

MODULE 5

Teacher's Guide

Legacy & Estate Planning — SBP, DIC, Beneficiaries & Cognitive-Decline Prep

Who this guide is for

Module 5 is the closing class. By now your students have learned the income side; this is the "what happens to my family" side. SBP is the most consequential decision they ever made (or didn't make). Beneficiary forms control more money than wills do. And the hardest conversation — planning for cognitive decline — is the one that prevents the worst outcomes.

This module is also the most personal one you'll teach. Some of your students elected SBP and want to know if it's still a good deal. Some declined and may regret it. Some are widowed and worried. Some are caring for an aging parent and trying to figure out the next decade. Lead with empathy and let the questions come.

YOUR NORTH STAR — The One Rule

You are an **educator**, not an **estate-planning attorney**. When a student asks "should I get a trust?" or "should I drop SBP?" the answer is always: "Here's what the rule does — here's what to think through — then talk to a VA-accredited elder-law attorney or your base legal-assistance office." This module is full of *irreversible* decisions. SBP is irrevocable. Beneficiary forms override wills. Trusts are expensive to undo. Always recommend professional help for the actual decision.

What's in this guide

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Part 1 — The Survivor Benefit Plan (SBP)

What SBP Is, In One Sentence

The **Survivor Benefit Plan (SBP)** is a DoD-administered, government-subsidized annuity that pays a designated beneficiary — usually a spouse — **55% of the retiree's selected base amount** for life when the retiree dies. Premiums are deducted from retired pay (pre-tax), and after the retiree dies, payments to the survivor are taxable income to them. SBP automatically adjusts with COLA, so it's inflation-protected for the survivor's lifetime.

SBP is selected at the moment of retirement on **DD Form 2656**. The election is **irrevocable** — the retiree cannot drop it later (with limited exceptions during Congressional Open Seasons). Spouses are notified in writing if the retiree elects less than full coverage; spousal concurrence is required. Most veterans you'll teach made this decision 10-30 years ago.

KEY NUMBERS

Annuity to spouse	55% of selected base amount
Premium	6.5% of base amount, deducted from pre-tax retired pay
COLA	Annual, matches CPI
Election form	DD Form 2656 (at retirement)
"Paid-Up" status	After 360 months (30 yrs) of premiums AND age 70
Survivor benefit duration	Life (suspended if survivor remarries before 55, reinstated if remarriage ends)
Tax treatment of premiums	Pre-tax (reduces current income)
Tax treatment to survivor	Ordinary income

The Pros & Cons — Why It's a Real Decision

What SBP does well:

- **Lifetime guarantee.** The survivor cannot outlive the benefit, the way they could a drawn-down portfolio.
- **Inflation-protected.** Annual COLA matches CPI — private annuities almost never do this.
- **DoD-subsidized.** The premium covers about 60% of the actuarial cost; the government covers the rest. Equivalent commercial coverage costs significantly more.
- **No medical underwriting.** A retiree in poor health pays the same premium as a healthy one.
- **Spouse remarriage protection.** Coverage suspends only if remarriage occurs before age 55, and reinstates if that marriage ends.

Where SBP can disappoint:

- **Irrevocable election.** Once you check the box at retirement, you're locked in (with narrow Congressional Open Season exceptions).
- **No principal access.** Premiums don't build cash value. If the beneficiary dies first, premiums are not refunded.
- **Taxable to survivor.** Beneficiary pays ordinary income tax on the annuity.
- **Suspends if remarriage before 55.** Surviving spouse who remarries young loses benefits during that

marriage.

"Paid-Up" Status — What It Actually Means

After **360 months (30 years) of premium payments AND reaching age 70**, SBP becomes "paid-up." Premiums stop. Coverage continues. **Both** conditions must be met — 30 years alone isn't enough; age 70 alone isn't enough.

