OPTION C</th>
</tr>
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<tbody>
<tr>
<td>ANNUITY</td>
<td>NONE</td>
<td>AT AGE 60</td>
<td>IMMEDIATE</td>
</tr>
<tr>
<td>COST</td>
<td>0</td>
<td>+/- 25% LESS THAN C</td>
<td>ROUGHLY 3.5% OF RETIRED PAY</td>
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<tr>
<td>AUTOMATIC DEFAULT?</td>
<td>NO</td>
<td>NO</td>
<td>YES full coverage for spouse and or dependent children at receipt of 20 year letter</td>
</tr>
<tr>
<td>REQUIRES SPOUSE CONCURRANCE</td>
<td>YES</td>
<td>YES</td>
<td>NO (If Spouse or Spouse and Child full base amount elected)</td>
</tr>
<tr>
<td>REQUIRES SBP ELECTION?</td>
<td>YES</td>
<td>NO RC-SBP becomes SBP</td>
<td>NO RC-SBP becomes SBP</td>
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*RC-SBP Options Summarized*
Six Election Categories

- Spouse Only
- Spouse & Child
- Child Only
- Former Spouse Only
- FS & Child
- Insurable Interest
Who may be insured

- Spouse
- Spouse & Children
- Child(ren) Only
- Incapacitated Child
  - Prior to age 18
  - Before age 22 if pursuing a full-time course of study
- Former Spouse
- Former Spouse & Child(ren)
- Insurable Interest
  - Grandparents, Uncle, Business Partner
Spouse Option

- Provides annuity of 55% minus the RC-SBP premium.
- Annuity paid forever (unless remarriage occurs pre-55)
- If remarriage ends, annuity reinstated.
- Increased annual by COLA.
- Taxable as an annuity.
- RC-SBP premiums stop when there is no eligible spouse or former spouse.
Spouse & Child Option

- Spouse = primary beneficiary.
- Children are secondary beneficiary and receive the annuity *only if* spouse can’t (pre-55 remarriage or death) *and* they are still eligible.
- Child cost is based on yrs age difference between Soldier and youngest child.
- Cost of child coverage - very low.
- When no eligible children remain, Child SBP cost stops but RC-SBP cost continues.
Child Only Option

- Eligible until 18, or 22 if full-time, unmarried student.
- Unmarried incapacitated child - eligible forever (if condition was incurred pre-18 or 22).
  - Note: It is recommended you research the impact of SBP for a fully disabled child may have on other benefits the child has or will receive.
- Cost based on age difference at time of election.
- All eligible children covered at one cost.
- When no eligible children remain, Child SBP cost stops but RC-SBP cost continues.
- Annuity divided equally among all eligible.
Q: Why bother to cover my 21-year old son who graduates from college soon?

A: Because, if you elected Option B or Option C and did not elect RC-SBP for an eligible child...

- You are “closing” the child category when there are eligible children for both RC-SBP and SBP forever.
- Family complete? perhaps a step-, grand-, foster- or natural child is in your future.
- Incapacitation may occur while still eligible.
- SBP cost stops when no eligible children remain but RC-SBP cost continue.

Advice – Seriously Consider Child Coverage!
Former Spouse (FS) “Particulars”

- FS coverage can be:
  - Purely voluntary.
  - Incorporated into a written agreement.
  - Court-ordered.

- If divorce prior to election:
  - If court Ordered, Soldier must elect FS or FS and child RC-SBP at 20 year letter or could be held in contempt of court.
  - FS can provide HRC Ft. Knox divorce decree plus written request (DD Form 2656-10, Request for Deemed Election) 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.
“Insurable Interest” Option

- **Who can Elect?**
  - Unmarried SMs with no or one dependent child.

- **Eligible Beneficiaries**
  - Relative more closely related than cousin OR business associate with financial interest in SM (proof needed).

- **Base Amount**
  - Must be full retired pay.

- **Cost**
  - Very expensive option
  - RC-SBP is same as SBP
  - SBP is 10% plus 5% for each full 5 years beneficiary is younger than the SM (maximum of 40%).

- **Loss of Beneficiary**
  - May elect new beneficiary within 180 days of current beneficiary’s death.
RC-SBP Spouse Concurrence

A “JOINT” Decision For Married Soldiers Who:

• Elect Option A, decline RC-SBP.
• Cover less than full retired pay.
• Elect “child only”.
• Elect Option B, deferred annuity.

It is the Soldier’s election

• The spouse can only concur or non concur
Frequent Problems with RC-SBP Elections

- Form not signed where required.
- Form not witnessed or notarized where required.
- Not signed & witnessed on the same day.
- Witnessed by a relative.
No Beneficiary at 20 Year Letter?

