

Survivor Benefit Plan (SBP) Decision Worksheet

VUB Financial Readiness Course — Module 5

Survivor Benefit Plan (SBP) Overview

- ▶ Pays **55% of selected base amount** to your designated beneficiary
- ▶ Election made via **DD Form 2656** at retirement
- ▶ Decision is **very difficult to change** after retirement; limited Defense Finance and Accounting Service (DFAS) windows and exceptions apply
- ▶ Declining SBP requires **spouse's notarized signature**
- ▶ Monthly premium: **6.5% of selected base amount** (deducted pre-tax)
- ▶ Premiums are **paid-up after 360 months (30 years) AND reaching age 70** — both conditions must be met

Advantages of SBP

- ✓ Lifetime longevity insurance
- ✓ No medical exam required
- ✓ Government-subsidized program
- ✓ Inflation-indexed (annual Cost-of-Living Adjustments)
- ✓ Premiums paid pre-tax

Disadvantages of SBP

- ✗ No access to principal
- ✗ Lost if beneficiary predeceases you
- ✗ May end on remarriage before age 55
- ✗ Less flexible than private insurance
- ✗ Very limited change or exit windows

Important: SBP + DIC Interaction

Dependency and Indemnity Compensation (DIC) is a tax-free VA survivor benefit. The 2026 surviving spouse base rate is **\$1,699.36/month**, effective December 1, 2025. As of January 1, 2023, the SBP-DIC offset has been fully eliminated, so an eligible surviving spouse can receive **full SBP from DFAS and full DIC from VA** with no SBP reduction.

Facilitator guidance

This worksheet does not have one universal answer. A complete student answer should identify the selected SBP base amount, estimated premium, estimated survivor annuity, whether DIC may also apply, and which professional or agency should verify the household-specific decision.

My SBP Calculation

My selected base amount: _____ Monthly premium ($\times 6.5\%$): _____

Beneficiary would receive ($\times 55\%$): _____ /mo Total premiums if paid-up at 70: _____

Beneficiary Designation Checklist

- | | | |
|---|--|---|
| <input type="checkbox"/> Survivor Benefit Plan (DD Form 2656) | <input type="checkbox"/> Military life insurance (SGLI / VGLI) | <input type="checkbox"/> Thrift Savings Plan (Form TSP-3) |
| <input type="checkbox"/> VA Life Insurance | <input type="checkbox"/> Bank accounts (payable/transfer-on-death) | <input type="checkbox"/> Retirement accounts (primary + contingent) |

Warning: Outdated beneficiaries after divorce or remarriage WILL receive benefits regardless of your will. Review and update all designations.

Estate Planning Essentials

- | | |
|---|--|
| <input type="checkbox"/> Last Will & Testament | <input type="checkbox"/> Durable Power of Attorney |
| <input type="checkbox"/> Healthcare Power of Attorney | <input type="checkbox"/> Advance Directive / Living Will |

Consult a qualified financial advisor for decisions specific to your situation.

Sources checked for Spring 2026 delivery: DFAS Survivor Benefit Plan guidance, DFAS SBP-DIC offset elimination guidance, DFAS paid-up status guidance, and VA 2026 DIC surviving spouse rates.