For a 20-year retiree who retired at 38 with full SBP, premiums stop at age 68 (the 30-year mark) or 70, whichever comes later — so 70. For a 30-year retiree who retired at 50, premiums also stop at age 70 (which is also the 20-year mark of premiums in that case — wait, no, that's 20 years; they need 30 of premiums). The math: **start year + 30 = year premiums COULD stop, but actually stop at age 70 if that's later**. Most veterans hit paid-up status around 70.

"What If I Declined SBP?" — The Quiet Crisis

A meaningful percentage of your students declined SBP at retirement. Some had reasons (separate savings, term life, predecessor wife). Some were given bad advice. Some didn't realize what they were declining. Most cannot reverse the decision — with two narrow exceptions:

- **Congressional Open Seasons.** The 2023–2024 NDAA created a one-year SBP Open Season for retirees who had previously declined. Future Open Seasons may be authorized again. *Watch for them and tell students to act fast when one is announced.*
- **Marriage after retirement.** A retiree who marries (or remarries) after their original SBP decision has a one-year window to elect SBP for the new spouse.

If neither exception applies, the choices are the imperfect commercial alternatives:

- **Term life insurance** — cheap if healthy and young; expensive or unavailable in older age. Eventually the term expires.
- **Permanent (whole or universal) life** — expensive, complex, frequently oversold to veterans. Most are not worth the premium.
- **Self-insure with investments** — possible if portfolio is large enough, but subject to market risk and longevity risk.
- **VGLI / SGLI conversion** — lower priority but still relevant for some.

WATCH OUT — The SBP Replacement Annuity Pitch

After a veteran retires without SBP, insurance agents pitch "**SBP replacement annuities**" — expensive whole-life or annuity products marketed as equivalent. **They are not.** Almost none have COLA. None are DoD-subsidized. None are tax-equivalent. Tell students: "**If someone says they have a product as good as SBP, they're wrong — and probably collecting a commission to convince you otherwise.**"

IF A STUDENT ASKS...

Q: I declined SBP. Was that a mistake?

A: You cannot answer this for them. It depends on their spouse's other resources, savings, what they did with the premium money instead, and survivor longevity. Frame it: "SBP is guaranteed, inflation-protected, and DoD-subsidized — nothing private fully replaces those features. If your spouse outlives you and her other resources are thin, that's where SBP would have helped most. If you want to revisit, watch for the next Open Season."

Q: I have SBP and full life insurance. Should I drop SBP to save the premium?

A: You cannot drop SBP outside an Open Season. But also, dropping it generally makes no sense even if it were possible — SBP's COLA-protected, lifetime, government-subsidized structure is hard to beat. Life insurance pays a one-time benefit; SBP pays for life. They complement each other.

Q: What happens to SBP if my spouse dies before me?

A: Coverage suspends. The retiree can re-elect SBP for a new spouse if they remarry, within one year of remarriage. They can also designate a child or, in limited cases, a **natural person with insurable interest** as beneficiary — this is rare and has specific rules.

Q: If my wife remarries after I die, does she lose the benefit?

A: Only if she remarries before age 55. Remarriage at 55 or later does NOT terminate SBP. If she remarries before 55, SBP suspends during that marriage. If that marriage ends (divorce, death, annulment), SBP resumes.

Part 2 — DIC & the 2023 Offset Elimination

What DIC Is

Dependency and Indemnity Compensation (DIC) is a **tax-free monthly benefit** from the VA paid to surviving spouses (and certain children/parents) when a veteran's death is service-connected. Because it's a VA program, it's regulated by Title 38 and is **completely separate** from SBP (which comes from DoD).

Three pathways to DIC eligibility (any one suffices):

- The veteran **died from a service-connected condition**.
- The veteran **died on active duty**, in active or inactive duty for training.
- The veteran was **rated totally disabled (100%)** from a service-connected condition for 10+ years before death (or 5+ years from discharge, or 1+ year if a former POW).