• Keep RC-SBP literature.
• Keep “Echoes”.
• Contact nearest RC RSO for a new briefing as soon as eligible beneficiary is gained.
• Decision whether or not to enroll new family members MUST be made within one year of gaining them.
• New spouse becomes eligible at 1-year marriage anniversary and child becomes eligible at one year.
• Submit request for SBP to HRC within one year if USAR or Retired Reserve and to State RSO for National Guard TPU Soldiers.
• RC-SBP change on a DD Form 2656-6, Election Change Certificate.
• Amount of retired pay (in dollars) participation is based on:
  • Minimum, by law = $300.
  • Maximum, by law = full retired pay.
• May choose any dollar amount between minimum and maximum.
Can I Tailor RC-SBP To Meet My Needs? 
Yes....Think “Base Amount”

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

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

**Examples:**
- $1000 annuity -- choose $1818 as base
- $ 500 annuity -- choose $ 909 as base
The Annuity

Amount:

- Annuity is 55% of the base amount elected regardless of the annuitants age.
RC-SBP Cost Calculations

- RC-SBP calculator based on retired pay and age at time of enrollment.
- RC retired pay based on retired grade, service longevity, and creditable retirement points.
- RC cost factor calculated by the DA Actuary
- RC-SBP calculator is available at: https://www.hrc.army.mil/site/index.asp
Termination Feature

- Can terminate SBP after 2 years of retirement.
- One-year window between 25th and 36th months after start of retired pay.
- Spouse concurrence required.
- Barred from future enrollment.
- No refund of past premiums.
- No termination of RC-SBP because it is for coverage already received.
“30 Year Paid-up Provision”

- No further cost (but annuity payable) AFTER
  - 30 years of paying RC-SBP/SBP Premiums (360 payments)
  
- reaching age 70.
- Note: Must make 360 RC-SBP payments to be paid-up for RC-SBP and 360 SBP payments to be paid-up for SBP and RC-SBP
RC-SBP Election and Active Duty Retirement

• RC-SBP election has no affect on Active Duty retirement.
• Must make separate SBP election.
• There is no cost for RC-SBP coverage already received prior to Active Duty retirement.
Life’s Certainties

Civilians

- Death
- Taxes

Retirees

- Can’t outlive Retired pay

Annuittants

- Can’t outlive RC-SBP/SBP annuity
RC-SBP Positives

- Only way to provide an annuity based on your eligibility for retirement if you die prior to your non-regular retirement.
- Tax-free premiums.
- Inflation-adjusted annuity.
- Level-term plan annuity of 55%.
- “Paid-up” after 30 years paying premiums + age 70.
- Annuitants cannot outlive RC-SBP/SBP annuity.
- Age, health, smoking, sex, lifestyle – not considered.
- Can only be changed by Congress.
- Income safety net; peace of mind.
RC-SBP/SBP “Perceived” Negatives

- Annuity is taxed to survivor.
- Premiums not returned if spouse dies first.
- Retired pay reduced because of SBP costs.
- Cost increases with COLA.
- No inheritance provision.
- No case value; cannot borrow against it.
Comparing RC-SBP/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 outlived 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 & increasingly expensive as you age.
### SBP vs Insurance

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<thead>
<tr>
<th>SBP</th>
<th>Cash value to borrow against</th>
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<tbody>
<tr>
<td>No cash value</td>
<td>Full cost</td>
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<table>
<thead>
<tr>
<th>SBP</th>
<th>Insurance distributions do not rise with inflation</th>
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<tbody>
<tr>
<td>SBP annuities rise with inflation</td>
<td>Insurance premiums not exempt</td>
</tr>
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<table>
<thead>
<tr>
<th>Premiums exempt from taxes</th>
<th>Proceeds are generally not taxable</th>
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<tr>
<td>SBP</td>
<td>Annuities paid out are taxable income</td>
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<tr>
<th>Cannot be denied due to health or age</th>
<th>Coverage can be denied</th>
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HQDA’s Advice to All Retiring Soldiers

“Do not forfeit RC-SBP without having full knowledge of what you are giving up.”

(Chief, Army Retirement Services)
For More RC-SBP Information

Log on to:
https://soldierforlife.army.mil/retirement/
http://myarmybenefits.us.army.mil/
https://www.hrc.army.mil/TAGD/Reserve%20Component%20Retirements

Contact:
Human Resources Command, 1-888-276-9472
The Bottom Line
Without RC-SBP

There is no annuity if the RC Soldier dies prior to receipt of retired pay.