KEY NUMBERS

Base DIC rate (2026, surviving spouse)	\$1,699.36/month
Plus — spouse with dependent children	+\$432.27/month per child
Plus — eligibility for A&A or housebound	Additional amounts
Tax treatment	Tax-free, federal & state
COLA	Annual
Application form	VA Form 21P-534EZ
Where filed	va.gov/burials-and-memorials/dependency-indemnity-compensation

The 2023 Offset Elimination — Why This Matters

Until **January 1, 2023**, federal law required SBP to be reduced (offset) dollar-for-dollar by any DIC the survivor received. Surviving spouses who qualified for both effectively only got DIC — SBP became a refund of the dead retiree's premiums. This was widely known as the "widow's tax." It had been protested for decades.

The 2020 NDAA phased out the offset over three years (2021-2022-2023). As of **January 1, 2023**, the offset is **fully eliminated**. Surviving spouses now receive **both SBP and DIC in full**, with no reduction. For families where the veteran has a service-connected condition, this dramatically increased the value of SBP.

TALKING POINT — The 2023 Change Re-Argues SBP

If you teach this section right, half your room will leave with their understanding of SBP updated. Before 2023, SBP–DIC offset made SBP feel pointless for service-connected veterans. **That logic is gone**. A surviving spouse can now receive a full SBP annuity AND full tax-free DIC stacked together. For a veteran with a service-connected condition that may shorten life, SBP is now strictly more valuable than it was before. **Tell students: if their reasoning for declining SBP was the offset, that reasoning is obsolete.**

Survivor Income Stack — What a Spouse Actually Receives

When a covered military retiree dies, the surviving spouse may stack **several** survivor incomes simultaneously. The combination is potent and often surprises people. A worked example, spouse of a 100%-rated retired veteran whose death is service-connected:

Source	Approximate amount	Tax treatment
SBP annuity (55% of base)	Varies by election; e.g. \$2,200/mo	Ordinary income
DIC base	\$1,699/mo (2026)	Tax-free
Social Security survivor benefit	Up to 100% of veteran's PIA	0–85% taxable (provisional)
VA pension to survivor (if low income)	Up to ~\$1,558/mo with A&A	Tax-free
TSP / IRA inheritance	Whatever balance was left	Per beneficiary form
VGLI / SGLI death benefit	Up to \$500,000 lump sum	Tax-free

WATCH OUT — Apply for DIC Right Away

DIC is **not** automatic. The surviving spouse has to apply (VA Form 21P-534EZ). The benefit is paid retroactively to the date of the veteran's death IF applied for within one year; otherwise it's only retroactive to the application date. **Tell students to make sure their spouse knows this** — missing the window leaves money on the table.

IF A STUDENT ASKS...

Q: Is DIC tax-free even if my wife works?

A: Yes — tax-free always. DIC is excluded from income at federal and state level. It doesn't affect Social Security taxation, doesn't trigger IRMAA, doesn't show up on the 1040. Same as VA disability for living veterans.

Q: Will my wife get my Social Security AND DIC AND SBP?

A: Yes, all three — if she qualifies. Social Security survivor benefits are paid by SSA. SBP is paid by DFAS. DIC is paid by VA. Three different agencies, three different applications, three different deposits. All three stack with no offset.

Q: I'm 70% rated — would my wife qualify for DIC if I die of natural causes?

A: Maybe not. DIC pays when death is service-connected, OR when the veteran was **100%-rated for 10+ years before death** (or 5+ years from discharge, or 1 year if POW). A 70%-rated veteran who dies of unrelated causes generally does NOT trigger DIC. **This is why aiming for an accurate rating matters — even decades after retirement.**

Q: What if my service-connected condition was the cause of my death but isn't on my death certificate?

A: The spouse can still file for DIC and request a service-connection determination. The VA will review medical evidence. **Refer the surviving spouse to a VSO immediately** — this is exactly the kind of claim where free, accredited help is essential.

Part 3 — Estate Documents & VA Burial

The Four Documents Every Veteran Needs

Estate planning at retirement age is not about who gets the lake house. It's about preventing courts and strangers from making decisions when the veteran (or spouse) cannot. Four documents do almost all of the heavy lifting:

Document	What it does	Without it...
Will (Last Will & Testament)	Directs distribution of probate assets; names guardian for minor dependents.	State intestacy law decides — often not what the veteran wanted.
Durable Power of Attorney (financial)	Names someone to manage finances if the veteran is incapacitated.	Family must petition court for guardianship — slow & expensive.
Healthcare Power of Attorney	Names someone to make medical decisions if the veteran can't.	Hospitals follow next-of-kin rules; family disputes happen.
Advance Directive (Living Will)	States the veteran's wishes for end-of-life medical care.	Family must guess; emotional disagreements cause harm.

Where to Get Them — Free & Cheap Options

- **Active military legal-assistance offices** — some bases continue to serve retirees. Free.
- **VSO offices** (DAV, VFW, American Legion) — many have free notarization and can refer to volunteer attorneys.
- **State and local Veterans Affairs offices** — often have estate-planning clinics.
- **VA-accredited attorneys** — for complex estates or trusts; expect \$300-\$1,500 for a basic package.
- **State bar referral services** — sliding scale based on income.

DO NOT SAY — The Online-Forms Trap

Do not recommend **LegalZoom, Rocket Lawyer, or other online form services** for veterans with any complexity (kids from a prior marriage, real estate in multiple states, special-needs heir, blended family, business interests). The forms are valid documents, but the *strategy* — what to put in them — is the part that matters. A \$300 attorney visit can prevent six-figure probate disasters. Tell students: "**The forms are easy. The strategy is what an attorney is paid to think through.**"

VA Burial Benefits — What's Free, What's Reimbursed

Every veteran with an honorable or general discharge is entitled to a set of **burial benefits** from the VA. These are real money, and most families don't know what's available until after the death — when they're least equipped to navigate the paperwork. Pre-planning costs nothing and saves families thousands at the worst possible moment.

KEY NUMBERS

Burial in a national cemetery	Free (gravesite, perpetual care, opening/closing)
Government headstone or marker	Free

Burial flag	Free
Presidential Memorial Certificate	Free
Military funeral honors (flag detail, taps)	Free upon request
Burial allowance, service-connected death	Up to \$2,000+
Burial allowance, non-service-connected (eligible)	Up to \$948 burial + \$948 plot (varies)
Pre-need eligibility determination	VA Form 40-10007

The Pre-Plan Step Veterans Skip

VA Form 40-10007 ("Application for Pre-Need Determination of Eligibility for Burial in a VA National Cemetery") lets a veteran confirm eligibility *before* death. The VA issues a determination letter the family can keep with their records. When the veteran dies, the family hands the letter to the funeral home and avoids days of paperwork during the worst week of their lives.

The form is free. It takes about 30 minutes. And the family hours saved at the worst possible moment is enormous. **Make this a homework assignment if you have the time** — many of your students will not have done it.

IF A STUDENT ASKS...

Q: *Can my spouse be buried with me at a VA national cemetery?*

A: Yes — spouses are eligible to be buried with the veteran at a VA national cemetery, even if the spouse predeceases the veteran. Same headstone shows both. The spouse's burial is no charge.

Q: *I'm cremated — do I still get a flag and burial allowance?*

A: Yes. All burial benefits apply to cremated remains. Cremation does not affect eligibility. Cremated remains can be interred at a national cemetery's columbarium or in an in-ground gravesite.

Q: *What if I want to be buried in a private cemetery?*

A: Veterans can be buried in any private cemetery and still receive a free **government headstone or marker**. The burial allowance (\$948 + \$948 plot if non-service-connected and eligible) reimburses some private burial costs but does not pay for the gravesite itself.

Q: *Where do I keep my discharge document (DD-214)?*

A: Multiple places. **Originals** in a fireproof safe at home. **Copies** with spouse, another trusted family member, and your VSO. **Digital scan** in a password-protected cloud folder. Your DD-214 is the most important document of your military career — the family will need it for every benefit claim.

Part 4 — Beneficiaries & Cognitive-Decline Planning

The One Form That Beats the Will

Beneficiary designations override wills. If a veteran's will leaves everything to their current spouse, but their TSP-3 form still shows their ex-wife from 1992 as beneficiary, **the ex-wife gets the TSP balance.** The will doesn't touch it. This happens constantly — and there is no recourse for the family.

Make this the most repeated sentence of the entire course: "**Beneficiary designations override your will. Check them every year.**"

The Annual Beneficiary Review — A Specific List

Account / Plan	Form	Where to update
TSP	Form TSP-3	tsp.gov / ThriftLine 1-877-968-3778
Civilian 401(k) / 403(b)	Plan-specific form	Plan administrator
IRAs (Traditional, Roth)	Custodian's beneficiary form	Bank/brokerage
SBP	DD Form 2656 / DD 2656-1 (post-retirement events)	DFAS / mypay.dfas.mil
SGLI / VGLI	SGLV-8286 / VGLI form	milconnect.dmdc.osd.mil
VA insurance (SDVI, etc.)	VA Form 29-336	insurance.va.gov
Bank accounts (POD/TOD)	Bank's beneficiary card	In-person at bank
Brokerage / taxable accounts	TOD / beneficiary form	Brokerage
Life insurance (private)	Insurer-specific	Insurance company

WATCH OUT — The Divorce / Remarriage Time Bomb

Most outdated beneficiary forms are from **old marriages**. A veteran who divorces in 2010 and remarries in 2014 frequently never updates their TSP, SGLI, IRA, and 401(k) beneficiaries. **Their ex inherits.** This is real money, lost to people the veteran would have wanted differently. Tell students: do this annually, and especially after divorce or remarriage.

Cognitive Decline — The Hardest Conversation

Roughly 1 in 9 Americans 65+ has Alzheimer's or another dementia. The number rises sharply with age. Almost no one in your room thinks they will be the one. Most who are diagnosed lose financial decision-making capacity well before they realize they have. The math is sobering, but the preparation is straightforward — and it has to happen *while the veteran is still sharp.*

The Four-Step Cognitive-Decline Plan

- **Sign a durable power of attorney.** "Durable" means it remains in effect if the veteran becomes incapacitated. A regular POA does NOT. Verify the document explicitly includes the word **durable**.

- **Set up a trusted contact at every financial institution.** Bank, brokerage, TSP. The trusted contact is someone the institution can call if they suspect exploitation or capacity issues. Setting one up is free and takes 5 minutes per institution.
- **Name a successor trustee** if there's a trust. Have a backup who can step in.
- **Nominate a VA fiduciary** if VA disability is significant. The VA appoints fiduciaries to manage benefits for veterans who can't — nominating a trusted person ahead of time is cheaper than letting the VA pick a stranger.

TALKING POINT — The Conversation Itself

"Tell your family **three things** before next month: (1) **where your documents are**, (2) **who your financial contacts are**, and (3) **what accounts you have**. Write it all on a single piece of paper. Put a copy with your will. Put a copy in a safe deposit box. Tell two people where the copies are. This single act prevents more financial chaos when something happens than any expensive document." — This is one of the most useful sentences in the entire course. Repeat it three times in class.

Elder Financial Exploitation — The Warning Signs

Veterans are targeted because of guaranteed income (Module 2 covered the scam landscape). For older or cognitively declining veterans, the threat shifts from external scammers to **family, caregivers, and acquaintances**. The most heartbreaking cases involve adult children or new romantic partners who isolate the veteran and drain accounts.

Warning signs to teach the family to recognize:

- Sudden changes to bank account, beneficiary forms, or POA
- A new caregiver or romantic partner controlling access to the veteran
- The veteran being asked to sign documents they don't understand
- Family members being blocked from communication with the veteran
- Unexplained withdrawals or transfers from the veteran's accounts
- A previously generous veteran suddenly stopping gifts to family or charities

If a student suspects exploitation:

- **VA Office of Inspector General:** 1-800-488-8244
- **Adult Protective Services** (each state): napsa-now.org
- **Eldercare Locator:** 1-800-677-1116
- **State Attorney General:** most have an elder-fraud unit

IF A STUDENT ASKS...

Q: How do I set up a trusted contact at my bank?

A: Walk in, ask to speak to a banker, and say: "I want to add a trusted contact to my accounts." They have a form. The trusted contact has **no** authority to access the money — they're just a person the bank can call if something looks wrong. **5 minutes. Free. Should be done at every financial institution.**

Q: Is a will enough or do I need a trust?

A: You cannot answer this, because it depends on assets, family complexity, and state law. Frame it: a **will** directs probate assets but goes through court. A **revocable living trust** avoids probate, provides privacy, and helps if there's real estate in multiple states — but costs more to set up and requires retitling assets. Refer to a VA-accredited estate attorney for the right call.

Q: My memory is starting to slip. What should I do RIGHT NOW?

A: Three things this week: (1) verify your **durable power of attorney** is in place and the word "durable" is in it; (2) call each of your financial institutions and add a **trusted contact**; (3) write down your **account list and document locations** on one page and give it to your spouse or trusted family member. **Don't wait for a diagnosis.**

Q: What if I don't trust any of my children to be my POA?

A: The POA doesn't have to be a child. It can be a trusted friend, a sibling, a professional fiduciary, or an attorney. State laws vary, but most allow non-relatives. A **professional fiduciary** charges a fee but is regulated and bonded — sometimes the cleanest solution for blended or strained family situations. An estate attorney can help structure this.

Part 5 — The Day Before Class

Your 20-Minute Prep Routine

You will teach this class in two hours. Here's a pre-class routine that fits in 20 minutes and makes the difference between "nervous" and "ready."

Step	Notes
1. Re-read Parts 1–4 of this guide	Module 5 is the most personal — know it cold. ~12 min
2. Open the presentation and click through all 13 slides	Last class — pacing matters. ~5 min
3. Have the SBP Decision Worksheet handout ready	Many students will fill this in real-time
4. Have VA Form 40-10007 link/printed	Pre-need burial determination — assign as homework
5. Know your local VA-accredited elder-law attorney	Refer for trust/POA questions
6. Be ready for emotional moments	Widows, caregivers, and recent diagnoses all show up here
7. Save 15 min at the end for course wrap-up	Reinforce the resources, the disclaimers, the next steps

Authoritative Resources — Bookmark These

When a student asks a question you can't answer, don't guess. Go here. Keep these bookmarked in the classroom browser.

Topic	URL	What you'll find
SBP overview	militarypay.defense.gov/Benefits/Survivor-Benefit-Program	Official SBP rules and forms.
DIC info	va.gov/burials-and- Memorials/dependency-indemnity-compensation	Eligibility, rates, application.
VA burial benefits	va.gov/burials-and- Memorials	Pre-need application Form 40-10007 and benefits list.
TSP beneficiary update	tsp.gov	Update Form TSP-3 online or via ThriftLine.
milConnect	milconnect.dmdc.osd.mil	SGLI/VGLI updates, retiree info, dependent enrollment.

Find an estate attorney	VA-accredited list at va.gov/ogc/accreditation.asp	Verify accreditation; many do estate work.
State Adult Protective Services	napsa-now.org	Find APS in any state for elder-abuse reports.
Eldercare Locator	1-800-677-1116 or eldercare.acl.gov	Connects to local aging services.
VA OIG (fraud)	1-800-488-8244	Report VA-related elder fraud or exploitation.

FINAL REMINDER — If You Only Remember One Thing

This is the last class. End it well. The course you delivered taught your students vocabulary they didn't have, gave them resources they couldn't find before, and reminded them that what they earned in service is worth understanding. They will not remember every number. They will remember *that you cared enough to make sure they had the tools*. Close by reminding them: this whole course is on file at the VUB office. They can come back for the handouts anytime. You are not the only resource they have — but for the next few weeks, you might be the most important one.